



ANNUAL REPORT
2015

Year Ended March 31, 2015

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Forward-Looking Statement

This presentation material contains various outlook and perspective information derived from our own presumptions and judgements based on currently available information on conditions and prospects of each market and economic circumstances such as currency exchange rate fluctuations. All figures and statements with respect to the future performances, projections, and business plans of Sumitomo Electric and its affiliated companies are constituted by the aforementioned outlook and perspective information.

Factors that could cause actual results to differ materially include but not are limited to:

1. Market and economic conditions in the U.S., Europe, Japan and other Asian countries, especially increases and decreases in personal consumption and capital expenditures.
2. Fluctuations of currency exchange rates, especially between the Japanese yen and the U.S. dollar, the euro and Asian currencies.
3. The ability of Sumitomo Electric and its affiliated companies to cope with rapid technological development.
4. Changes in financial, management, environmental and other presumptions.
5. Current and future laws and regulations in foreign countries involving trade and other activities.
6. Changes in the market value of securities owned by Sumitomo Electric and its affiliated companies.

There are possibilities that actual sales and profits may be different materially from those described in this material. Sumitomo Electric and its affiliated companies are not obliged to update or make public any future performances, projections or business plans after releasing this material.

Who We Are

The history of Sumitomo Electric Industries, Ltd., started in 1897, when the House of Sumitomo established the Sumitomo Copper Rolling Works to manufacture and market bare copper wire. The Company then developed power transmission cables and communication cables to support Japan's rapidly growing power needs and telecommunications infrastructure development.

For more than 110 years, Sumitomo Electric has continued to pursue the challenge of developing proprietary technologies and new businesses based on its electric wire and cable manufacturing technologies. Currently, the Company is engaged in diversified business activities supporting people's daily lives and industry in five business segments: Automotive, Infocommunications, Electronics, Environment and Energy, and Industrial Materials and Others.



The Sumitomo Spirit

The Sumitomo Electric Group is committed to maintaining public trust by conducting business activities with integrity, in accordance with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. As the Company expands its business operations across the world, linking closely with society, it always gives top priority to the cultivation of strong corporate ethics as a world-class company

In Business for

118 years*

Sumitomo Electric Industries, Ltd., was originally established as Sumitomo Copper Rolling Works in 1897 to manufacture copper plates, copper rods and bare copper wire.

*As of 2015

Consolidated Companies

389

The Sumitomo Electric Group includes 389 subsidiaries and affiliates in more than 40 countries around the world.

Consolidated Net Sales (FY2014)

Geographical Segment Sales

Japan	41.7%
Americas	17.5%
Asia	28.6%
Europe and Others	12.2%

Number of Patents (FY2014)

Japan	7,740*
Overseas	7,059*

In FY2014, the Sumitomo Electric Group made a total of 2,149 patent, utility and design applications in Japan and 2,027 outside Japan. The Group's registered patents have continued to increase in number over time, reflecting its vibrant intellectual property activities, in which research and development managers work as a united team with intellectual property managers. By pursuing strategic applications based on careful prior technological research, the Group aims to build a high-volume patent portfolio that is superior in terms of its broad scope and effective rights.

* Excludes patents possessed by Sumitomo Wiring Systems, Ltd., AutoNetworks Technologies, Ltd., Sumitomo Riko Company Ltd., Nissin Electric Co., Ltd. and A.L.M.T. Corp.

History of Sumitomo Electric

1897 Establishment



The history of Sumitomo Electric Industries, Ltd., started in 1897, when the House of Sumitomo established the Sumitomo Copper Rolling Works to manufacture and market bare copper wire.

1900-

- 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
Laid first Japan-made high-voltage underground cables
- 1916** Opened a new factory (now the Osaka Works)
Started production of enamel wires
- 1920** Sumitomo Electric Wire & Cable Works incorporated as a limited company
- 1931** Started production of cemented carbide tools
- 1932** Started production of special steel wires
- 1939** Changed to current company name, Sumitomo Electric Industries, Ltd.
- 1941** Opened the Itami Works
- 1943** Started production of vibration-proof rubber products 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 construction business of overhead transmission lines
- 1957** Delivered the first Japan-made television broadcasting antennas

1960-

- 1961** Opened the Yokohama Works
Delivered wiring harnesses for four-wheel vehicles for the first time in its history
- 1962** Started production of the Irrax™ Tube electron beam irradiation tubes
Moved head office from Osaka's Konohana Ward to its present location in Chuo Ward
- 1963** Started production of disc brakes
- 1964** Started production of electron beam irradiation wires
- 1968** Entered the traffic control systems business
- 1969** Established first overseas production subsidiary in Thailand (SIAM Electric Industries Co., Ltd.)
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 construction project in Nigeria



Changes in Net Sales



1978 Delivered and put into operation the world's first bidirectional fiber optics CATV system called "Hi-OVIS"

1981 Delivered and installed fiber optic LAN systems for the first time in its history

1982 Succeeded in producing the world's-largest-class synthetic diamonds (1.2 carats)

1996 Developed a technology for producing long-length oxide high-voltage superconducting wires

1998 Developed and started marketing ecology wires and cables



1999 Sumitomo Electric Fine Polymer, Inc. (fine polymer products) started operation

2006 The HTS cable used in a power transmission grid in the U.S. started supplying electricity

2007 Sumitomo Wiring Systems, Ltd. became a wholly owned subsidiary
Nissin Electric Co., Ltd. became a consolidated subsidiary

2008 Opened the Technical Training Center



2009 Eudyna Devices Inc. became a wholly owned subsidiary and changed its trade name to Sumitomo Electric Device Innovations, Inc.

2010 Opened WinD Lab, a new laboratory building at Osaka Works
SEI Optifrontier Co., Ltd. started the lightwave network product business

2014 J-Power Systems became a wholly owned subsidiary

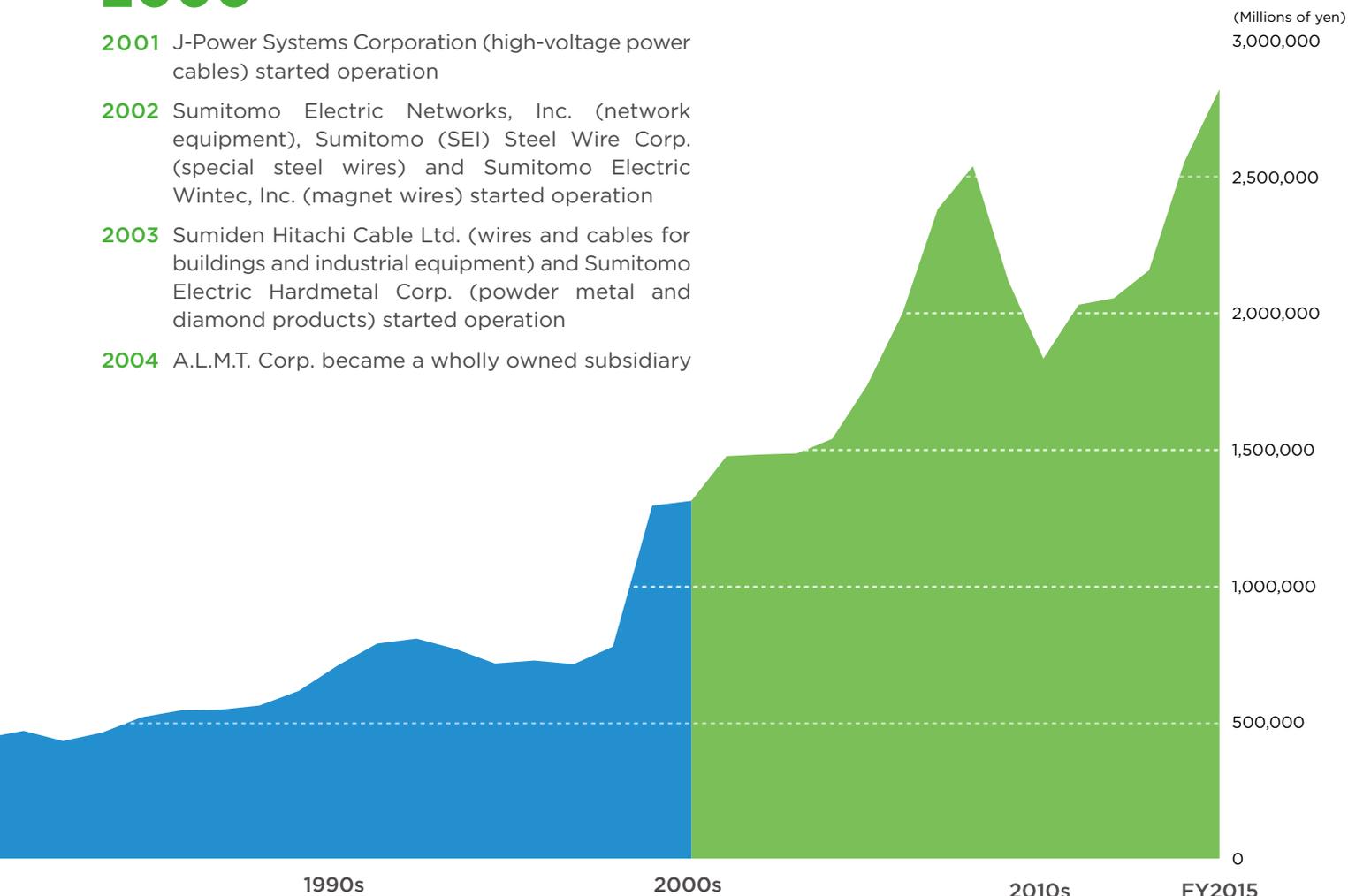
2000-

2001 J-Power Systems Corporation (high-voltage power cables) started operation

2002 Sumitomo Electric Networks, Inc. (network equipment), Sumitomo (SEI) Steel Wire Corp. (special steel wires) and Sumitomo Electric Wintec, Inc. (magnet wires) started operation

2003 Sumiden Hitachi Cable Ltd. (wires and cables for buildings and industrial equipment) and Sumitomo Electric Hardmetal Corp. (powder metal and diamond products) started operation

2004 A.L.M.T. Corp. became a wholly owned subsidiary



Brand Statement

The markets that we conduct our business operations in are witnessing radical changes, including accelerated pace of motorization, increased energy consumption, and growing demand for sophisticated information and communication networks. These changes can be attributed to factors such as significant advances in technology, progressing globalization, rapid economic growth of emerging nations and expansion of urban areas. While on the one hand people all over the world are pursuing more affluent lifestyles, environmental degradation on a global scale has intensified the need to establish sustainable business environments and urban infrastructure in order to cope with climatic changes, water and atmospheric pollution, and other related issues.

Based on the concept of “Connect, Communicate and Create,” the Sumitomo Electric Group has established a leading presence in the energy, communication and mobility business fields. We will continue to demonstrate our prowess in each of these areas, while also drawing on our consolidated strengths to fulfill our ever-increasing global responsibility, transcending

national borders, to help improve the global environment and create a better world for present and future generations.

The history of the Sumitomo Group can be traced back over 400 years to the late 16th century when after considerable effort a revolutionary copper smelting technology called *nanban-buki* (Western refining) was perfected. The driving force behind the Sumitomo Electric brand lies in this kind of competence, demonstrated since that time, to support the advances in society by creating new value through core technologies. We will strive to keep the Sumitomo Electric brand name synonymous with advanced technology throughout the world at all times.

The Sumitomo Electric Group is committed to becoming a “Glorious Excellent Company” that contributes to the creation of a new society. To achieve this, we set our sights on global markets and develop innovative technologies that are not bound by stereotypical thinking, paying heed to the needs of our customers and of society at large.



Our Competitiveness

Automotive

Global Market Share of **27%**
for Automotive Wiring Harnesses

Wiring harnesses are essential for transmitting data and energy in automobiles. With a global manufacturing network optimized to each region of operations, the Sumitomo Electric Group always takes the lead in developing innovative products, including aluminum wiring harnesses and pipe harnesses, and supplying them to automakers worldwide.



Electronics

In the World's **Top Three**
for Manufacture of Flexible Printed Circuits

Flexible printed circuits (FPCs) are pliable wiring materials formed into electric circuits and mounted on insulation film using a copper layer. They can be incorporated into all kinds of components because of their unique properties, including thinness, light weight, and excellent heat resistance. Consequently, FPCs are used in a wide range of electronic devices, including smartphones, tablet computers, hard disk drives, DVD players, and electronic game consoles. The Sumitomo Electric Group manufactures high-quality FPCs in Japan, China, Vietnam, the Philippines, and other countries, and supplies them to users around the world.



Industrial Materials & Others

World's First Company
to Mass Produce Synthetic Diamond

Diamond is the hardest substance found in nature. In addition to its hardness and strength, diamond possesses outstanding surface chemistry properties, including its ability to conduct heat and electricity. For these reasons, diamond is regarded as the "king of materials" used in tools for machining hard metals. In 1980, Sumitomo Electric successfully synthesized a single-crystal diamond of about one carat in weight and between five and six millimeters in size. Several years later, it became the world's first company to mass produce synthetic diamond. By 2011, Sumitomo Electric—in another world first—developed applications for nano-polycrystalline diamond, which demonstrates greater hardness than single-crystal diamond.



Infocommunications

In the World's **Top Three**
for Manufacture of Optical Fiber Cable

Optical fiber cable is indispensable for the construction of optical transmission networks. As a pioneer in this industry, Sumitomo Electric is currently setting up an integrated production system in Japan and China to manufacture everything from optical fibers to cables. By developing technologies for reducing transmission loss, Sumitomo Electric has succeeded in producing optical fiber cable with the world's lowest transmission loss of only 0.149 decibels per kilometer (with a wavelength of 1,550 nanometers), and is currently shipping mass produced products with a transmission loss of 0.154 decibels per kilometer.



Environment and Energy

Establishing **the De Facto Standard** for Cable

Sumitomo Electric developed polypropylene laminated paper (PPLP™) in the 1970s, and realized its usage as a composite insulation tape. Since that time, the material has become essential for improving the performance of a type of power cable that is insulated by rolled paper impregnated with oil. Today, PPLP™ is the de facto standard used in a vast number of underground and submarine power cables made not only by Sumitomo Electric but also other companies. Sumitomo Electric has also applied its PPLP™ technology in the development of mass impregnated (MI) cable*. Its PPLP™-MI cable is capable of transmitting about 30% more electrical capacity than conventional products, representing a major innovation for the high-capacity supply of electricity over long distances. Sumitomo Electric and a European manufacturer are now the only two companies in the world able to produce PPLP™-MI cable.



* Used for long-distance, high-capacity power transmission, MI cable is insulated by rolled paper impregnated with high-viscosity oil.

Sumitomo Electric at a Glance

FY2014, ended March 31, 2015



Automotive
P16 >



Infocommunications
P18 >



Electronics
P20 >

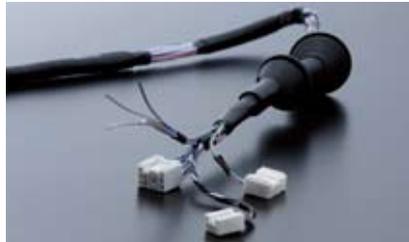


Environment and Energy
P22 >



Industrial Materials and Others
P24 >

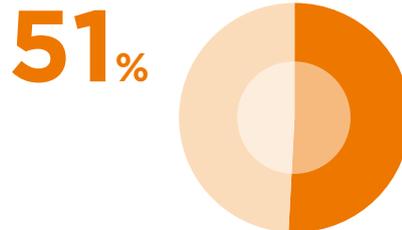
Automotive



Net sales

¥1,488.2 billion

SHARE OF NET SALES



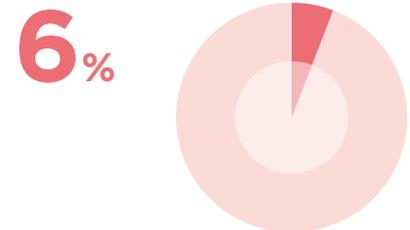
Infocommunications



Net sales

¥172.0 billion

SHARE OF NET SALES



Business Overview

The Sumitomo Electric Group is a global supplier of wiring harnesses and anti-vibration rubber, as well as safe, comfortable and environment-friendly automotive components and systems.

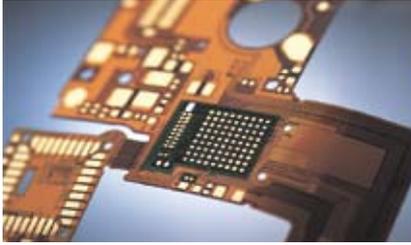
Building on its communication cable technologies accumulated for more than 100 years, the Sumitomo Electric Group supplies products and systems that support today's Internet services such as optical fiber cable and opto-electronic devices, gigabit Ethernet-passive optical network (GE-PON), and other devices. We also supply traffic control systems and other systems drawing on our telecoms expertise and portfolio of control technologies.

Main Products

- Wiring harnesses
- Vibration-proof rubber
- Automotive hoses
- Car electrical equipment

- Optical fiber cables
- Telecommunication cables and equipment
- Fusion splicers
- Optical/wireless devices such as optical transceiver modules/wireless communication devices
- Network system products such as access network equipment (GE-PONs, content delivery networks, CATV-related products, etc, traffic control)

📱 Electronics



Net sales

¥292.0 billion

SHARE OF NET SALES

10%



Using its proprietary materials technologies, the Sumitomo Electric Group supports the increasing use of electronics devices in society through a diverse range of products such as electronic wires, flexible printed circuits and other highly functional wiring materials, as well as compound semiconductors and fluorine resin products.

- Electronic wire products
- Compound semiconductors
- Metallic material for electronic parts
- Electric-beam irradiation products
- Flexible printed circuits
- Fluorine resin products

⚡ Environment and Energy

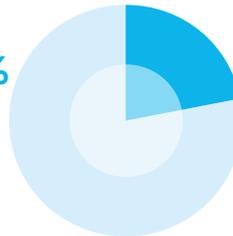


Net sales

¥636.5 billion

SHARE OF NET SALES

22%



Since its inception, the Sumitomo Electric Group has helped underpin modern daily life through its energy transmission businesses, supplying products such as cables for power distribution, railway trolley wires, and wire coils used in home appliances, automobiles, and other applications.

- Electric conductors
- Power transmission wires/cables/equipment
- Magnet wires
- Air cushions for railroad vehicles
- Power systems
- Equipment such as substation equipment/control systems
- Charged beam equipment and processing
- Electrical/power supply work and engineering, porous metals

🔧 Industrial Materials and Others

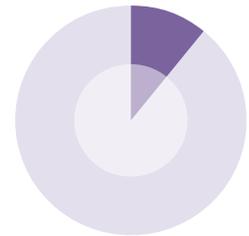


Net sales

¥317.4 billion

SHARE OF NET SALES

11%



Through the manufacture of electric wire and cable, the Sumitomo Electric Group has developed and built up proprietary technologies and products that underpin industry and society. Its cutting tools have contributed to greater efficiency in manufacturing and its sintered parts and special metal wires used in automotive and a wide range of other industrial fields.

- Tensioning materials for prestressed concrete
- Precision spring steel wires, steel tire cords, cemented carbide tools
- Diamond and CBN tools, laser optics, sintered powder metal parts
- Semiconductor heatspreader materials
- Grinding tools
- Tungsten and molybdenum materials
- Heat sinks

Financial Highlights

Sumitomo Electric Industries, Ltd. and Consolidated Subsidiaries

	Millions of yen					Thousands of U.S. dollars
	FY2014 Mar. 31, 2015	FY2013 Mar. 31, 2014	FY2012 Mar. 31, 2013	FY2011 Mar. 31, 2012	FY2010 Mar. 31, 2011	FY2014 Mar. 31, 2015
For the Year:						
Net sales	¥2,822,811	¥2,568,779	¥2,159,942	¥2,059,344	¥2,033,827	\$23,490,147
Operating income	134,457	120,058	76,790	86,946	103,810	1,118,889
Income before income taxes and minority interests	167,067	123,833	84,084	99,941	113,781	1,390,255
Net income	119,771	66,748	37,955	58,861	70,614	996,680
Capital expenditures ¹	148,213	150,823	147,883	135,039	98,424	1,233,361
Depreciation and amortization	126,663	113,271	90,629	77,954	96,760	1,054,032
R&D expenses	105,604	99,520	94,287	86,582	79,026	878,788

At Year-End:						
Total assets	¥2,925,785	¥2,554,819	¥2,297,567	¥2,072,064	¥1,956,284	\$24,347,050
Total interest-bearing liabilities	550,839	534,641	485,569	363,995	341,923	4,583,831
Total net assets ²	1,646,913	1,379,912	1,244,695	1,138,931	1,092,610	13,704,860

Cash Flows:						
Net cash provided by operating activities	¥153,509	¥ 147,705	¥ 124,849	¥ 86,051	¥139,298	\$ 1,277,432
Net cash used in investing activities	(86,888)	(174,102)	(172,066)	(129,223)	(86,551)	(723,042)
Net cash provided by (used in) financing activities	(64,037)	113	64,922	(2,391)	(27,845)	(532,887)

	Yen					U.S. dollars
	FY2014	FY2013	FY2012	FY2011	FY2010	FY2014
Per Share Data:						
Net income ³ : Basic	¥ 151.00	¥ 84.15	¥ 47.85	¥ 74.21	¥ 89.02	\$ 1.257
Diluted	—	—	—	74.20	89.02	—
Cash dividends	30.00	22.00	20.00	19.00	19.00	0.250
Owner's equity ⁴	1,804.34	1,499.76	1,352.09	1,245.57	1,196.46	15.015

Financial Indexes:						
Operating income/net sales (%)	4.8	4.7	3.6	4.2	5.1	
Net income/net sales (%)	4.2	2.6	1.8	2.9	3.5	
Operating income/invested assets ⁵ (ROA) (%)	6.5	6.6	4.8	5.9	7.3	
Return on owner's equity (%)	9.1	5.9	3.7	6.1	7.6	
Owner's equity ratio (%)	48.9	46.6	46.7	47.7	48.5	
Current ratio (Times)	1.7	1.6	1.7	1.6	1.9	
R&D expenses/net sales (%)	3.7	3.9	4.4	4.2	3.9	

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥120.17 to U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2015.

¹ Capital expenditures are recorded as property, plant and equipment.

² See page 66.

³ From the year ended March 31, 2014, there were no potential common shares.

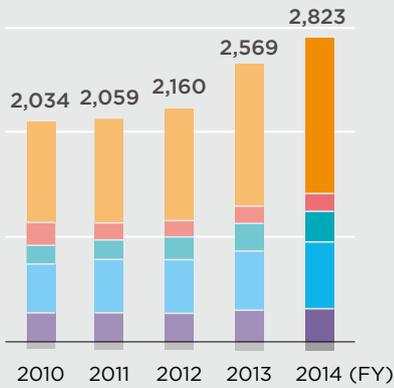
For the year ended March 31, 2013, there were no dilutive potential common shares.

⁴ Owner's equity is the sum of total shareholders' equity and total accumulated other comprehensive income.

⁵ Invested assets = Total assets — interest-free liabilities

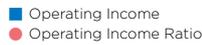
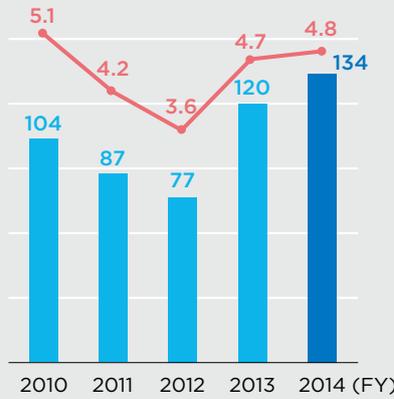
Net Sales

(Billions of yen)



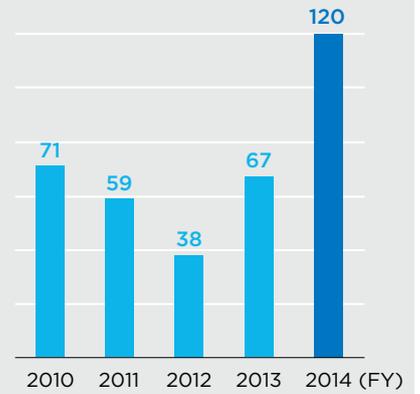
Operating Income / Operating Income Ratio

(Billions of yen / %)



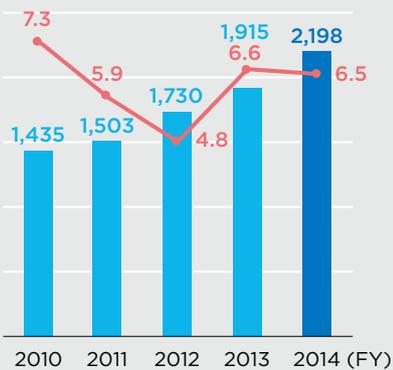
Net Income

(Billions of yen)



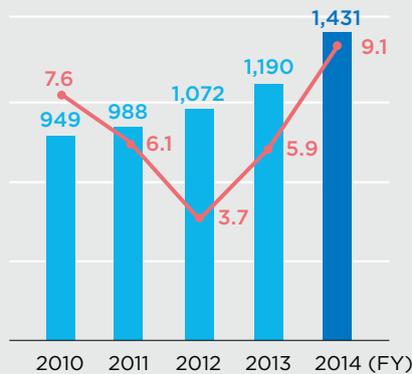
Invested Assets / ROA

(Billions of yen / %)



Owner's Equity / Return on Owner's Equity

(Billions of yen / %)



Free Cash Flows

(Billions of yen)



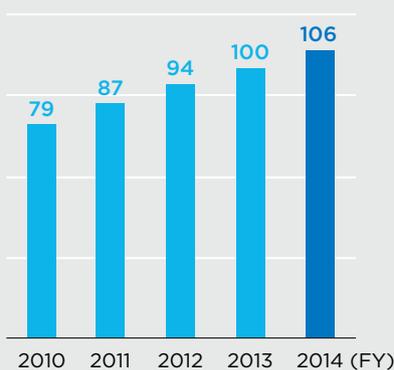
Capital Expenditures

(Billions of yen)



R&D Expenses

(Billions of yen)



Basic Net Income per Share

(yen)



VISION 2017

In VISION 2017, our Group will leverage our outstanding technology and focus on six fields of business which are essential for society—the three fields of “Mobility,” “Energy,” and “Communications” (ICT) as the current business fields, “Environment & Infrastructure” as the integrated business field that embodies the first three, and “Life Sciences” and “Materials & Resources” as the new business fields.

Under VISION 2017, we aim to continuously innovate and provide global services in these fields, creating new value from raw materials to systems and solutions.

New Medium-Term Targets Set

At the time VISION 2017 was formulated, Sumitomo Electric’s management set medium-term targets of ¥2,600 billion in net sales and ¥130 billion in operating income to be achieved by FY2015. The Company succeeded in reaching these targets in FY2014, however, so management revised the final target for VISION 2017 based on a number of factors, including the operating environment and foreign exchange trends, and announced new targets in May 2015. Specifically, Sumitomo Electric now aims to achieve ¥3.3 trillion in net sales, ¥200 billion in operating income, and return on assets (ROA) of more than 9% by FY2017. Furthermore, management has added return on equity (ROE) as a key performance indicator, and has set the goal of attaining ROE of at least 8% by FY2017.

Overall Strategy

We aim to take a further step toward becoming a “Glorious Excellent Company” by:

1. Making the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles the basis of our business activities and holding fast to the three bases of our Group’s business: human resources, manufacturing, and finances.
2. Raising the banner of “innovation” as our keyword, we will continue to overhaul and expand current business fields while expanding into integrated business fields and addressing the challenge of developing new business fields.
3. Making high-priority efforts to strengthen “strategic marketing,” increasing our “global presence” and enhancing our “leading technologies.”
4. Attaining our numerical targets of ¥3,300 billion in net sales, ¥200 billion in operating income, ROA of more than 9% and ROE of more than 8%.

Interim Revision of VISION 2017 Targets (announced May 2015)



Targets

RESULTS
FY2013
NET SALES
¥ 2,568.8 billion
OPERATING INCOME (RATIO)
¥ 120.1 billion (4.7%)
ROA
6.6%

RESULTS
FY2014
NET SALES
¥ 2,822.8 billion
OPERATING INCOME (RATIO)
¥ 134.5 billion (4.8%)
ROA
6.5%

TARGETS
FY2017 (VISION 2017)
NET SALES
¥ 3,300 billion
OPERATING INCOME (RATIO)
¥ 200 billion (over 6%)
ROA
Over 9%
ROE
Over 8%

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 combined sales on the order of ¥150 billion.

Growth Strategy in Three Domains

New Growth in Current Business Fields

By overhauling and developing five established business segments—Automotive, Environment and Energy, Infocommunications, 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 across group and departmental 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 “Materials & Resources,” by making full use of the Group’s wide-ranging technological capabilities.

Priority 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

- Based on the Global Human Resources Management (HRM) Policy, we are committed to higher standards of recruitment, evaluation and incentivization, deployment and promotion, as well as human resources development.
- Promoting diversity.

Manufacturing Base

- Greater competitiveness. We are raising standards in quality, cost and delivery, accelerating mass production and commercialization, and strengthening technological development.
- Strengthening basic manufacturing infrastructure and systems. We are creating a production system that is safe, clean, stable and reliable.
- Training human resources with practical skills.

Financial Base

- Creating a sound and resilient financial position (shareholders’ equity to total assets ratio of 50%, and a dividend payout ratio of 30%).

To Our Stakeholders



Masayoshi Matsumoto

President and CEO

Consolidated Financial Results for FY2014

In FY2014, ended March 31, 2015, the Japanese economy continued to show signs of improvement in corporate earnings and employment and was on a moderate recovery path. However, personal consumption was weak. For the world economy, although recovery trends continued in the United States, and Europe picked up as a whole, the situation remained partly uncertain, as exemplified by the continued deceleration of economic growth in China.

Regarding the business environment for the Sumitomo Electric Group, the demand for wiring harnesses is strong, mainly overseas such as in the United States. The demand for cemented carbide tools, optical/wireless devices, optical fiber cables, etc., also increased. In this environment, the consolidated financial settlement for the fiscal year under review secured an increase in revenue, as net sales amounted to ¥2,822,811 million (previous fiscal year: ¥2,568,779 million, +9.9%). In addition, there was an increase in depreciation and amortization associated with investment in strengthening the global manufacturing bases and an increase in research and development costs for future growth. Due to cost reductions and the

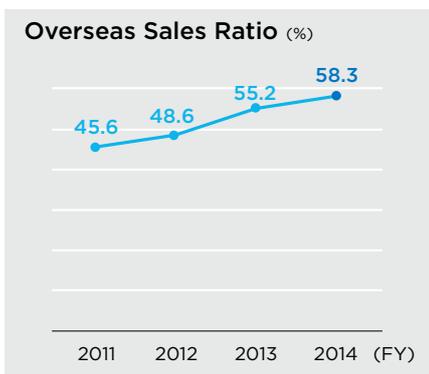
impact of a weaker yen, operating income was ¥134,457 million (previous fiscal year: ¥120,085 million, +12.0%) and ordinary income was ¥160,597 million (previous fiscal year: ¥145,354 million, +10.5%), each of which showed a year-on-year increase in profit. Net income increased considerably to ¥119,771 million (previous fiscal year: ¥66,748 million, +79.4%) due to the posting of extraordinary income associated with selling shares of Sumitomo 3M Ltd. (which changed its corporate name to 3M Japan Limited as of September 1, 2014) and other causes.

Measures to Pursue in the Current Fiscal Year

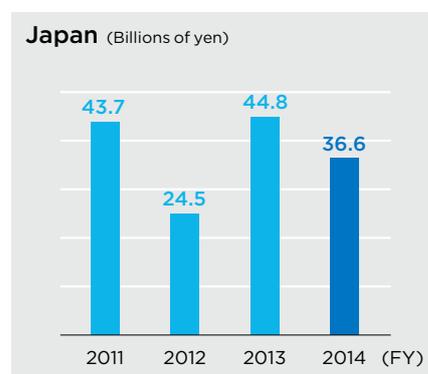
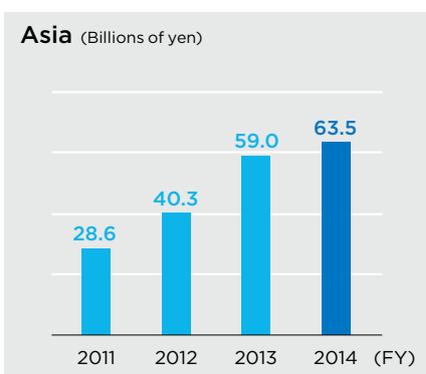
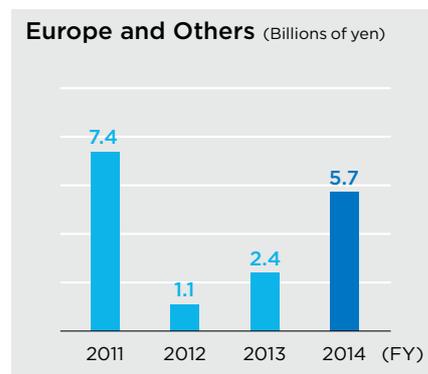
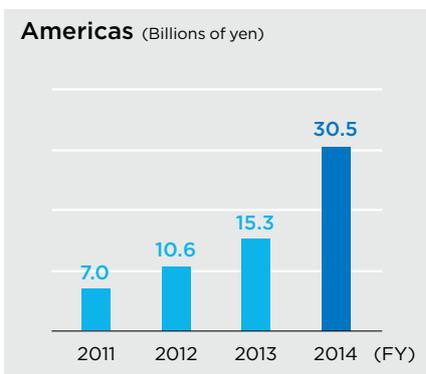
Future Economic Outlook

The global economy is expected to make a moderate recovery as a whole, and the Japanese economy's movement toward recovery is expected to continue mildly. Even though weakness in consumer spending and other areas will remain for a certain period of time. However, the risk of an economic downturn still exists, due to the influence of the movement towards monetary policy normalization in the United States, as well as the uncertainty and political unrest in emerging

Overseas Sales Ratio



Operating Income by Region



economies. Thus the outlook for the global economy remains unclear.

Our forecasts for FY2015, ending March 31, 2016, are net sales of ¥3,050 billion, operating income of ¥150 billion, ordinary income of ¥175 billion, and net income of ¥90 billion attributable to the owners of the company. By business segment, we forecast net sales of ¥1,540 billion in the Automotive segment, ¥200 billion in the Infocommunications segment, ¥340 billion in the Electronics segment, ¥760 billion in the Environment and Energy segment, and ¥350 billion in the Industrial Materials and Others segment.

At the time of formulating our VISION 2017 medium-term management plan, we set targets of ¥2,600 billion in net sales and ¥130 billion in operating income to be achieved by the intermediate stage of FY2015. We reached these targets ahead of schedule in FY2014, and are on track to attain our FY2017 net sales target of ¥3,000 billion sometime in FY2015. Therefore, we have revised our financial targets for VISION 2017 based on a range of factors, including our operating environment and foreign exchange trends. Our new targets for FY2017 are ¥3,300 billion in net sales, ¥200 billion in operating income, and return on assets (ROA)

of at least 9%. In addition, we have added return on equity (ROE) as a key performance indicator under VISION 2017, in response to growing calls in the Japanese market for companies to better reflect the interests of stakeholders, as exemplified under the country's new Corporate Governance Code. Accordingly, we are aiming for ROE of at least 8% by FY2017.

Future Plans in Each Business Segment

In these circumstances, the Group, with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles as the foundation of our business activities, intends to strive to improve "S" (Safety), "E" (Environment), "Q" (Quality), "C" (Cost), "D" (Delivery) and "D" (Development) at the same time working to realize the objectives of our VISION 2017 medium-term management plan with a focus on "business innovation." Accordingly, we are pursuing the strategies described below in each of our business segments.

In the Automotive segment, the Group is striving to be a global comprehensive auto-parts manufacturer while keeping our focus on developing and marketing

To Our Stakeholders (Cont.)

new products. This includes aluminum wiring harnesses that contribute to making lighter automobiles; high-voltage wiring harnesses designed for environmentally friendly vehicles; and complicated and sophisticated electronic components contributing to enhanced control of automobiles. Sumitomo Riko Company Ltd. (which changed its name from Tokai Rubber Industries Ltd. as of October 1, 2014) is driving forward a full-scale entry into the non-Japanese OEMs market as a global supplier. It is achieving this by maximizing synergies with overseas business operations acquired in the field of automotive anti-vibration rubbers and hoses.

In the Infocommunications segment, we are working on marketing products such as extra-low-loss fibers for submarine cables, 100Gbps* high-speed optical devices, gallium nitride (GaN) devices for mobile phone base stations, Intelligent Transport Systems (ITS) and other projects to boost our profitability. In the Network & Systems segment, to effectively cope with the convergence of communications and broadcasting, we integrated a part of the businesses of each of Sumitomo Electric Networks, Inc. and Broad Net Mux Corporation, both wholly owned subsidiaries of the Company doing business in this segment. We are also driving forward the further expansion of our businesses through product development that captures the right business opportunities and global marketing.

*Gbps stands for gigabits per second, a data transfer speed measurement. 1Gbps describes data transfer of 1 billion bits per second.

In the Electronics segment, with regard to Flexible Printed Circuits (FPCs) for mobile devices, electronic wires and irradiation tubes, we are strengthening our global operation and production system to drive forward further cost reduction and improvement in profitability. We will also work to increase the precision, thinness and heat resistance of FPCs and focus on expanding the business of space-saving high-speed wiring materials applied by high-speed transmission cable and FPCs for vehicles and other applications.

In the Environment and Energy segment, we are closely cooperating with J-Power Systems Corporation, which became a wholly owned subsidiary as of April 1, 2014, on strengthening operational activity, cost reduction and technical development. Together our

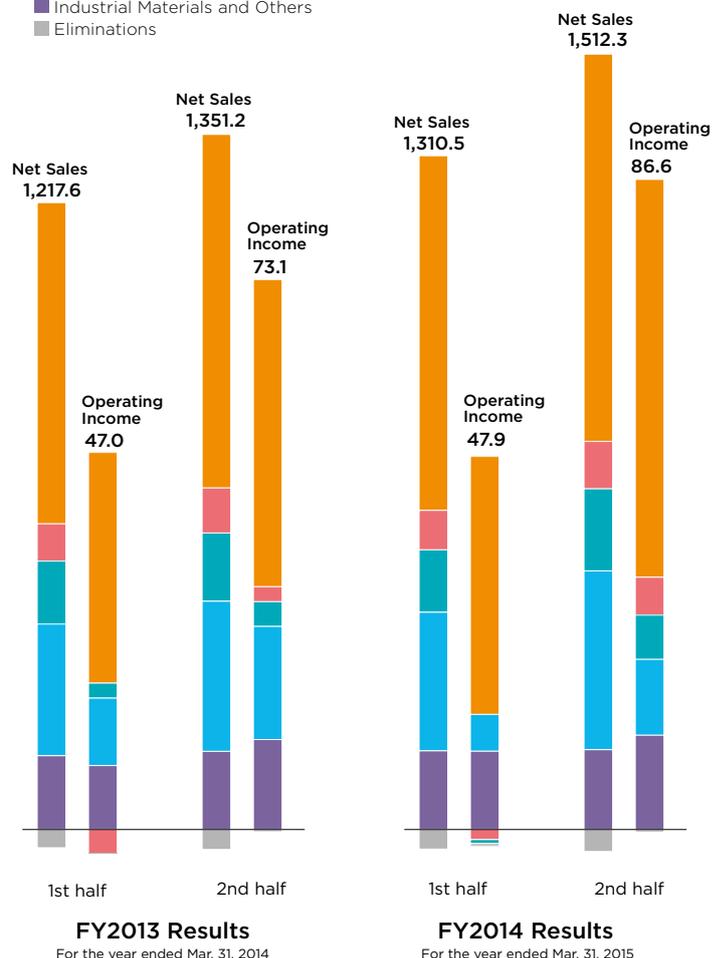
goal is to win orders for high-voltage/long-distance submarine cable projects. In addition, in response to the new electricity/energy society, the segment is also promoting porous metals for battery electrode substrates and magnet wires for motors used in environmentally friendly vehicles. It is also developing and marketing products relating to smart energy systems that achieve a reduction of the environmental burden, as well as improvement of the quality of power generation, and assurance of security.

In the Industrial Materials segment, with the steady

Net Sales / Operating Income

(Billions of yen)

- Automotive
- Infocommunications
- Electronics
- Environment and Energy
- Industrial Materials and Others
- Eliminations



FY2015 Forecast

Billions of yen

	FY2014 Results	FY2015		
		1H Forecast (1)	2H Forecast (2)	Year Total (1)+(2)
Net sales	¥2,822.8	¥1,450	¥1,600	¥3,050
Operating income	134.5	55	95	150
Ordinary income	161	63	112	175
Net extraordinary profit (loss)	6.5			
Income before income taxes and minority interests	167.1	(33)	(52)	(85)
Income taxes, minority interests*	(47.3)			
Net income*	119.8	30	60	90

* From FY2015, "Minority Interests" will be "Net Income (Loss) Attributable to Non-Controlling Interests," "Net Income (Loss)" will be "Net Income (Loss) Attributable to Owners of Parent."

growth of the mobility market and the automotive sector, we are accelerating global expansion of cemented carbide tools as well as reinforcing our manufacturing capacity for sintered powder metal parts in Mexico, Indonesia and Thailand. This enables us to further strengthen our global supply chain and procurement of raw materials. In addition, we will also proceed with the enhancement and innovation of core technology and continue to focus on the marketing of new products such as nano-polycrystalline diamonds in the field of cemented carbide tools, and sintered powder metal parts for electric vehicle products.

In research and development activities, we will make efforts to create new businesses and products that are original and excel in profitability. This includes focusing on creating a new electricity/energy society through the development of redox flow batteries, concentrated photovoltaic systems (CPV), superconducting products, power line communication (PLC) applications and molten salt electrolyte batteries and the commercialization of magnesium alloy sheets, ballast water-treatment systems and large-capacity data transmission cables. Taking a long-term perspective, we will leverage the Group's strengths to develop new products in response to society's needs, including advanced traffic safety systems and new materials with new functions.

In April 2014, the European Commission imposed a fine on the Company and J-Power Systems Corporation for an alleged action that violated EU competition law concerning the transaction of high-voltage and extra-high-voltage power cables. In addition, in August 2014,

the Company received an order from the National Development and Reform Commission of China to pay a surcharge based on China's Anti-Monopoly Law in connection with the transaction of automotive wiring harnesses and related products. While these dispositions are for alleged violations that took place in or before 2008 and 2009, and no new violations have been alleged or discovered, we offer our deepest apologies to our shareholders for the inconveniences caused. In relation to this, the fines imposed on the Company and related companies have been reduced due to our cooperation with the investigations by the relevant authorities. In June 2010 the Company established a set of rules and regulations to ensure compliance with competition laws to strengthen its legal standing. This included establishing an organization dedicated full-time to running compliance policies and programs. However, again, we take the situation seriously, and will make all efforts to ensure that all business activities are conducted fairly and honestly.

We would like to ask our shareholders for your continued support and understanding.

August 2015



Masayoshi Matsumoto
President and CEO

Automotive



Automotive Segment

With a focus on the interface between vehicle and driver, Sumitomo Electric offers a wide range of products to the global market, including wiring harnesses that transmit electric power and information to various points in an automobile. Growing public demand for more eco-friendly vehicles requires the supply of sophisticated hybrid and electric vehicle parts based on various advanced technologies. With this in mind, Sumitomo Electric will continue developing an array of new automotive products that make such vehicles more comfortable, in an effort to achieve even greater harmony between vehicles and people in the years ahead.

Performance in FY2014

Sales in the Automotive segment totaled ¥1,488.2 billion, a year-on-year increase of ¥137.2 billion, or 10.2%, mainly owing to robust demand for wiring harnesses outside of Japan, especially the United States. Operating income also increased, rising ¥17.5 billion to ¥89.3 billion. This was primarily due to the sales growth for wiring harnesses, as well as the Company's cost-cutting measures and the favorable effect of the yen's depreciation.

Initiatives and Goals in FY2015

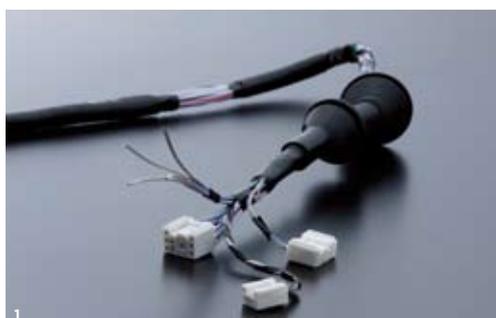
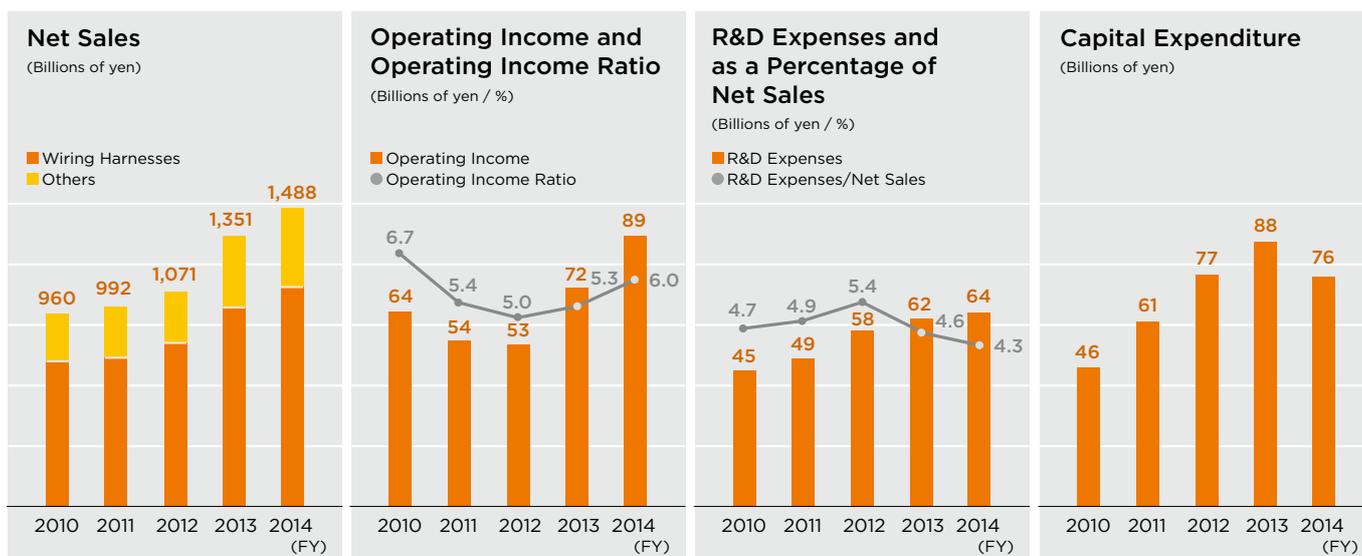
- In FY2015, Sumitomo Electric forecasts sales in this segment to increase 3.5% to ¥1,540 billion, and operating income to decrease 1.4% to ¥88 billion.
- In its core wiring harness business, the Company will strive to boost both sales and profit in an increasingly challenging business environment. It will do this by implementing unprecedented cost-cutting measures and promoting sales of harnesses for Japanese automobile manufacturers based on new technologies, such as high-strength aluminum and small-diameter copper alloy.
- Meanwhile, Sumitomo Electric intends to aggressively promote wiring harnesses to non-Japanese automobile manufacturers, recognizing the huge potential for sales. Toward this end, the Company is working to boost its ability to create opportunities globally.
- The Company is also focusing on promoting sales of wire harness-related products, including connectors, electronic devices, and central gateways, by leveraging its strong position as a wire harness manufacturer.
- Sumitomo Electric is working to improve productivity globally while enhancing *monozukuri* (manufacturing) in Japan so that production plants in the country can fulfill their leading roles.
- Already a market leader with a share of more than 24% of the global market for automotive vibration-proof rubber, Sumitomo Riko Company Ltd., a Sumitomo Electric Group company, aims to increase this share even further. While the market environment has been more competitive than imagined, Sumitomo Riko has been restructuring and reorganizing its operations, including several companies acquired in 2013. The company has also secured a 13% share of the global market for automotive hoses, giving it a third-tier ranking, and aims to join the top tier of market leaders going forward.

Ⓞ Strategic Initiatives

Sumitomo Electric and its wholly owned subsidiary Sumitomo Wiring Systems, Ltd., decided to expand production of aluminum electric wires for automobiles at its facilities in Thailand, and to integrate their production with aluminum wire rods made at the same site in the casting and rolling processes.

While copper has generally been used for core wiring in automobiles, aluminum electric wires are increasingly being adopted for automobiles that use aluminum for core wiring, because the material contributes to reducing vehicle weight. Taking this into account, the Sumitomo Electric Group is boosting production capacity of automotive

aluminum electric wires in Thailand in response to growing demand. The new facilities for casting and rolling aluminum that are to be installed will enable the production of high-grade aluminum conductors, making it possible to manufacture products with outstanding properties and quality. The Group intends to utilize these outstanding properties of aluminum electric wires in its automotive wiring harnesses, with the goal of increasing their applications in areas of automobiles that have been difficult up to now, such as in the engine compartment.



1. Aluminum wiring harnesses

Automotive weight reduction has become a major issue in recent years, as demand grows for greater fuel efficiency and lower carbon dioxide emissions amid deepening environmental concerns. This has led to demands for smaller and lighter wiring harnesses. The Sumitomo Electric Group is developing new electric wires and technologies for better connectivity and corrosion resistance. One result is the successful launch of mass production of aluminum wiring harnesses.



2. Vibration-proof rubber

Anti-vibration rubber that absorbs and suppresses vibration from the engine and the road surface is an important functional component for ensuring a safe, comfortable drive. In recent years, we have been increasing our ranges of such highly functional products combined with electronic control systems.

3. Electronic control units (ECUs)

As the functionality of automobiles becomes more sophisticated, the number of onboard devices is increasing. To provide more safety and convenience, the electronic control unit (ECU) controls these onboard devices as the command center or brain of an automobile.

Infocommunications



Infocommunications Segment

Sumitomo Electric provides a wide array of solutions that make society safer, more secure, and more comfortable, including intelligent transport systems, access networks, and telecommunication-related products, particularly the optical fibers and cables needed to build optical networks such as fiber-to-the-home (FTTH). The Sumitomo Electric Group is committed to developing innovative technologies and products to contribute to the construction and upgrade of broadband network infrastructure.

Performance in FY2014

In FY2014, although demand for access network equipment declined, demand rose for opto-electronic devices, optical fibers and cables, and optical-fusion splicers. Consequently, sales in the Infocommunications segment came to ¥172.0 billion, up ¥7.1 billion, or 4.3%, year on year. Operating income totaled ¥3.7 billion, an increase of ¥4.9 billion compared to the operating loss of ¥1.2 billion in the previous fiscal year. This improvement was primarily a result of cost-cutting measures and the favorable impact of the yen's depreciation.

Initiatives and Goals in FY2015

- In FY2015, the Company forecasts segment sales to increase 16% to ¥200 billion, and operating income to jump 49% to ¥5.5 billion.
- Sumitomo Electric will accelerate the expansion of its optical fiber and cable business outside Japan to capitalize on solid global demand. In China, the world's largest market for optical fiber and cables, Sumitomo Electric is setting up a system for local production and consumption to capture as much demand in the country as possible.
- In the optical equipment business, Sumitomo Electric established four design centers outside Japan to provide better wiring solutions and respond to related needs in regions around the world. The Company also

channeled its efforts toward boosting sales of optical fiber fusion splicers, which are essential for constructing infrastructure.

- In its transmission device business, Sumitomo Electric has carried out comprehensive restructuring, including a reorganization of worksites and reallocation of personnel. As a result, the business structure has been greatly improved, enabling it to achieve sales and profit growth for two consecutive years from FY2013 to FY2014. Looking ahead, the Company plans to expand this business by utilizing the unique properties of its compound materials, including gallium nitride (GaN), to develop new products such as optical devices and electronic devices for mobile phone base stations.
- In the network equipment business, the Company aims to promote sales of products especially in Japan in anticipation of growing structural demand for 10 gigabit (G) network equipment from FY2016, now that equipment is being switched over from 1G to 10G in the current fiscal year. Meanwhile, Sumitomo Electric is continuing to promote its 10G Ethernet Passive Optical Network (10G-EPON) products in the North American cable television market.
- In the systems business, Sumitomo Electric will strive to secure orders in Japan by tapping markets associated with preparations for the 2020 Tokyo Olympic and Paralympic Games, which will bring an expansion of next-generation intelligent transport systems. Outside Japan, the Company is aiming to develop traffic control systems for megacities in Southeast Asia, particularly in Thailand.

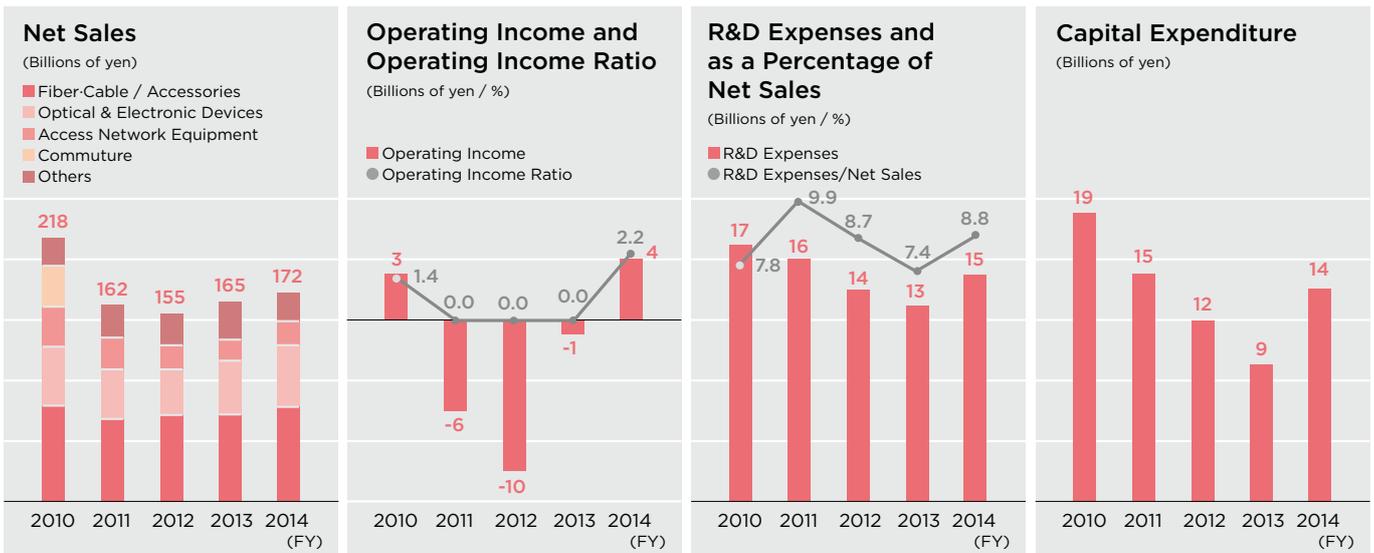
Strategic Initiatives

Sumitomo Electric has developed a new line card for Ethernet Passive Optical Network (EPON) systems, which support optical broadband access, capable of transmission speeds of 10 gigabits per second (Gbps)—10 times the speed of conventional models. The Company has begun shipments of the new 10G-EPON product, called the FCM7133, to cable television stations in North America.

EPON systems enable inexpensive high-speed data transmission by splitting the signals of a single optical fiber so that they can be shared by multiple users. Sumitomo Electric has been selling equipment for 1Gbps EPON systems (called G-EPON) since 2005, and has built up a strong track record of supplying a

large number of products to telecommunication carriers in Japan and other countries all over Asia.

Sumitomo Electric already started to deliver the FCM7133 to cable TV operators in North America. Among its many customers, from North American cable TV stations to telecommunication carriers in Asia, expectations are very high for solutions to rapidly growing demand for bandwidth resulting from high-definition video streaming and other technologies. In response, Sumitomo Electric will promote sales of its EPON products worldwide.



1. Multicore optical fiber cable

Optical fiber consists of fine glass fibers as thin as a human hair. It is a highly effective transmission medium, enabling an optical signal within an optical fiber to be relayed several dozen kilometers. Unaffected by electromagnetic induction noise, these fibers ensure highly stable communication at high speeds and over long transmission distances.

2. Optical fiber fusion splicer

Using electrical discharge, optical fiber fusion splicers connect glass optical fibers together. The Sumitomo Electric Group's Handy Splicer TYPE-201 series is the world's smallest and lightest optical fiber fusion splicer (as of February 22, 2013, according to in-house research), offering excellent high-speed connectivity and environmental resistance characteristics, and contributing to greater efficiency in optical fiber connection works. Shipments of Handy Splicer TYPE-201 began in April 2013.

3. Optical data links

Optical data links are one of the most basic components used in optical communications. They enable large-capacity data transmission by converting electrical signals into optical signals. They are used widely in data centers and other broadband networks.



Electronics



📱 Electronics Segment

Electronics is becoming an increasingly advanced field as devices become more and more compact, lightweight, functional, and sophisticated. To meet demand in this field, Sumitomo Electric has been expanding its product lineup by continuously developing advanced materials, wires, and parts. The Company is applying its leading-edge technologies in a wide range of electronic products spanning from everyday devices like smartphones and tablet PCs to advanced equipment for medical, automotive and aircraft applications.

📱 Performance in FY2014

Sales in the Electronics segment totaled ¥292.0 billion, increasing ¥29.4 billion, or 11.2%, year on year on the back of growing demand for flexible printed circuits (FPCs) used in mobile devices. Meanwhile, operating income crept up ¥0.1 billion to ¥5.5 billion due to the increased demand, despite changes in the product mix, intensifying price competition, and higher depreciation and amortization expenses.

📱 Initiatives and Goals in FY2015

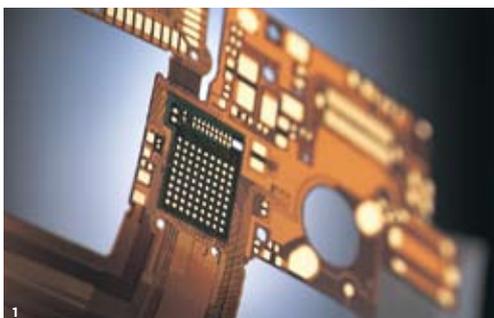
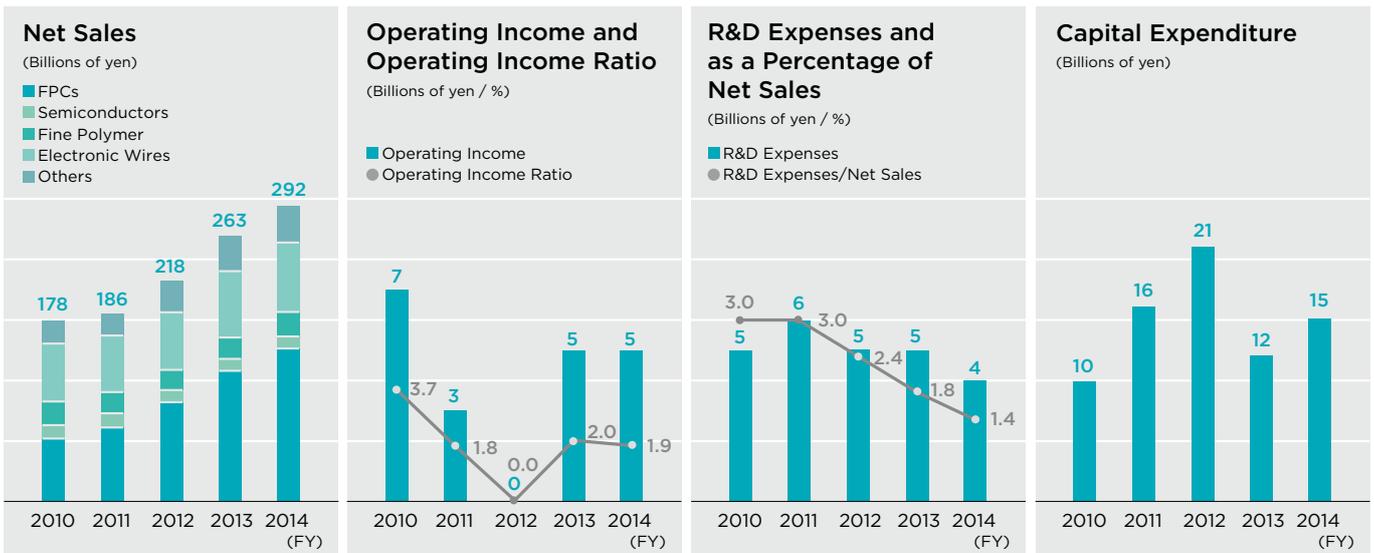
- In FY2015, Sumitomo Electric expects Electronics segment sales to rise 16% to ¥340 billion, and operating income to jump 129% to ¥12.5 billion.
- In its electronic wires business, Sumitomo Electric will strive to attract customers with designated key products, including high-speed wiring harnesses, automotive Tab-Lead wire, and its fine polymer product, POREFLON™. The Company also plans to broaden its business domains to include the railcar and aircraft markets.
- In its FPC business, the Company will aim to improve and expand its product portfolio in a concerted effort to stimulate new demand for its products in the automotive and medical equipment markets and other areas, while taking advantage of current demand for mobile devices. Sumitomo Electric is also focusing on applying the nano-material and resin technologies accumulated through its electronic component operations to develop new products that anticipate customer needs, including products that are thinner and more miniaturized and able to handle higher frequencies and transmission speeds.
- In the semiconductor components business, Sumitomo Electric has acquired high market shares for materials with properties other than its mainstay gallium arsenide (GaAs) substrates, including indium phosphide (InP) and gallium nitride (GaN) substrates. Looking ahead, the Company intends to boost earnings by releasing new products that offer high added value, enabled by its material production technologies.

Strategic Initiatives

Sumitomo Electric has developed an extremely compact and slim wireless charging module that enables electronic goods such as wearable devices to be charged without connecting a power cable. Utilizing its original three-dimensional wiring technology, the Company was able to make the charging module with a more flexible, compact and thinner antenna by replacing conventional magnet wire coils with FPCs. Its newly developed wireless charging module facilitates wider design options and greater functionality of electronic devices, including the capacity to make them cordless and waterproof.

The new module is expected to be used in equipment for which compactness and light weight

are increasingly required, including water- and dust-proof wearable devices, as well as healthcare and industrial equipment, which increasingly need cordless capabilities. Sumitomo Electric commenced commercial production in October 2014, and is now working to improve its transmission efficiency and expand the product lineup.



1. Flexible printed circuits (FPCs)

FPCs consist of a copper circuitry overlaid on an ultrathin insulation film. They greatly contribute to the downsizing, weight saving, and cost reduction of electronic devices, and are used in computer hard disk drives, camera-integrated video recorders, mobile phones, etc.



2. SUMI-CARD™

SUMI-CARD™ flat cable is ideally suited for high-density mounted electronics, with an easy single plug/unplug interface to connectors. Thanks to its extreme lightweight, thin design, SUMI-CARD™ is widely used to reduce the size and weight of digital products we use every day, such as TVs, office automation equipment, and gaming consoles.



3. Thin Thunderbolt cable

In May 2013, we became the first in the world to obtain certification for thin Thunderbolt cable from Intel Corporation, and launched mass production. The cable has an outer diameter about 25% smaller than conventional products, and is about 42% smaller in cross-sectional area. The miniaturization enables greater flexibility and convenience, and satisfies current 10Gbps high-speed transmission requirements.

*Thunderbolt is a trademark of Intel Corporation in the U.S. and other countries.

Environment and Energy



Environment and Energy Segment

Since its founding, Sumitomo Electric has worked to develop the wire and cable technologies essential for a stable power supply. The Company is now launching new businesses in the fields of renewable energy and smart grids. By supplying environment-friendly and energy-efficient products and systems featuring high functionality and high quality to the global market, Sumitomo Electric is striving to upgrade social infrastructure around the world.

Performance in FY2014

In the Environment and Energy segment, the contributions of consolidated subsidiaries J-Power Systems Corporation and Sumiden Hitachi Cable Ltd. brought sales up to ¥636.5 billion, an increase of ¥72.4 billion, or 12.8%, year on year. On the other hand, operating income fell ¥10.6 billion to ¥13.5 billion. The main factors underlying this decrease were costs incurred from the amortization of the goodwill of J-Power Systems Corporation, declining demand for Group company Nissin Electric's ion implanters used to manufacture high-definition small-and medium-sized flat-panel displays (FPDs), and costs associated with forward-looking investments in new products, such as redox flow batteries.

Initiatives and Goals in FY2015

- In FY2015, Sumitomo Electric forecasts segment sales to rise 19% to ¥760 billion, and operating income to grow 22% to ¥16.5 billion.
- While enhancing its development of next-generation energy system-related products, Sumitomo Electric will strive to offer products that enhance such systems in three ways: reducing their burden on the environment, maintaining and improving the quality of power generation, and ensuring its security. The Company will also focus on superconductors, redox flow batteries, products designed for high-speed power line communications (PLC), and concentrator photovoltaic (CPV) systems.

- The Company intends to focus operational resources on its electric power business and establish a more solid business foundation by restructuring it. Furthermore, Sumitomo Electric will carry out the large-scale investment needed to upgrade its high-voltage cable production lines and put in place an efficient production system. This will enable it to leverage the Sumitomo Electric Group's technical and installation expertise to capitalize on demand for new energy-related power lines in Japan and submarine cables abroad, including interconnection lines in Europe, for which demand is projected to grow.
- In the materials business, Sumitomo Electric plans to step up marketing of porous metal for batteries and magnet wires for environmentally friendly vehicle motors.
- Sumitomo Electric is planning to improve its ability to supply conductor materials globally, supplementing its production facilities in Indonesia with a new integrated casting and rolling production line in Thailand to manufacture copper wire rods. At the same time, the Company is broadening the product range of new copper materials it supplies, including copper alloy for small-diameter harnesses and copper-aluminum composite materials for the voice coils of smartphones and mobile devices.
- Sumitomo Electric is creating a dual-factory production network for manufacturing aluminum wire rods, comprised of its Toyama Plant in Japan and its factory in Thailand, for which it will install an integrated continuous casting and rolling production line in October 2016. This will allow the Company to boost production capacity of high-quality aluminum wire rods and aluminum alloy materials in anticipation of rising demand for lighter-weight automobiles.

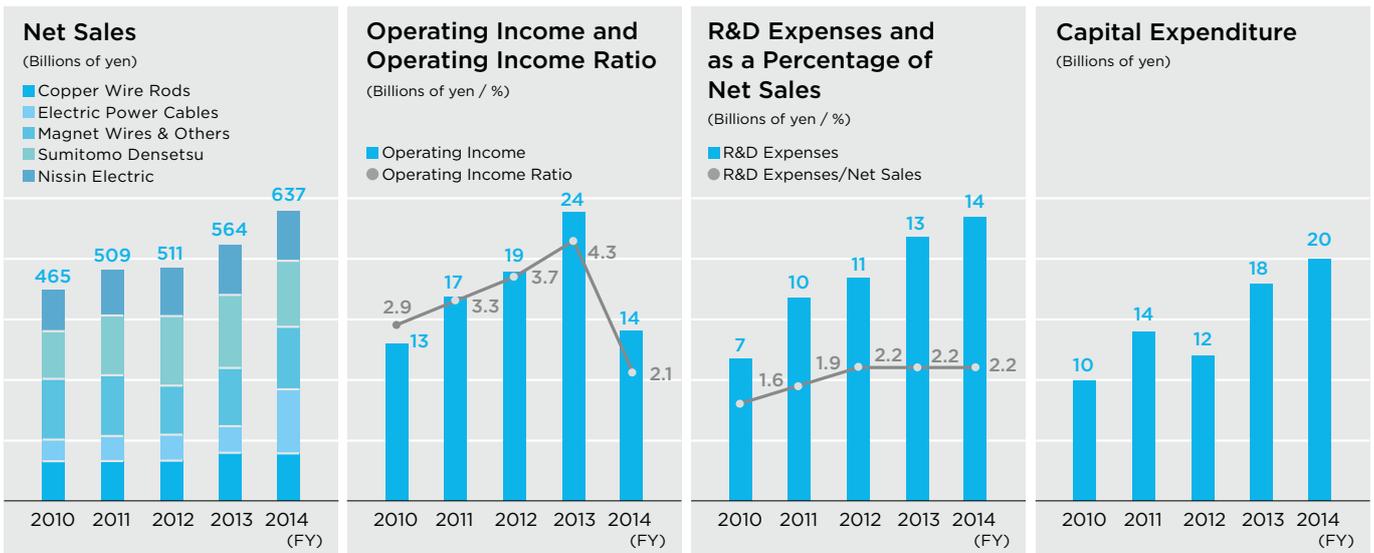
Strategic Initiatives

Redox flow batteries developed by the Company have long operating lives because their electrodes and electrolytes do not significantly degrade in quality. Moreover, because these batteries can operate at normal temperatures and are not made with ignitable materials, are highly safe, making them especially suitable for use as storage batteries for electric power systems. For these reasons, redox flow batteries are expected to be used increasingly at solar, wind, and other power plants that draw on renewable energy, where they are needed to stabilize the variable power output.

As a pioneer in commercializing redox flow batteries, Sumitomo Electric was appointed as a

project leader to facilitate discussions on Japan's proposals for international standards on the safety of redox flow batteries. These proposals were formulated by Japan's Ministry of Economy, Trade and Industry and the Japanese Industrial Standards Committee and submitted to the International Electrotechnical Commission (IEC) in October 2013. In February 2014, the IEC approved Japan's proposals on safety, which is particularly important for the adoption of redox flow batteries.

Now that international standards for ensuring the safety of redox flow batteries are expected to be established, Sumitomo Electric is cultivating the global market for these products.



1. Bismuth superconducting cables

Electric cables made from bismuth superconducting wires with zero electrical resistance as well as strong electromagnets help improve energy efficiency and save energy. Sumitomo Electric has started Japan's first power transmission demonstration test using its superconducting cables.



2. CELMET™

This material features high porosity and continuous pores, and is used mainly in the electrodes of nickel-hydrogen batteries.



3. Wire rods

We have been manufacturing wire rods since our foundation in 1897. Our wire rods are used for the production of a wide variety of electric wires and cables.

Industrial Materials and Others



Industrial Materials and Others Segment

Taking advantage of its material development capabilities based on electric wire and cable drawing technology, Sumitomo Electric has developed a range of products with unique features including PC steel wires, steel tire cords, and other special steel wires essential for civil engineering and construction. The Company also supplies a wide variety of superior materials including sintered parts used in automobiles and household appliances, and synthetic diamonds that have gained a reputation as the “ultimate material.” As essential materials for tools and machinery needed by many industries, these products contribute to the development of society.

Performance in FY2014

In the Industrial Materials and Others segment, sales totaled ¥317.4 billion, a year-on-year increase of ¥14.1 billion, or 4.6%. This was mainly due to strong demand for cemented carbide tools for automobiles and sintered parts. Meanwhile, operating income rose ¥2.5 billion to ¥23.0 billion.

Initiatives and Goals in FY2015

- In FY2015, Sumitomo Electric projects that net sales will increase 10% to ¥350 billion and that operating income will grow 20% to ¥27.5 billion.
- In its hard metals business, Sumitomo Electric will aim to acquire 10% of the global market by maintaining its current solutions-oriented marketing, breaking down barriers between its domestic and international operations, expanding manufacturing and sales operations, and continuing to develop materials that cannot be imitated by competitors. Specifically, the Company is making inroads in new markets that use chemical vapor deposition (CVD) single-crystal diamonds and binderless diamonds, which are innovative materials developed through ultrahigh-voltage technology, while combining new production

techniques using metal 3D printers to develop new products. On this momentum, Sumitomo Electric will aim to boost sales in the high-precision machining and aircraft markets, which are expected to grow in the future.

- In the sintered products business, Sumitomo Electric has received large-scale orders for products such as variable valve timing components used in engines, and expects sales to grow as its market share increases in Japan. Outside Japan, the Company is expanding business for high-performance and highly functional products by leveraging its global supply system based in six countries: the United States, Germany, China, Thailand, Indonesia, and Mexico.
- In this segment, Group company A.L.M.T. Corporation, which develops, manufactures, and sells rare metal parts in tungsten and molybdenum, is gaining a high market share for heat sink materials, one of its core businesses, having successfully differentiated these products from its competitors’ by applying advanced material technologies. As global demand for infrastructure construction and maintenance continues to expand in the future, A.L.M.T. Corporation anticipates higher profits from increased sales of heat sink materials, especially those for wireless mobile telecommunications base stations compatible with the Long-Term Evolution (LTE) standard.
- In the special steel wire business, sales of prestressed concrete (PC) steel wires are on track to rebound from the second half of FY2014, and steady demand is expected in the future owing to highway construction and maintenance, including in the Tohoku region of Japan, which is rebuilding following the earthquake and tsunami disaster of 2011. Beyond Japan, Sumitomo Electric is looking to take advantage of brisk demand for housing construction in the United States by rapidly expanding production capacity.

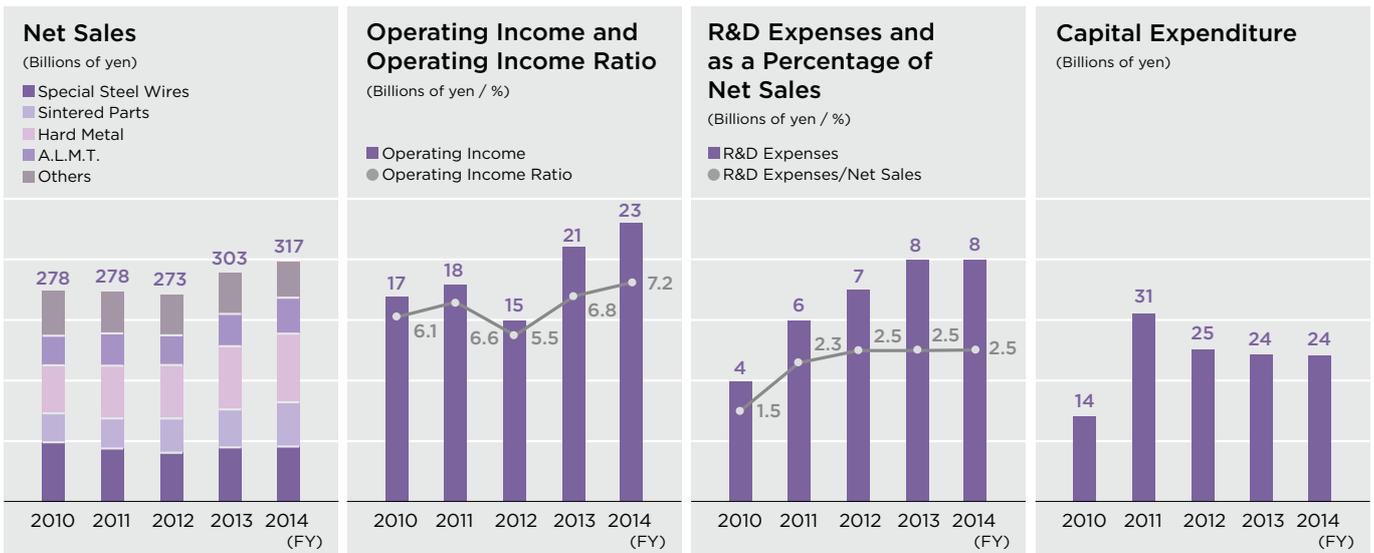
Strategic Initiatives

The Company's wholly owned subsidiary Sumitomo Electric Sintered Alloy, Ltd., established Sumitomo Electric Sintered Components Mexico, S.A. de C.V. in Mexico as a new base for manufacturing and selling sintered components. From July 2016, the new company is set to manufacture engine, transmission and other parts for automobiles and market the products to the Mexican market.

Japanese automakers and automotive parts manufacturers have recently been stepping up the pace of expansion in Mexico. In response to this trend, Sumitomo Electric Sintered Alloy established the new manufacturing and sales company with the goals of boosting sales of sintered components, for which demand

is projected to increase in the future, and raise the level of customer satisfaction in the country. It invested a total of about ¥3.0 billion in the subsidiary, which is scheduled to have a factory with an annual production capacity of 2,000 tons.

The Sumitomo Electric Group intends to leverage the manufacturing expertise it has built up globally in the past with the aim of expanding its share of the Mexican market.



1. Nano-polycrystalline diamond

Sumitomo Electric has been engaged in the diamond business for over 40 years and has advanced its unique ultrahigh pressure technology to release various products. SUMIDIA™ binderless is the ultimate new nano-polycrystalline diamond having hardness higher than that of single crystal diamonds and overcoming cleavage, a shortcoming of single crystal diamonds.

2. Prestressed concrete (PC) steel wires

Prestressed concrete is a technology for high-strength concrete members using high-strength steel wires to generate high compressive force. It is used in the construction of large bridges and tanks. The Sumitomo Electric Group is involved in many civil engineering and construction projects using the DYWIDAG™ method, for which it has acquired licensing in Japan.



3. Sintered parts

These products are made by utilizing power metallurgy technology (sintering), a method of producing parts by baking compacts that are molded by compressing metallic powder. Allowing the creation of high accuracy and intricately shaped parts, sintering is popularly used to make automotive engine components and drive train parts, as well as air-conditioner parts.

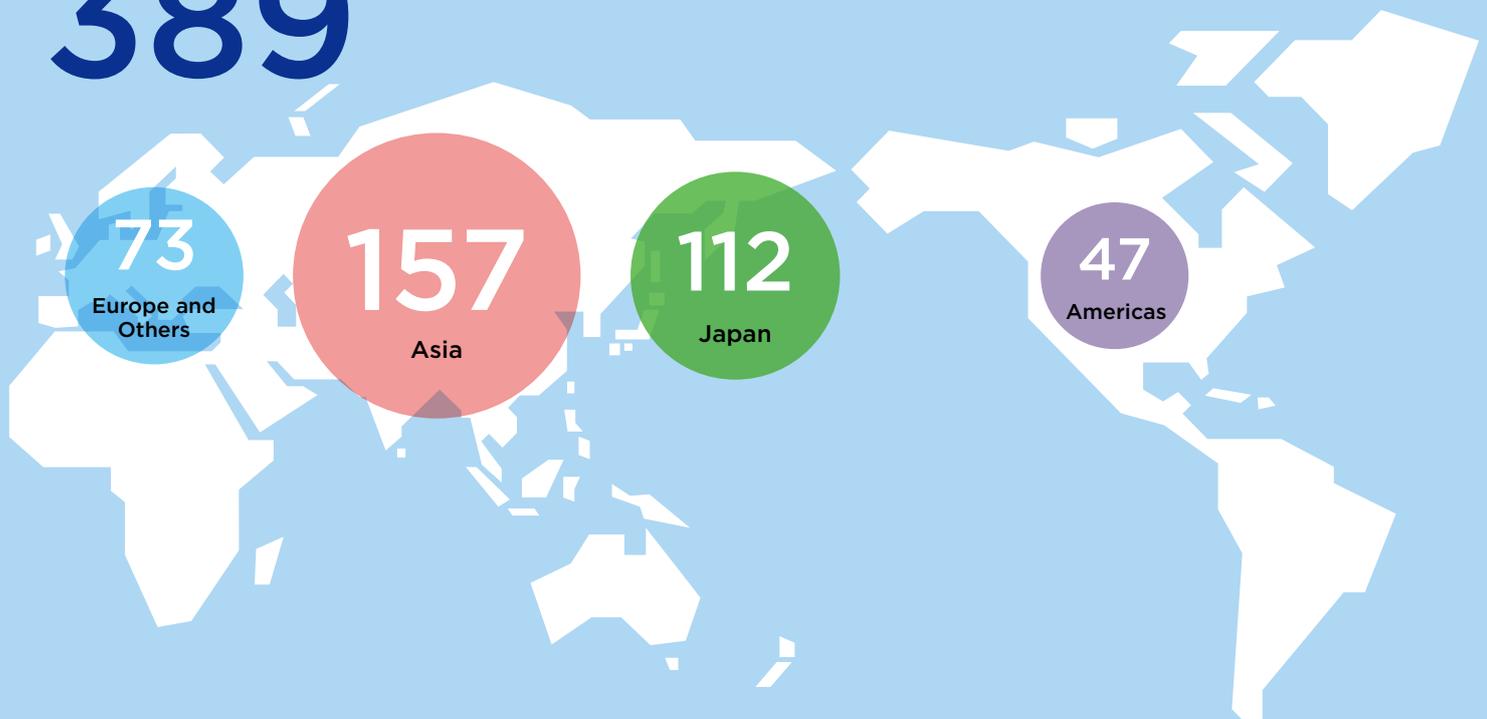
Expanding Business on the World Stage

The Sumitomo Electric Group is expanding marketing bases and optimally reconfiguring its network around the world, to respond more accurately to growing global demand driven by the emerging economies.

As a result, sales of the Company and its consolidated subsidiaries outside Japan (overseas sales) totaled ¥1,646.8 billion in FY2014, an increase of ¥229.8 billion from the previous fiscal year. Overseas sales now account for 58.3% of total sales on a consolidated basis, a year-on-year increase of 3.1 percentage points.

Total of Consolidated Subsidiaries and Affiliates by the Equity Method

389 (As of March 31, 2015)



🌐 Global Human Resource Management Policy

Currently, the Sumitomo Electric Group employs around 240,000 people in diversified technological and regional occupations in over 40 countries. It is essential for us to make full use of all of our resources if we are to survive and thrive amid global competition in terms of technology, products and business model. It is also vital to secure and mobilize highly talented human resources to support our business.

The Group has long emphasized the importance of human resources, as stated in the Sumitomo Spirit. In September 2011, the Group compiled the Global Human Resource Management Policy, clearly laying down its basic human resource policy.

This policy explicitly commits Sumitomo Electric to further accelerating the globalization of human resources and organizational systems and providing training for fostering global players and leaders and career opportunities regardless of nationality, race, ethnicity, religion or gender. The policy has been widely promulgated internally and externally.

We are promoting specific policies for cross-border personnel exchange and training, and for compilation of global guidelines for personnel deployment.

Global Human Resource Management Policy Website:
<http://global-sei.com/ghrm/>

Americas

In FY2014, sales in the Americas amounted to ¥494.7 billion, accounting for 17.5% of total consolidated sales. This was a year-on-year increase of ¥92.2 billion, mainly due to strong demand for automotive wiring harnesses.

Sales of consolidated subsidiaries in the Americas grew ¥86.0 billion year on year to ¥482.2 billion, while operating income rose ¥15.2 billion to ¥30.5 billion. Operating income generated in the region accounted for 22.4% of consolidated operating income.

Asia

Sales in China increased by ¥56.9 billion year on year to ¥459.9 billion (accounting for 16.3% of all consolidated sales). Sales in other Asian markets increased ¥32.9 billion to ¥346.2 billion, accounting for 12.3% of total sales on a consolidated basis.

Sales of consolidated subsidiaries in Asia, including China, (to external customers) totaled ¥760.7 billion, an increase of ¥89.6 billion from the previous fiscal year. The sales increase was primarily due to strong demand for automotive wiring harnesses along with steadily growing sales of sintered parts and other industrial materials. Operating income also increased ¥4.4 billion year on year to ¥63.5 billion. Operating income generated in this region accounted for 46.6% of total operating income on a consolidated basis.

Net Sales in Overseas Markets

(Billions of yen)

■ Americas
■ Asia
■ Europe and Others



Net Sales of Overseas Subsidiaries

Segment Information by Geographic Area

(Billions of yen)

■ Americas
■ Asia
■ Europe and Others
■ Japan



Europe and Others

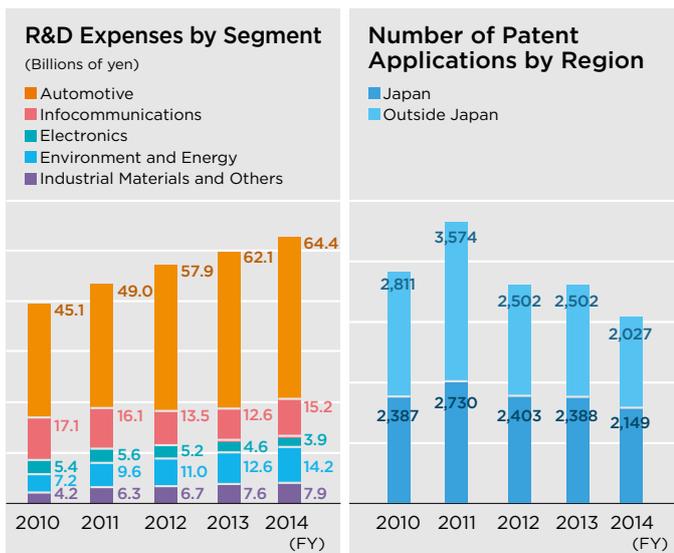
Sales in Europe and other areas amounted to ¥346 billion, accounting for 12.2% of total consolidated sales. This was an increase of ¥47.8 billion compared to the previous fiscal year, primarily owing to the recovery of the European economy and a rebound in sales of automotive wiring harnesses to the European market.

At the same time, sales of consolidated subsidiaries in the region (to external customers) increased ¥37.4 billion to ¥330.6 billion, and earnings also rose. Operating income was ¥5.7 billion, up ¥3.3 billion. Operating income generated in this region accounted for 4.2% of total operating income on a consolidated basis.

Research & Development

In line with our commitment in our Corporate Principles to build up technical expertise, promote innovation and strive for continuous growth, we focus on growth in existing areas while developing original businesses and new products with strong earnings potential. Anticipating future technological needs, we are committed to identifying and developing new research areas that will drive next-generation growth for the Sumitomo Electric Group.

In FY2014, ended March 31, 2015, consolidated R&D expenses totaled ¥105.6 billion.



Automotive Segment

In FY2014, R&D expenses in this segment totaled ¥64.4 billion.

Applying its unique material and analysis technologies, Sumitomo Electric, together with Sumitomo Wiring Systems, Ltd., and a research firm jointly owned by both companies, AutoNetworks Technologies, Ltd., is developing new wiring harnesses and automotive electronic equipment designed to meet customer needs for safety, ease of use, and environmental friendliness.

Sumitomo Electric is developing elemental wiring harness technologies necessary to create harness architecture compatible with next-generation in-vehicle systems. As an environmental initiative, it is mass-producing wiring harnesses made of aluminum, a lighter material than conventionally used copper, in an effort to help reduce the weight of automobiles. The Company is also further expanding the scope of applications for wiring harnesses. Anticipating the growing markets for electric and hybrid electric vehicles, Sumitomo Electric is striving to develop high-voltage wiring harnesses, connectors, battery internal wire modules and other parts for these vehicles.

In the automotive electronic equipment business, the Company is developing power distributors and other electronic devices as well as semiconductor devices, onboard electronic control units, and next-generation automotive local area networks (LANs), along with

related software to enable networking of power systems and information systems. To improve the efficiency of new product development and maintain high levels of quality, Sumitomo Electric is developing indispensable testing, analysis, evaluation, and solution techniques to create elemental technologies and ensure reliability. It also employs a wide range of assessment equipment, including environmental testing instruments and analysis devices, and makes full use of simulation techniques based on computer-aided engineering (CAE), enabling the analysis of connector contact-point mechanisms, heat and vibration of electronic equipment, and other factors. Group company Sumitomo Riko Company Ltd., promotes industry collaboration and integration of external technologies based on its core technologies with the goal of quickly creating new technologies and developing timely products. In this way, it is working to establish new businesses that can drive future growth and development amid dynamic changes in its operating environment. As part of its efforts to develop technologies at the forefront of the auto industry, Sumitomo Riko strives to make more globally compatible products that lower costs for users, comply with environmental regulations, and enhance driving comfort. In a recent initiative, the company combined its high-performance rubber and precision machining technologies to successfully develop a rubber seal material, fuel cell gaskets, which are used in the fuel cells stacks equipped in fuel cell vehicles.

Infocommunications Segment

In the fiscal year under review, R&D expenses in this segment totaled ¥15.2 billion.

In the Infocommunications segment, Sumitomo Electric is pursuing comprehensive R&D in various product fields, including optical communications-related products and network systems.

Beginning with optical communications-related products, Sumitomo Electric is carrying out R&D on low-loss, low-nonlinearity optical fibers for submarine cable applications, with the aim of increasing the transmission speed and distance of optical fiber communications. It is also working to further enhance the special properties of these fibers and ensure that they can be stably mass produced. Seeking to

dramatically increase transmission capacity, the Company is developing multi-core optical fiber comprised of a single optical fiber with numerous cores, as well as exploring optical fiber construction and manufacturing methods, and conducting applied research intended to resolve issues involved in their practical usage, such as connecting optical input-output devices to multiple cores. To enable more efficient usage of optical networks, Sumitomo Electric is developing optical fiber conversion equipment. It is also carrying out development of large-capacity wiring techniques for data centers that enable transmission speeds of 10 gigabits per second (Gbps) or higher within and between information devices or between servers in data centers, while working to commercialize high-speed, large-capacity wiring units using either optical cables or electrical cables, depending on the usage environment. The Company is also developing new optical connectors used in data centers and technical applications for the data center market based on conventional optical telecommunications equipment. In addition, Sumitomo Electric is developing new materials by making use of optical fiber manufacturing techniques, and new products that utilize its platform technologies, including optical fiber mounting and optical design. It is also planning to expand its optical technologies into new fields, such as electronics and life sciences.

Sumitomo Electric is working to quickly release new transmission device-related products to the market in an effort to expand this business, by taking advantage of its high-end optical communications devices designed for transmission over short distances of a few dozen meters to long distances of thousands of kilometers, as well as its electronic device technologies for wireless communications capable of high-speed and high-output performance.

Having succeeded in developing optical transceiver devices capable of transmission speeds of 10 and 40Gbps, Sumitomo Electric now aims to develop products capable of transmission speeds of 100Gbps and over. For devices capable of Ethernet transmission up to 40 kilometers, the Company seeks to make more compact and energy-saving products, commercialize 100Gbps optical transceivers that meet CFP4 and Quad Small Form-Factor Pluggable 28 (QSFP28) standards (requiring about one-tenth the capacity and one-third the power consumption of conventional models), and develop next-generation 400Gbps models. The Company is also developing coherent communication devices capable of transmission from 80 kilometers to several thousand kilometers. By using wavelength division multiplexing technology, it can achieve transmission speeds of several terabits per second (Tbps). Meanwhile, the Company is working to commercialize variable wavelength semiconductor

lasers, multi-level optical phase modulators and homodyne optical receivers by applying optical integrated circuit technology using compound semiconductors. It is also developing optical transceivers using those technologies. In addition, Sumitomo Electric is studying the prospects of entering the market for large-capacity wiring for buildings requiring communications over short distances of several dozen meters. Accordingly, it is working to increase the speed of its vertical cavity surface emitting laser (VCSEL), which features superior optical performance and extremely low electricity consumption.

For its wireless communication device products, Sumitomo Electric has developed a world-leading gallium nitride (GaN) transistor capable of high efficiency and high output, and has commercialized it for mobile phone base station applications. While meeting expectations in the market for low power consumption and the shift toward the Long-Term Evolution (LTE) standard, the product is also helping promote the switchover from existing silicon transistors to GaN transistors in Japan and around the world. Sumitomo Electric is working to further improve its efficiency, and focusing on developing applications for 5th generation wireless mobile networks, the next standard after LTE. Moreover, the Company is targeting radar applications by increasing output and efficiency in the 10 gigahertz (GHz) band, while also developing monolithic microwave integrated circuit (MMIC) products for the 20GHz band and 80GHz band (millimeter wave band). In this way, Sumitomo Electric has expanded into a broad range of wireless applications, including communications between base stations, satellite communications, and in-vehicle radar systems.

By building on these device technologies, Sumitomo Electric intends to make progress in developing low-power-consumption infrared light sources and high-sensitivity infrared image sensors, for which applications are anticipated in a diverse range of fields including life sciences, environment-related industries, and infrastructure and industrial process management.

In the network system business, Sumitomo Electric is conducting R&D on information and communication equipment. By innovating its information and communications technologies, the Company aims to help make society more sustainable with greater safety, security and comfort.

In the wire communication system business, Sumitomo Electric is carrying out R&D on next-generation systems that perform at higher speeds, such as the 10 Gigabit Ethernet Passive Optical Network (10G-EPON) standard. In the wireless communication system business, it is developing a new type of outdoor active antenna wireless unit for mobile phone base stations, and applying Internet of Things (IoT)-oriented

Research & Development

machine-to-machine (M2M) communications to enable wireless communication technologies to support advanced service implementation platforms.

In the energy network business, Sumitomo Electric is carrying out R&D on a home energy management system (HEMS) and cloud-based demand response systems that instantly and automatically regulate electricity usage in the event of a power shortage.

Finally, Sumitomo Electric is achieving advances in safety- and security-related technologies. To make transportation safer, the Company is developing safe driving support systems utilizing traffic system control algorithms and vehicle infrastructure integration (VII) applications. It is also developing imaging sensors and radio wave sensors for crime-prevention and surveillance systems. In addition, Sumitomo Electric is applying its proprietary sensor technology in research on analysis technologies designed for deterioration inspections of infrastructure, factories, and other structures.

Electronics Segment

In FY2014, R&D expenses in this segment totaled ¥3.9 billion.

Sumitomo Electric is applying its micro-nano technologies to develop a wide range of new materials and components in this segment, including compound semiconductors and electronic components.

In its compound semiconductor business, Sumitomo Electric is striving to raise the quality of its indium phosphide (InP) and gallium arsenide (GaAs) substrates used in wireless electronic devices and high-speed transmission optical devices, which provide the basis for telecommunications, as well as GaN substrates used in such applications as blue-violet laser diodes, white light-emitting diodes (WLEDs), and power devices. The Company has also successfully developed a substrate suitable for green lasers and realized the world's first pulse oscillation with a true green laser. Moreover, Sumitomo Electric is developing semiconductor materials for use in new optical and electronic devices.

In the electronic material and parts business, the Company is developing a conductive paste by utilizing metal nano-powder derived from its proprietary liquid-phase reduction process. It is also developing nano-ink for forming circuits, and microscopic circuit boards based on high-precision printing technology. Employing unique adhesive material techniques and fine circuit pattern formation technologies, the Company is pursuing the development of electronic circuit boards for mobile devices, in-vehicle module components, and heat dissipation materials.

Environment and Energy Segment

In FY2014, R&D expenses in this segment totaled ¥14.2 billion.

Sumitomo Electric is proactively developing storage batteries and other energy-related products while working to expand its energy solutions business and other businesses into new markets by leveraging the networking technologies it has developed in its superconducting and next-generation power transmission network businesses.

In the superconducting business, the Company substantially improved the performance and mass production potential of bismuth-based high-temperature superconducting wires, and is pursuing commercialization and all-out marketing of these wires worldwide as materials for cable projects, motors and magnets. In the superconducting cable system business, Sumitomo Electric is participating in a high-temperature superconducting cable demonstration project overseen by the New Energy and Industrial Technology Development Organization (NEDO), and succeeded in completing Japan's first trial of in-grid operations over a 14-month period between October 2012 and December 2013. This project was succeeded by a study to test the safety and reliability of a next-generation electricity transmission system, commencing from June 2014. As a member of the project, Sumitomo Electric is conducting R&D aimed at making the system feasible. Meanwhile, in its direct-current (DC) electricity supply business, the Company is focusing on improving its technological capabilities for the purpose of enabling the use of high-temperature superconducting cables. Toward this end, it has been involved in a project commissioned by Japan's Ministry of Economy, Trade and Industry to demonstrate a high-temperature superconducting DC electricity supply system since March 2013. Sumitomo Electric is also developing industrial-use superconducting magnet systems, and as part of its efforts to broaden their applications and make the systems practical for industry, it commenced sales of compact and lightweight refrigerator-cooling-type magnet systems in July 2014, and supplied magnet systems for semiconductor probers in March 2015. In addition, Sumitomo Electric is conducting research on next-generation superconducting wires that differ from bismuth-based wires, with a focus on enhancing the special properties of thin-film superconducting wires made up of a crystal-aligned metal substrate, middle layer, and superconducting layer.

In its next-generation power transmission network business, Sumitomo Electric is responding to public demands for adopting natural energy, conserving energy, and decentralizing the electric power industry. For example, the Company has been conducting demonstration tests of a micro smart-grid system at its Osaka Works since June 2011. The system features numerous pieces of natural energy generation equipment, including concentrator photovoltaic (CPV) devices developed in-house, interconnected via DC

power cables with small redox flow storage batteries and other equipment. Moreover, the Company has been developing a large-scale electric power storage and generation system at its Yokohama Works since July 2012. The system comprises 100-kilowatt fixed-output CPV devices and redox flow batteries with megawatt-class output and capacity. While using the system to supply power onsite, Sumitomo Electric is verifying the feasibility of its operations for commercialization. In addition, the Company has focused on the development of next-generation superconducting wires, mega-solar monitoring systems equipped with power line communications (PLC), small storage batteries for emergency use and power conditioners.

In the storage battery business, Sumitomo Electric is exploring the possibility of realizing a compact assembled molten salt electrolyte battery made of nonflammable materials, and is designing and evaluating prototypes according to a wide range of needs based on information provided by customers. The Company has also developed Aluminum-CELMET™, a porous metal that can contribute to improving the performance of storage batteries as a current collecting material, and is seeking to develop mass production technologies for lithium-ion batteries and storage devices such as capacitors.

To meet diverse needs in the market, Group company Sumitomo Densetsu Co., Ltd., is utilizing the latest technologies and computer capabilities to develop energy-saving techniques, new installation methods and a wide spectrum of systems, including storage battery systems, superconductivity cooling systems, energy management and other building management system technologies, and maintenance and monitoring systems for photovoltaic power generation systems.

Concurrently, Group company Nissin Electric Co., Ltd., is conducting R&D with an emphasis on next-generation devices, including power system equipment, renewable energy- and environment-related products, and charged beam equipment and processing applications. In the power system equipment business, it is pursuing R&D and product development aimed at maintaining and improving the quality of power generation, taking into account the shift toward decentralization of the power sector and promotion of various energy sources, particularly photovoltaic power generation, as well as the miniaturization of conventional products.

Meanwhile, in its charged beam equipment and processing business, Nissin Electric is conducting R&D with a focus on products such as thin-film coating equipment and new thin coating films, as well as next-generation products such as ion implanters for semiconductor production and electron beam processing systems. In its new energy and environment business, the company is orienting R&D toward improving the functionality of power conductors for

photovoltaic power systems, as well as carrying out demonstration tests of energy management systems along with related technical research.

Industrial Materials and Others Segment

In FY2014, R&D expenses in this segment totaled ¥7.9 billion.

Sumitomo Electric is in the process of developing cutting tools, ultra-precision machining tools, various kinds of mechanical and functional parts for automobiles, and components for consumer appliances, drawing on its unique material and processing technologies related to cemented carbide, synthetic diamonds, cubic boron nitride, coating thin film, special steel wires, ceramics, and metal sintered components.

In its synthetic diamond business, Sumitomo Electric has developed an ultrahard nano-polycrystalline diamond made from ultrafine grains of several tens of nanometers, by combining its new proprietary processes and a new ultrahigh-voltage technology employing atmospheric pressure of 150,000 atm and heat of over 2,000°C. Having demonstrated that this nano-polycrystalline diamond has greatly superior mechanical qualities to conventional synthetic diamonds, the Company is working to promote it as a tool for next-generation high-precision machining.

In its sintered parts business, the Company is developing products, such as fuel-injection equipment parts used in diesel engines, for soft magnetic powder materials, which have excellent magnetic characteristics in the high-frequency range. Responding to the growing use of electrical systems in cars, Sumitomo Electric is focusing its product development on high-performance soft magnetic powder materials made especially for electric and hybrid electric vehicles.

In the cutting tools business, Sumitomo Electric is drawing on its extensive cemented carbide technologies and coating techniques to develop friction stir welding tools that can attract attention as new welding methods. The Company also aims to enter new markets unrelated to cutting tools.

Sumitomo Electric is focusing on developing ballast water treatment systems in its water-related business, which it regards as a new growth driver in the future. It is also applying near-infrared light technology to develop medical instruments for its life sciences business. Meanwhile, Sumitomo Electric is working to establish an industrial agriculture business by combining its proprietary sand culture technique with environmental management methods to greatly improve agriculture yields. In the future, the Company plans to make use of its information and communications technologies in this business.

Environment and Corporate Social Responsibility

Sumitomo Electric Group CSR Basic Policy

The Sumitomo Spirit, which gives top priority to upholding public trust and corporate ethics, is deeply instilled in the Sumitomo Electric Group. Based on the values embedded in the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, the Group is working to enhance its social value by ensuring compliance in business activities while helping to achieve a better society and environment.

We have specified five core categories on which we focus our CSR efforts: products and services; supply chain; human resources; environmental preservation; and social contribution. Based on this approach, we will establish strong relationships with stakeholders and continue sustained growth with the aim of becoming a “Glorious Excellent Company.”

Products and Services

The Sumitomo Group regards innovation to be a vital factor for creating unique and promising products. While leveraging its wide range of products and technologies, the Group is currently pursuing R&D that contributes to the achievement of sustainable development.

- Expand into overlapping markets, including new electric power and energy-related markets, to achieve sustainable development
- Enter life science-related markets
- Enter resource-related markets

Products and technologies that can help solve social issues

Key social issues

- Fight global warming
- Issues related to the energy shift from nuclear power plants to alternative electricity sources
- Expand Japan's electric power grid network by connecting new energy sources to urban areas, such as solar and wind power
- Maintain the electricity and energy supply during times of disasters

Helping realize three benefits expected by society

- 1 Reduce the environmental burden**
Make the most of renewable energy and utilize efficient electric power technologies to reduce the burden on the environment
- 2 Maintain and improve the quality of electric power**
Provide a good and stable supply of electricity according to customers' needs and electricity consumption conditions
- 3 Ensure public security**
Support safe livelihoods and build electricity supply systems that are effective even in times of emergencies and disasters

Supply Chain

The Sumitomo Group recognizes that in today's market a growing amount of resources is being procured for new businesses, the areas where resources are procured are expanding, and procurement-related risks and other issues are growing. In response to these three trends, the Group is promoting CSR-oriented procurement as an important initiative under VISION 2017, while striving to deepen relations of trust with its suppliers.

- Determine which CSR activities are being implemented by Japanese suppliers overseen by the Company's Procurement Division
- Determine which CSR activities are being implemented by suppliers outside Japan via the international procurement operations of the Procurement Division
- Extend the CSR procurement system detailed above to companies of the Sumitomo Electric Group

Human Resources

The Sumitomo Electric Group employs more than 200,000 employees at about 380 subsidiaries and affiliates based in roughly 40 countries around the world. With this in mind, Sumitomo Electric has begun actively promoting the globalization of human resources at all of its Group companies worldwide as both a CSR-related initiative and a management strategy intended to ensure its market competitiveness.

- Establish a framework for creating career opportunities beyond the limits of individual companies in the Sumitomo Electric Group
- Develop a system for grooming global management executives
- Create group-wide guidelines for employee mobility between group companies and countries

Environmental Preservation

The fight against global warming through energy-saving initiatives is an extremely important task for the Sumitomo Group, and also a potential source of business opportunities. Accordingly, the Group is working to reduce the environmental impact of products over their entire lifecycle, and its workplaces around the world are stepping up measures to conserve energy.

- Promote the fifth phase of Action ECO-21, based on the ISO 14001 environmental management system
- Broaden and improve energy-conservation activities at worksites outside Japan
- Refine skills to promote environmentally friendly

products that can contribute to reducing the environmental impact throughout society

- Continue undertaking social contribution initiatives with a long-term outlook

Social Contribution

The Sumitomo Group's business activities cover an extremely broad scope in terms of technological fields, markets, and business sectors, and involve a diverse range of stakeholders. Therefore, the Group is committed to helping communities through these activities while continuing to pursue long-term social contribution activities in a broad range of areas.

- Promote social contribution activities that meet the needs of local communities
- Build partnerships with organizations based in each of the communities where the Group operates

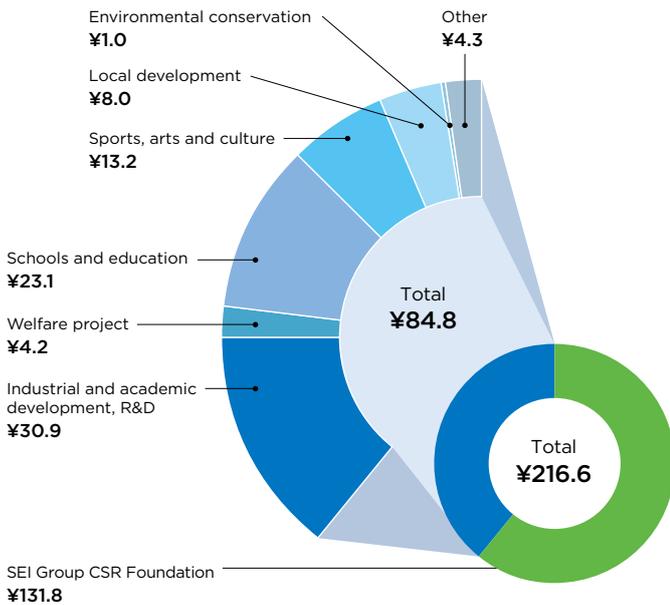
Activities of the SEI Group CSR Foundation

Established in April 2009 for the purpose of promoting human resources training and academic development in various fields in Japan and overseas, the SEI Group CSR Foundation obtained official recognition in February 2010 from the Prime Minister of Japan and his Cabinet as a public interest incorporated foundation.

In FY2014, Sumitomo Electric offered donations to a wide array of community organizations to support schools and education, and promote industrial and academic development, R&D, culture and the arts, welfare projects, local development, environmental conservation, sports, and other fields.

Amount of Donations from Sumitomo Electric by Category

(Millions of yen)



The Sumitomo Electric Group's CSR Activities

SEI CSR Report 2014

For more information about Group CSR activities, please see the website.

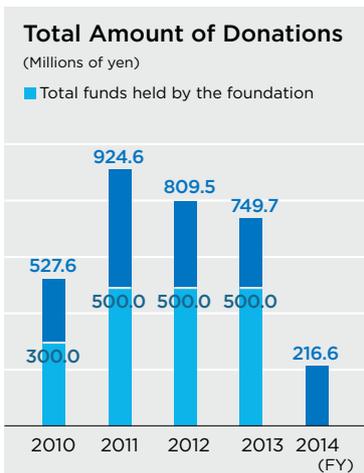
<http://global-sei.com/csr/index.html>

Our CSR Report 2015 will be issued in September 2015.

Sumitomo Electric Group Citizenship Activity Smile Relay

In May 2011, Sumitomo Electric opened Sumitomo Electric Group Citizenship Activity Smile Relay, a blog to introduce the Group's community-based corporate citizen activities. This blog features the various CSR initiatives conducted by Group companies and employees in Japan and other countries described in their own words, while introducing the characteristic features of particular countries and regions.

Website: <http://global-sei.com/smile/>



Corporate Governance

Basic Policy for Corporate Governance

The consistent basic policy of the Sumitomo Electric Group is to continue to create a positive contribution to society through the pursuit of fair business activities, aligned with the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles. While maintaining this basic stance, the Group is working to ensure transparent and fair management based on sound corporate governance, and to determine and implement innovation-focused growth strategies that make the most of its operational resources, recognizing that these endeavors are important for both increasing corporate value and expanding business. In this context, the Sumitomo Electric Group is striving to further enhance its corporate government in accordance with the following basic policy.

- I. We shall ensure conditions for enabling shareholders to properly exercise their rights.
- II. We shall give due consideration to the interests of shareholders and all other stakeholders, and make sure to appropriately cooperate with these stakeholders.
- III. We shall properly disclose relevant corporate information and ensure transparency.
- IV. We shall place importance on procedures for the supervision of management and decisions on strategies and other basic policies by the Board of Directors. Accordingly, we shall maintain a system for ensuring that these procedures are put into practice, with a focus on the activities of the Board of Directors. Furthermore, we will maintain an executive officer system and business unit system for the purpose of clearly defining the authority and duties of managers in charge of business execution, and establishing a management organization that can flexibly respond to changes in the operating environment. With a view to guaranteeing sound management, we shall maintain an auditing system designed to ensure that management complies with the law and proper business practices. Accordingly, we shall work to improve audits undertaken by Audit & Supervisory Board members, and make sure that outside members and full-time members cooperate with the Internal Auditing Department and accounting auditors.
- V. We shall engage in constructive dialogue with shareholders covering a reasonable scope of issues so that they can contribute to measures for achieving sustainable growth and raising corporate value over the medium to long term.

The Sumitomo Spirit

The Sumitomo family's business dates back to about 400 years ago, when it operated a copper refining business using the *nanban-buki* which is a European method for smelting copper and silver. Based at the Besshi copper mine, the business eventually grew into the heart of Japan's mining industry. The Sumitomo Spirit represents the ethical basis underlying the prosperity of this business. It evolved from the guiding principles for business set down by Sumitomo founder Masatomo Sumitomo in his *Aphorisms of Monjuin*. These principles have since deepened and evolved as they were handed down over generations in the Sumitomo family. In 1891, they were rewritten as the Rules Governing the Sumitomo Family, which concisely captured the essence of the original principles.

Rules Governing the Sumitomo Family

(Extract from the company rules of Sumitomo Limited Partnership Corporation, enacted in 1928)

Article 1

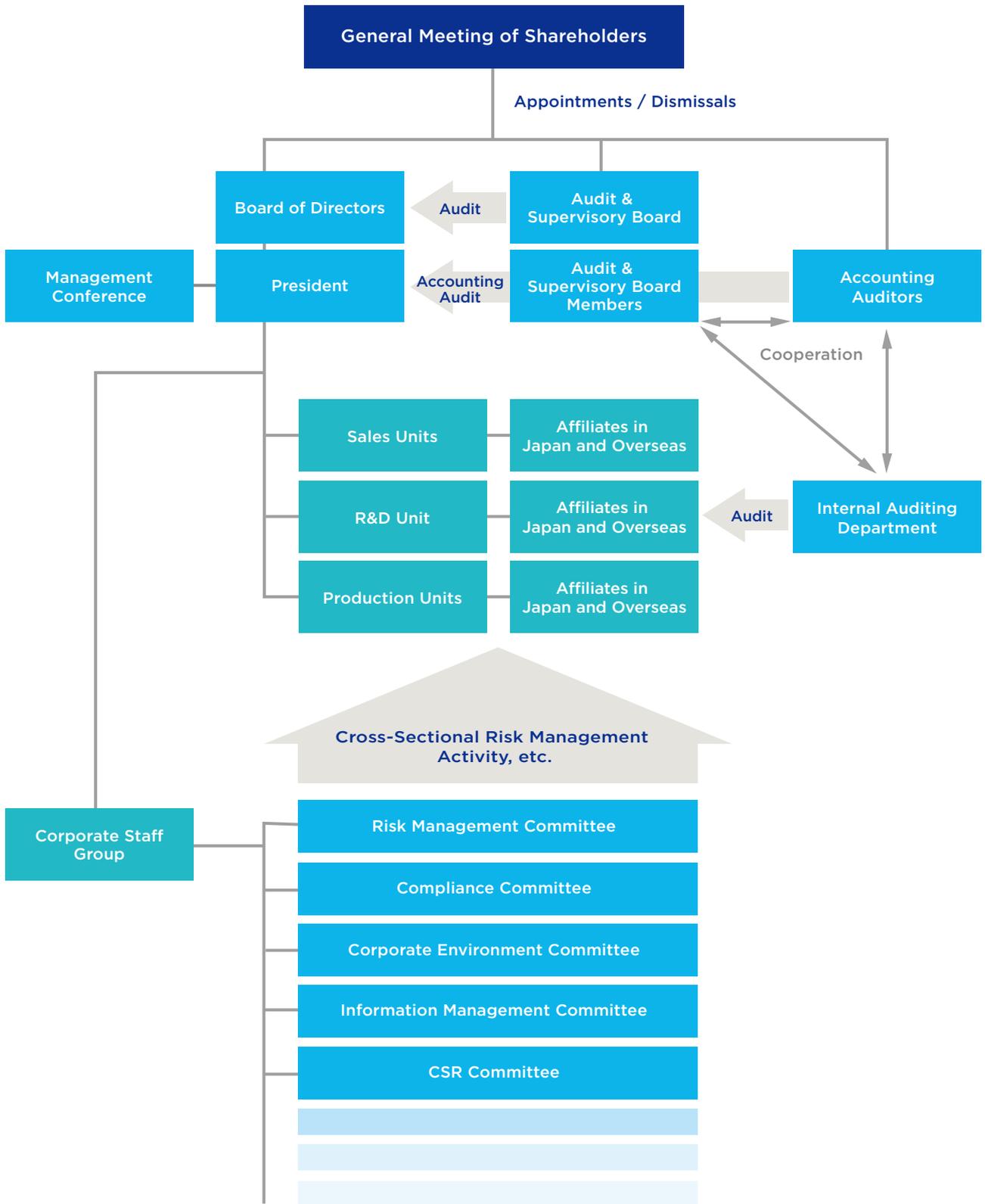
Sumitomo shall achieve prosperity based on a solid foundation by placing prime importance on integrity and sound management in the conduct of its business.

Article 2

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

In addition, the principles of attaching importance to technology, respect for human resources, long-range planning, mutual prosperity and respect for the public good have been passed down to today's generation through the Sumitomo Spirit.

Sumitomo Electric Group's Corporate Governance Structure



Corporate Governance

Sumitomo Electric Group Corporate Principles

(Established in June 1997 on the occasion of the Company's 100th anniversary)

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, and
- nurture a lively corporate culture that enables employee self-improvement.

Overview of the Corporate Governance System and Reasons for Adopting It

Sumitomo Electric chose to adopt an audit and supervisory board system since the roles of such a board and its members under this system are clearly intended for ensuring sound management. With the duties of the Board of Directors, executive officers, and Audit & Supervisory Board members precisely specified, the Company intends to pursue sustainable growth and increase its corporate value over the medium and long term according to the following basic principles.

First, under the audit and supervisory board system, the Company's Board of Directors is responsible for making decisions on the execution of business and supervising those operations. To enable the Board of Directors to make sound decisions on important matters that could affect the future course of the Company, and to effectively carry out its supervisory duties, deliberations on particular matters such as investment are limited to those of high importance. Management decisions are implemented while placing importance on deliberations on the medium-term management plan and fiscal year plans based on it, as well as analysis of the results for each fiscal quarter. Furthermore, to ensure that a sufficient and diverse range of opinions is given due consideration during deliberations, the Company appoints outside directors to the board, and actively solicits input from outside Audit & Supervisory Board members. When carrying out its supervisory duties, the Board of Directors pays serious attention to the opinions of independent officers, particularly

outside directors, to ensure a more independent and objective standpoint. To help make the Board of Directors more effective, the Company plans to establish an advisory committee responsible for decisions regarding nominations and remuneration of directors and executive managers, chaired by an outside director and comprised of a majority of outside directors. While the Company has one outside director at present, at least two will be appointed effective from the annual general meeting of shareholders in 2016. The Company also plans to enhance its related support system and framework for promoting cooperation between its Internal Auditing Department, accounting auditors, and Audit & Supervisory Board members, including outside Audit & Supervisory Board members.

The Board of Directors meets on a regular basis once a month or whenever it is deemed necessary. The Company president currently chairs the meetings, because the position of chairman is currently vacant. In addition to deliberating and deciding on the matters discussed above, the Board of Directors decides on basic policies for the Company's internal control system, and oversees the maintenance and operations of that system.

Second, the Company has adopted an executive officer system and a business unit system with the goals of clarifying the authority and duties of managers in charge of business execution, and establishing a management organization that can respond flexibly to changes in the operating environment. Authority over business execution has been delegated to each business unit, and their responsibilities have been clearly specified. To establish a sound internal control function, the authority of each related organization, including the Corporate Staff Group, which consists of departments such as the Legal Department, and Accounting Department, and proper operational procedures for managers in charge of business execution, have been specified in the Company's in-house regulations.

Third, the majority of Audit & Supervisory Board members appointed by the Company are outside Audit & Supervisory Board members, who collectively possess a wide range of expert knowledge and diverse opinions. Sumitomo Electric has put a system in place that encourages these Audit & Supervisory Board members as well as full-time Audit & Supervisory Board members and corporate auditing assistants to cooperate with the Company's Internal Auditing Department and accounting auditors, so that the legality and appropriateness of business management can be fully monitored.

The systems and organizations described above ensure that Sumitomo Electric's corporate governance function is sound. Nevertheless, the Company intends to further enhance this function in the future based on an examination of the Corporate Governance Code established by the Tokyo Stock Exchange, Inc.

Current Framework for Internal Audits and Audits by Audit & Supervisory Board Members

The Company receives three types of audits—Audit & Supervisory Board members' audits, internal audits, and accounting audits—to ensure the legality and appropriateness of its business management. In the Audit & Supervisory Board members' audits, five Audit & Supervisory Board members, three of whom are outside members, inspect the performance of the Board of Directors in business execution, supported by the corporate auditor support staff (the Office of Audit & Supervisory Board Members).

Audit & Supervisory Board members all attend important meetings of the Board of Directors, pose questions to members of the Board of Directors, the Internal Auditing Department, and other offices regarding their performance of duties, and inspect important documents for approval based on auditing criteria, objectives and allocated tasks determined by the Audit & Supervisory Board. They also carry out regular visiting audits at major business premises. At the same time, they receive audit reports from other Audit & Supervisory Board members and exchange necessary information with the accounting auditors.

The Internal Auditing Department has been set up as the Company's designated organization in charge of internal audits. While securing an appropriate level of cooperation with Audit & Supervisory Board members and accounting auditors, the department carries out audits at worksites, including Sumitomo Group companies, to examine whether any issues interfere with effective and proper business execution, and provides improvement proposals.

Accounting audits and internal control audits are conducted by the auditing firm KPMG AZSA LLC. The audits are carried out by a team of 18 certified public accountants and nine other personnel, including Kouichi Kobori, Hiroshi Tani, Tetsuo Yamada, and their auditing assistants.

Sumitomo Electric's full-time Audit & Supervisory Board member, Hideaki Inayama, has many years of experience in the Company's Accounting Department and Finance Department, and possesses a considerable level of financial- and accounting-related expertise. Likewise, the Company's outside Audit & Supervisory Board member, Kan Hayashi, also has extensive expertise in financial- and accounting-related matters, having acquired the qualifications of certified public accountant and licensed tax accountant.

Corporate Governance

Outside Director and Outside Audit & Supervisory Board Members

Sumitomo Electric appoints one outside director for the purpose of improving the supervisory function of the Board of Directors from an external standpoint, and increasing the transparency and objectivity of management. Likewise, to enhance its supervisory system and ensure that management is conducted appropriately and within the scope of the law, the Company appoints three outside Audit & Supervisory Board members—a majority of its total Audit & Supervisory Board members—with diverse perspectives and broad areas of expertise. This outside director and these outside Audit & Supervisory Board members have no special interests that might affect the execution of their respective duties. Business transactions from FY2014 onward between Sumitomo Electric and other companies or organizations for which these individuals have performed duties either currently or in the past 10 years are presented as follows.

- Outside Director Kazuo Hiramatsu is a director of Kwansai Gakuin University. The Company's research department has entrusted the university with research projects, and gave it donations amounting to similar levels as those given to other universities. Given the amount of these donations and the nature of activities, however, they have not influenced the independence of Mr. Hiramatsu.
- Outside Audit & Supervisory Board member Takashi Kakimi has not been a manager of a company that has engaged in business relations with Sumitomo Electric either currently or in the past 10 years.
- Outside Audit & Supervisory Board member Kan Hayashi was a senior partner at the tax accounting firm PricewaterhouseCoopers until June 24, 2010. Sumitomo Electric has not concluded advisory contracts or conducted regular transactions with this firm, but it occasionally commissioned taxation-related examination and consulting work. Given their frequency and scope, however, these transactions have not influenced the independence of Mr. Hayashi.
- Outside Audit & Supervisory Board member Katsuaki Watanabe was vice chairman of the board of Toyota Motor Corporation until June 17, 2011. Sumitomo Electric sold products to Toyota, but given their scope, these transactions have not influenced the independence of Mr. Watanabe.

Sumitomo Electric has not established any particular criteria or policies related to the independence of members of management appointed from outside the Company. Nevertheless, recognizing the importance of independence from the Company for the proper fulfillment of the roles of outside director and outside Audit & Supervisory Board member, Sumitomo Electric carefully examines and confirms whether any interest in the Company exists when selecting candidates for these positions. Given that the current outside director and outside Audit & Supervisory Board members all met evaluation standards covering independence as set by the Tokyo Stock Exchange, Inc., the Company believed that these outside members would perform the duties of their respective roles appropriately and without related problems, and foresaw no conflict of interests with general shareholders. Accordingly, it appointed these outside members as independent officers as defined by the Tokyo Stock Exchange and other regulations. At present, Sumitomo Electric has not set a policy or criteria concerning the independence of officers from outside the Company, but will continue studying this issue in the future with the intention of deciding on and publicly disclosing such criteria.

Information regarding supervision and audit including internal audit by outside directors and outside Audit & Supervisory Board members, as well as cooperation between Audit & Supervisory Board member audits and accounting audits and relationships with the Internal Auditing Department, is explained in the previous sections, "Overview of the Corporate Governance System and Reasons for Adopting It" and "Current Framework for Internal Audits and Audits by Audit & Supervisory Board Members."

Compliance

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 its 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 (Group-wide), and monitors compliance activities implemented by each division and subsidiary. By the end of March 2015, the committee convened four times, in May, September, and November 2014, and in March 2015.

Compliance Manual

Based on the Sumitomo Spirit, the Sumitomo Electric Group Corporate Principles and the Sumitomo Electric Charter of Corporate Behavior, the Compliance Committee created the Sumitomo Electric Group Compliance Manual, which explains specific instructions for employees to act in a socially acceptable way from legal and ethical perspectives. We distributed this manual to employees of both Sumitomo Electric and its subsidiaries in Japan.

Compliance Education

To check compliance risks, ensure implementation of preventive measures, as well as enhance and spread 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 FY2014, annually held training courses for managers covered compliance with competition laws, measures for preventing bribery and product quality falsification. Training participants were also made aware of the Sumitomo Group's Speak-Up System, described below.

Types of personnel trained and training periods in FY2014 are listed below.

Type of staff targeted	Training period
Officers (including executive officers)	December 2014
Managers at Sumitomo Electric and its Japanese subsidiaries	February to May 2015
Newly promoted personnel	February to March 2015
Newly hired employees (of Sumitomo Electric)	April and October 2014

Speak-Up System

We have established the Speak-Up System, which enables employees, business partners and other parties that deal with Sumitomo Electric to report and consult on potential compliance-related issues to in-house or external hotlines including outside law firms. This system enables the Compliance Committee to identify and resolve such issues internally at an early stage and swiftly mount an investigation based on information it has received and take the necessary measures. While the external hotline under the Speak-Up System is available for all Group companies in Japan to use, we have instructed the Group companies to set up their own in-house hotlines. Sumitomo Electric is also initiating the establishment of independent hotlines at its Group companies outside Japan in addition to an already-established global and independent whistleblower system. The Group aims to make all employees aware of the system by promoting it in internal training courses and its monthly in-house newsletters.

Compliance

Strengthening of the Competition Law Compliance System

1. Development of Competition Law Compliance Rules

In June 2010, new Competition Law Compliance Regulations, including rules that restrict contact with competitors, were established and put into effect. Similar regulations and rules were in place at subsidiaries in Japan and overseas by the end of March 2013.

2. Formation of Dedicated Organizations and Establishment of an Auditing System

In June 2010, Sumitomo Electric established a Competition Law Compliance Office in its Corporate Staff Group that is solely dedicated to promoting compliance with competition laws. We also established a Sales Compliance Office in electric wire-related sales units and assigned a Competition Law Compliance promotion manager and promotion leader to each business unit. In March 2011, we set up an Automotive Compliance Office in the Automotive Business Unit.

Under the Compliance Committee, the Competition Law Compliance Office closely collaborates with the dedicated organizations or managers assigned to each unit that actually engages in business activities. 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 the Competition Law and Competition Law Regulations will put the regulations in place as an effective framework and prevent the recurrence of legal violations.

Set up in the Company's headquarters, which is subject to investigations by authorities in charge of competition-related laws, the Sales Compliance Office and the Automotive Compliance Office take the lead in ensuring that thoroughgoing countermeasures are implemented. Their activities include monitoring orders received and holding periodic meetings on the status of compliance with competition laws.

3. Enhanced and Continuous Competition Law Training

Instead of the regular compliance training seminars for managers organized each year, special training programs on compliance with competition laws were conducted intensively in spring of 2010 for all members of Sumitomo Electric and its subsidiaries in Japan, excluding those working at manufacturing sites. (A total of 81 sessions were held in 40 locations nationwide for 5,000 participants.)

Since that time, compliance training focused on the importance of competition laws has been carried out regularly to ensure that employees are fully aware of related issues. Furthermore, Sumitomo Electric conducted special training courses on compliance with competition laws in FY2013 after it was confirmed December 2013 that members of the Company were involved in fixing bids for orders of overhead transmission lines for Tokyo Electric Power Co., Inc., which had been operated as a joint venture project that included Sumitomo Electric.

In addition, Sumitomo Electric set up a global E-learning system in FY2013, and is now conducting online training courses in 11 languages for employees of the Company and its subsidiaries around the world.

4. Establishment of Action Guidelines for Competition Law Compliance

Sumitomo Electric views competition laws as a top priority to be observed in the Compliance Manual. To clearly specify prohibited conduct and rules of compliance and to also address foreign competition law, new sales-related Competition Law Action Guidelines were established in October 2010. Training sessions were organized in October and November 2010 to make the guidelines familiar to all employees involved in sales activities. The guidelines were also covered in detail in special compliance training carried out in FY2013. Sumitomo Electric will continue to work to ensure compliance with these guidelines.

Business Risks

The following major categories of risk could affect the business performance and financial position of the Sumitomo Electric Group. Forward-looking statements in this section represent judgments made by the Group's management on a consolidated basis as of May 15, 2015.

Political and Economic Situations and Demand Fluctuations

The Group's businesses span the Automotive, Infocommunications, Electronics, Environment and Energy, and Industrial Materials and Others segments. In addition to Japan, the Group has business operations in the Americas, the rest of Asia, Europe, and North Africa. For this reason, its business performance, financial position, and cash flows do not depend excessively on specific trading partners, products or technologies, but are affected by sector- and locality-specific changes in demand, the shortening of product life cycles due to technological innovation, and political change in the countries in which the Group operates. Most of the Group's products are components for end-user goods, and materials and systems used in public facilities and infrastructure. Hence, the Group is exposed to fluctuations in the business cycle as well as changes in customers' procurement policies and decisions on capital expenditures.

Changes in Laws and Regulations

In addition to its Japanese facilities, the Group has manufacturing and sales subsidiaries and affiliates in countries around the world. Operations in each of these markets entail the following risk factors that are impossible to fully avoid and could affect the business performance and financial position of the Group.

- Falling sales or a deterioration in the cost-of-sales ratio due to import restrictions and increases in customs duties.
- Increased tax cost due to changes in taxation systems for domestic or cross-border transactions.
- Inability to recover investment due to foreign currency restrictions, hyperinflation, acts of terrorism, the outbreak of infectious diseases including new types of influenza, or other factors.

Risks Related to Lawsuits, Regulations and Other Legal Measures by Regulatory Authorities

In the course of its ordinary business operations, the Sumitomo Electric Group is exposed to risks related to lawsuits, administrative orders and other legal measures carried out by regulatory authorities, which could result in compensation claims for damages, official pecuniary penalties, or imposition of constraints that could obstruct the Group's ordinary business operations. Any such lawsuit, administrative order or legal measure taken by regulatory authorities could have a negative impact on the Group's business operations, earnings performance and financial condition.

Since January 2009, Sumitomo Electric has been under investigation by authorities overseeing compliance with the EU Competition Laws outside Japan in connection with high-voltage and extra high-voltage power cables. In April 2014, the European Commission issued a fine of €2,630,000 to Sumitomo Electric and €20,741,000 to J-Power Systems Corporation (JPS), which the Company made into a wholly owned subsidiary in April of the same year, after determining that they had infringed on competition laws in Europe. Sumitomo Electric had transferred its high-voltage power cable operations to JPS, which it originally established as a 50-50 joint venture with Hitachi Cable, Ltd. (currently Hitachi Metals, Ltd.). After integrating these operations, JPS began developing, manufacturing, and exporting the cables in October 2001, and marketing the products to Japanese electric power companies in October 2004.

Competition authorities outside Japan have also investigated Sumitomo Electric in connection with transactions for wiring harness-related products handled by its Automotive segment. In July 2013, the European Commission judged that the Company had violated competition laws, but waived its fine because the Group had fully cooperated in the commission's investigation. In August 2014, Sumitomo Electric was fined 290.4 million yuan by the National Development and Reform Commission of China for violating the country's antitrust law. Meanwhile, Sumitomo Electric has been fully cooperating with investigations by authorities in charge of competition-related laws in the United States, Canada and Australia. Accordingly, the Company believes that it will not be subject to legal

Business Risks

penalties or administrative measures in the future by these authorities in connection with the same transactions.

Class action lawsuits have been filed in countries including the United States against the Company and its subsidiaries for damages caused by violation of antitrust law in the Automotive segment. Also, the Company is in negotiations with some automakers for compensation.

In December 2013, Sumitomo Electric received a fine of ¥30 million from the Japan Fair Trade Commission for its involvement in rigging bids for overhead power transmission lines for Tokyo Electric Power Co., Inc. (TEPCO). Consequently, in April 2014 Sumitomo Electric was ordered by the Ministry of Land, Infrastructure, Transport and Tourism to suspend its electrical construction work in civil engineering projects in Japan for a 30-day period, in accordance with the Construction Business Act of Japan.

In addition, Group company Sumitomo Densetsu Co., Ltd., received fines totaling ¥344 million from the Japan Fair Trade Commission in December 2013 and January 2014 in connection with rigging bids for underground power transmission line work for TEPCO, and for overhead and underground power transmission lines for Kansai Electric Power Co., Inc. As a result, in April 2014, Sumitomo Densetsu was ordered by the Ministry of Land, Infrastructure, Transport and Tourism to suspend its electrical construction work in civil engineering projects related to underground power transmission lines for TEPCO for a 60-day period, in accordance with the Construction Business Act.

Natural Disasters

Having sustained significant damage in the Great Hanshin-Awaji Earthquake of 1995 and the Great East Japan Earthquake of 2011, the Group has earthquake and other disaster measures in place. However, the Group could suffer significant earthquake damage such as from a tsunami and liquefaction in the event of a massive earthquake, as some of its manufacturing facilities are located in the areas most likely to be affected, specifically coastal areas, if earthquakes were to hit the Tokai, Tonankai or Nankai regions. Moreover, because the Group has expanded its business globally, the Group could suffer direct damage from earthquakes, typhoons or other natural disasters in each country and region, and its production activities might not proceed as planned due to damage-affected customers, material distribution disruption, aftershocks, large-scale electric power shortages in the Kanto and Kansai regions, or other factors.

Industrial Accidents

Any event of fire, explosion or other industrial accident or of environmental or other pollution at a Group production site, severely affecting Group operations or local communities, could result in a loss of public trust. The costs of accident response, including compensation, and opportunity losses due to suspension of production activities and customer compensation, could adversely affect the earnings performance and financial condition of the Group.

Interest Rate Changes

In its fund-raising activities, the Group takes care of funding requirements, the financial market environment and the balance of funding sources. The Group raises funds mainly through the issuance of long-term, fixed-rate corporate bonds, and long-term loans, to ensure a stable, long-term supply of funding for capital investment. For this reason, the Group has relatively little exposure to short-term fluctuations in interest rates, but medium- to long-term rises in interest rates could push up the costs of funding via long-term borrowing and other sources, which could in turn adversely affect the business performance and financial position of the Group.

Exchange Rate Fluctuations

Individual financial statements of overseas subsidiaries and equity method affiliates of the Group are prepared using local currencies, which are then converted into Japanese yen when the consolidated financial statements are compiled. Therefore, even when there is no major variation in business results on a local currency basis, the Group could suffer adverse effects on its business performance and financial position at the time of translation into yen as a result of changes in the exchange rate against the U.S. dollar, euro, or other currencies.

The Group carries out its manufacturing and sales activities in countries all over the world (overseas sales accounted for 58.3% of total sales for the year ended March 2015 on a consolidated basis). The Group minimizes risk from short-term exchange rate fluctuations by using forward exchange contracts and similar instruments, but substantial exchange rate fluctuations over the medium to long term could adversely affect the business performance and financial position of the Group.

Raw Materials Procurement

The Group produces electric cables and many other items that use copper as the main component. In setting the sales prices of major products containing copper, risk of market price fluctuation is avoided through the widespread industry practice of using the prevailing copper price quoted on the London Metal Exchange. However, this method is not used to set the prices of certain Group products containing copper, which means that any rapid rise in copper market prices could adversely affect the Group's business performance and financial position.

For the procurement of other raw and secondary materials such as nonferrous metals, steel and petrochemicals, the Group is strengthening measures to purchase at more advantageous terms, for example through joint purchasing. However, a rapid rise in market prices or a sharp drop in the inventory prices of such raw and secondary materials could adversely affect the financial performance and business standing of the Group. Difficulty may also be experienced in procuring needed volumes of rare metals because rare metal deposits and suppliers are limited. Supplies of such raw materials and secondary materials may also be difficult to obtain in the needed volumes for reasons such as bankruptcy of the supplier, natural disaster, war, terrorism, strike, or transportation system failure.

Valuation Losses on Securities Held for Business Purposes

The Group holds shares in its trading partners with the purpose of ensuring steady supplies of raw materials and stable business relations with customers. As the Group does not hold securities for the purpose of investment, it is exposed to a relatively low level of risk from share price fluctuation, but a rapid fall in the stock market could erode the Group's equity ratio.

Intellectual Property

In addition to protecting its own technologies through the acquisition of patents, design rights and other intellectual property protection, the Group is scrupulous in its observance of other companies' intellectual property rights. However, circumstances may arise in which it unwittingly violates the intellectual property rights of another company due to diversification of product configuration or manufacturing technology, expansion of overseas business activities, and increased complexity of retail channels. This could result in the Group being forced to suspend marketing activities or make design changes. Further, because the necessary protection cannot always be assured in cases where other companies violate the Group's intellectual property rights, due to differences in legal systems and enforcement practices from one country to another, the Group is unable to guarantee that its products will win a significant share in overseas markets.

Information Leakage

In the pursuit of its business activities, the Group holds a great deal of personal and confidential information. The Group has taken every possible measure to uphold the confidentiality of such information, but can offer no definitive guarantee that divulgence will not occur in the case of unforeseen circumstances. If such circumstances arise, the Group's business performance and financial position could be adversely affected by harm done to its reputation and damage claims.

Defective Products and Inferior Services

Based on predetermined product quality standards, the Group makes every effort to ensure the quality of its products and services. However, in certain unforeseen circumstances, it cannot rule out the possibility of the occurrence of product quality problems leading to large-scale recalls and product-liability compensation payments. If such circumstances arise, the Group's business performance and financial position could be adversely affected.

Directors, Audit & Supervisory Board Members and Executive Officers



Masayoshi Matsumoto
President and CEO



Hiroyuki Takenaka
Executive Vice President



Fumikiyo Uchioka
Executive Vice President



Mitsuo Nishida
Executive Vice President



Makoto Nakajima
Senior Managing Director



Atsushi Yano
Managing Director



Fumiyoshi Kawai
Managing Director



Nozomi Ushijima
Managing Director



Shigeo Saito
Managing Director



Junji Itoh
Managing Director



Makoto Tani
Managing Director



Yoshitomo Kasui
Managing Director



Takahiro Nakano
Managing Director



Kazuo Hiramatsu
Director (Outside)

Audit & Supervisory Board Members

Hideaki Inayama
Satoru Ogura
Takashi Kakimi
Kan Hayashi
Katsuaki Watanabe

Managing Executive Officers

Masamichi Yokogawa
Hiroyasu Torii
Yutaka Nishide
Yasuhiro Miyata
Masaki Shirayama
Toshiaki Kakii
Akira Nishimura

Executive Officers

Yoshihiro Minato
Takashi Yoshioka
Kenichi Urushibata
Kazuhiko Hayashi
Kunihiro Tomita
Mamoru Moritani
Kikaku Tokumaru
Tetsuya Hayashi
Kazushi Shimizu
Masayoshi Fuse

Junichi Shiraishi
Saburo Narahashi
Hiroshi Shikata
Hiroshi Iwano
Kenji Miyazaki
Shigeru Nakajima
Tomoaki Nagano
Takaaki Yamamoto
Yasuyuki Shibata

(As of June 2015)

Five-Year Financial Data and Indexes

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen					Thousands of U.S. dollars
	FY2014 Mar. 31, 2015	FY2013 Mar. 31, 2014	FY2012 Mar. 31, 2013	FY2011 Mar. 31, 2012	FY2010 Mar. 31, 2011	FY2014 Mar. 31, 2015
For the Year:						
Net sales	¥ 2,822,811	¥2,568,779	¥2,159,942	¥2,059,344	¥2,033,827	\$23,490,147
Cost of sales	2,310,606	2,104,728	1,785,052	1,688,370	1,656,750	19,227,811
Selling, general and administrative expenses	377,748	343,993	298,100	284,028	273,267	3,143,447
Operating income	134,457	120,058	76,790	86,946	103,810	1,118,889
Income before income taxes and minority interests	167,067	123,833	84,084	99,941	113,781	1,390,255
Net income	119,771	66,748	37,955	58,861	70,614	996,680
Capital expenditures ¹	148,213	150,823	147,883	135,039	98,424	1,233,361
Depreciation and amortization	126,663	113,271	90,629	77,954	96,760	1,054,032
R&D expenses	105,604	99,520	94,287	86,582	79,026	878,788
At Year-End:						
Total assets	¥2,925,785	¥2,554,819	¥2,297,567	¥2,072,064	¥1,956,284	\$24,347,050
Total interest-bearing liabilities	550,839	534,641	485,569	363,995	341,923	4,583,831
Total net assets ²	1,646,913	1,379,912	1,244,695	1,138,931	1,092,610	13,704,860
Per Share Data:						
	Yen					U.S. dollars
	FY2014	FY2013	FY2012	FY2011	FY2010	FY2014
Net income ³ :						
Basic	¥ 151.00	¥ 84.15	¥ 47.85	¥ 74.21	¥ 89.02	\$ 1.257
Diluted	—	—	—	74.20	89.02	—
Cash dividends	30.00	22.00	20.00	19.00	19.00	0.250
Owner's equity ⁴	1,804.34	1,499.76	1,352.09	1,245.57	1,196.46	15.015
Weighted average number of shares outstanding (in thousands)	793,194	793,200	793,206	793,210	793,225	
Number of employees (at year-end)	240,798	225,484	206,323	194,734	182,773	
Average number of temporary employees ⁵	(34,553)	(34,457)	(30,317)			
Financial Indexes:						
Operating income/net sales (%)	4.8	4.7	3.6	4.2	5.1	
Net income/net sales (%)	4.2	2.6	1.8	2.9	3.5	
Operating income/invested assets ⁶ (ROA) (%)	6.5	6.6	4.8	5.9	7.3	
Return on owner's equity (%)	9.1	5.9	3.7	6.1	7.6	
Owner's equity ratio (%)	48.9	46.6	46.7	47.7	48.5	
Current ratio (Times)	1.7	1.6	1.7	1.6	1.9	
R&D expenses/net sales (%)	3.7	3.9	4.4	4.2	3.9	

Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥12017 to U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2015.

*1 Capital expenditures are recorded as property, plant and equipment.

*2 See Note 9.

*3 From the year ended March 31, 2014, there were no potential common shares.

For the year ended March 31, 2013, there were no dilutive potential common shares.

*4 Owner's equity is the sum of total shareholders' equity and total accumulated other comprehensive income.

*5 From the year ended March 31, 2013, the average number of temporary employees is stated in parentheses as the number of temporary employees is over 10% of the total number of employees.

*6 Invested assets = Total assets — interest-free liabilities

Management's Discussion and Analysis

Business Conditions in FY2014

The Japanese economy remained on a moderate recovery path in FY2014, ended March 31, 2015, as corporate earnings and employment conditions continued to improve, despite weak consumer spending. The U.S. economy also continued to recover, and the European economy picked up as a whole. Nevertheless, signs of uncertainty remained in the global economy, including the ongoing slowdown of economic growth in China.

Review of Operations in FY2014

In the Sumitomo Electric Group's operating environment, demand for wiring harnesses was strong around the world, especially in the United States, and demand grew for cemented carbide tools, opto-electronic devices and optical fiber cables. Against this backdrop, the Group posted consolidated net sales of ¥2,822.8 billion in FY2014, an increase of 9.9% compared to ¥2,568.8 billion in the previous fiscal year. Profit also increased year on year, with operating income reaching ¥134.5 billion, up 12.0% from ¥120.1 billion in FY2013. This increase was due mainly to the Group's cost-cutting measures and the impact of the yen's depreciation, which offset increased expenses for growth-oriented R&D and higher depreciation and amortization expenses associated with bolstered investment in global manufacturing facilities. Net income rose considerably, up 79.4% from ¥66.7 billion in the previous fiscal year to ¥119.8 billion. This was primarily due to a gain on a sale of shares of Sumitomo 3M Ltd. (which was renamed as 3M Japan Limited effective from September 1, 2014).

Segment Information

Automotive

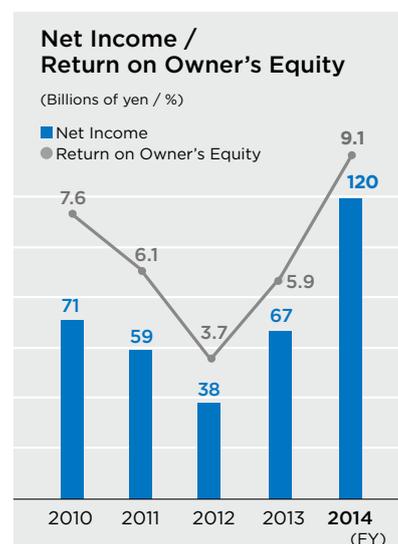
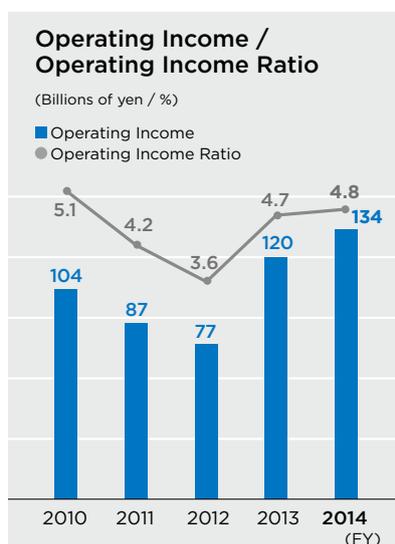
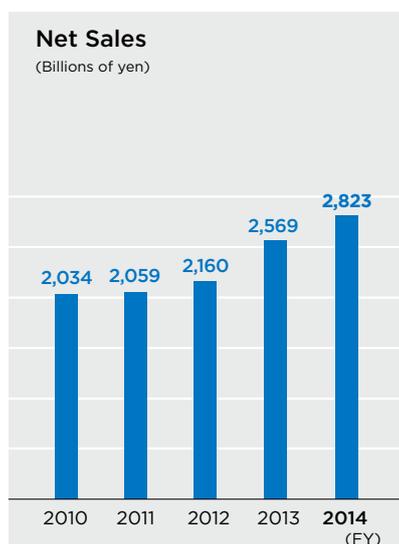
On the back of strong demand for wiring harnesses around the world, particularly in the United States, sales in the Automotive segment totaled ¥1,488.2 billion, an increase of ¥137.2 billion, or 10.2%, year on year. Operating income increased by ¥17.5 billion to ¥89.3 billion, mainly as a result of the sales growth for wiring harnesses, the Group's cost-cutting measures and the favorable impact of the yen's depreciation. The operating income ratio improved 0.7 of a percentage point to 6.0%.

Infocommunications

In FY2014, demand for access network equipment decreased, but demand rose for opto-electronic devices, optical fiber cables and optical-fusion splicers. As a result, sales in the Infocommunications segment totaled ¥172.0 billion, an increase of ¥7.1 billion, or 4.3%, year on year. Operating income surged ¥4.9 billion to ¥3.7 billion in FY2014, contrasting with an operating loss of ¥1.2 billion in the previous fiscal year, mainly reflecting cost-cutting measures and the favorable impact of the yen's depreciation. Consequently, the operating income ratio rose to 2.2%.

Electronics

Against the backdrop of growing demand for flexible printed circuits (FPCs) used in mobile devices, sales in the Electronics segment totaled ¥292.0 billion, up ¥29.4 billion, or 11.2%, year on year. Operating income amounted to ¥5.5 billion, edging up ¥0.1 billion year on year, as increased demand offset the effects of changes in the product mix, intensified price competition and



increased depreciation and amortization expenses. The operating income ratio decreased 0.1 of a percentage point to 1.9%.

Environment and Energy

Sumitomo Electric added J-Power Systems Corporation and Sumiden Hitachi Cable Ltd. to the scope of consolidation in FY2014. As a result of this and other factors, sales in the Environment and Energy segment totaled ¥636.5 billion, up ¥72.4 billion, or 12.8%, year on year. Operating income, however, decreased ¥10.6 billion to ¥13.5 billion. This was mainly the result of amortization of goodwill costs associated with making J-Power Systems Corporation into a consolidated subsidiary, as well as declining demand for ion implanters made by Group company Nissin Electric Co., Ltd., which are used to manufacture high-definition small and medium-sized flat-panel displays (FPDs), and costs associated with forward-looking investments in new products, including redox flow batteries. Accordingly, the operating income ratio decreased 2.2 percentage points to 2.1%. The value of orders for installation work and plants reached ¥293.1 billion, a year-on-year increase of ¥7.7 billion, or 2.7%.

Industrial Materials and Others

On the back of robust demand for cemented carbide tools and sintered parts for automobiles, sales in the Industrial Materials and Others segment came to ¥317.4 billion, up ¥14.1 billion, or 4.6%, year on year. Operating income also increased, rising ¥2.5 billion to ¥23.0 billion. As a result, the operating income ratio increased 0.4 of a percentage point to 7.2%.

Cash Flows

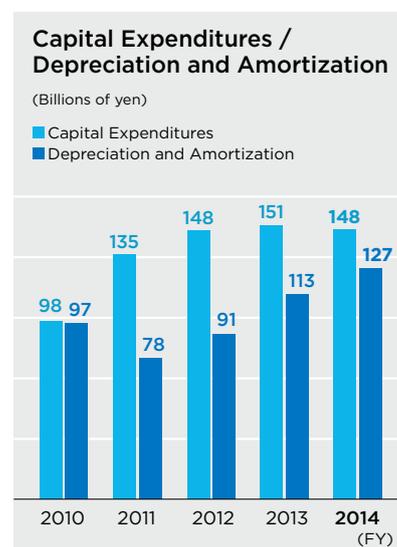
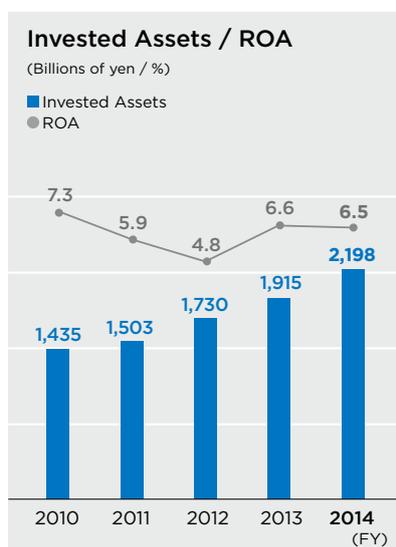
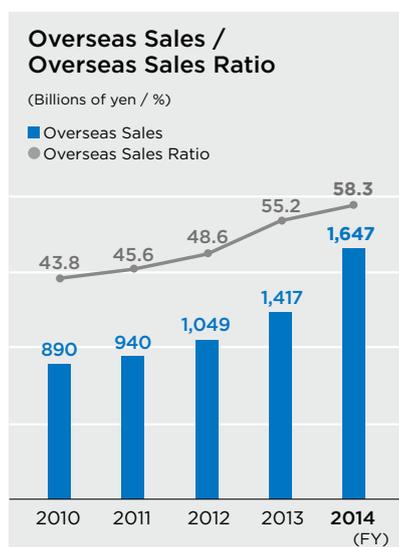
The fiscal year-end balance of cash and cash equivalents amounted to ¥177.1 billion, a year-on-year increase of ¥17.0 billion.

Net cash provided by operating activities increased by ¥5.8 billion to ¥153.5 billion. The main factors behind this outcome were income before income taxes and minority interests of ¥167.1 billion and depreciation and amortization expenses of ¥123.5 billion, adjusted for changes in working capital.

Net cash used in investing activities decreased ¥87.2 billion year on year to ¥86.9 billion. The main factors underlying this result were expenditures for the purchase of property, plant and equipment of ¥146.2 billion and proceeds from sales of investment securities of ¥86.1 billion.

Free cash flow (combined net cash flows provided from operating activities and investing activities) was ¥66.6 billion, compared with a negative ¥26.4 billion in the previous fiscal year.

Net cash used in financing activities amounted to ¥64.0 billion, compared to an inflow of ¥0.1 billion in FY2013. This was mainly due to the repayment of loans payable and the payment of cash dividends.



Consolidated Balance Sheets

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2014	FY2013	FY2014
	As of March 31, 2015	March 31, 2014	March 31, 2015
ASSETS			
Current Assets:			
Cash and time deposits (Notes 3 and 4)	¥ 172,697	¥ 161,797	\$ 1,437,106
Trade notes and accounts receivable (Note 4)	644,834	563,599	5,366,015
Securities (Notes 3, 4 and 5)	5,009	343	41,683
Inventories (Note 7)	450,276	382,634	3,746,992
Deferred tax assets (Note 12)	40,995	32,273	341,142
Other current assets (Note 3)	106,003	67,020	882,108
Allowance for doubtful receivables	(4,253)	(4,047)	(35,392)
Total current assets	1,415,561	1,203,619	11,779,654
Non-Current Assets:			
Property, Plant and Equipment (Note 8):			
Buildings and structures	622,847	574,283	5,183,049
Machinery, equipment and others	1,509,637	1,369,476	12,562,511
Land	88,435	87,610	735,916
Construction in progress	38,006	38,343	316,269
	2,258,925	2,069,712	18,797,745
Accumulated depreciation	(1,469,150)	(1,344,835)	(12,225,597)
Net property, plant and equipment	789,775	724,877	6,572,148
Intangible Assets	67,232	63,301	559,474
Investments and Other Assets:			
Investments in unconsolidated subsidiaries and affiliates (Note 4)	258,615	260,035	2,152,076
Investment securities (Notes 4, 5 and 8)	241,674	193,485	2,011,101
Net defined benefit assets (Note 13)	105,305	64,317	876,300
Deferred tax assets (Note 12)	19,344	19,423	160,972
Other	29,641	27,220	246,659
Allowance for doubtful receivables	(1,362)	(1,458)	(11,334)
Total investments and other assets	653,217	563,022	5,435,774
Total non-current assets	1,510,224	1,351,200	12,567,396
Total assets	¥ 2,925,785	¥ 2,554,819	\$ 24,347,050

The accompanying notes to consolidated financial statements are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2014 As of March 31, 2015	FY2013 March 31, 2014	FY2014 March 31, 2015
LIABILITIES			
Current Liabilities:			
Trade notes and accounts payable (Note 4)	¥ 367,253	¥ 329,021	\$ 3,056,112
Short-term debt (Notes 4 and 8)	213,637	215,379	1,777,790
Current portion of bonds (Notes 4 and 8)	10,620	10,620	88,375
Accrued income taxes	17,033	20,895	141,741
Other current liabilities (Notes 8 and 12)	201,326	164,531	1,675,343
Total current liabilities	809,869	740,446	6,739,361
Non-Current Liabilities:			
Bonds (Notes 4 and 8)	35,610	46,230	296,330
Long-term debt (Notes 4 and 8)	288,160	258,954	2,397,936
Deferred tax liabilities (Note 12)	88,327	65,719	735,017
Net defined benefit liabilities (Note 13)	39,408	47,507	327,935
Other non-current liabilities (Note 8)	17,498	16,051	145,611
Total non-current liabilities	469,003	434,461	3,902,829
Total liabilities	1,278,872	1,174,907	10,642,190
Contingent Liabilities (Note 14)			
NET ASSETS (Note 9)			
Shareholders' Equity:			
Common stock;			
Authorized—3,000,000 thousand shares in FY2014 and FY2013	99,737	99,737	829,966
Issued—793,941 thousand shares in FY2014 and FY2013			
Capital surplus	171,020	171,020	1,423,151
Retained earnings	920,850	819,179	7,662,894
Treasury stock, at cost; 749 thousand shares in FY2014 and 744 thousand shares in FY2013	(667)	(659)	(5,551)
Total shareholders' equity	1,190,940	1,089,277	9,910,460
Accumulated Other Comprehensive Income:			
Net unrealized holding gains on available-for-sale securities	127,416	85,170	1,060,298
Deferred gains or losses on hedges	(838)	(1,097)	(6,973)
Foreign currency translation adjustments	88,444	24,902	735,990
Remeasurements of defined benefit plans	25,224	(8,644)	209,903
Total accumulated other comprehensive income	240,246	100,331	1,999,218
Minority Interests			
	215,727	190,304	1,795,182
Total net assets	1,646,913	1,379,912	13,704,860
Total liabilities and net assets	¥2,925,785	¥2,554,819	\$24,347,050

Consolidated Statements of Income

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2014	FY2013	FY2014
	For the years ended March 31, 2015	March 31, 2014	March 31, 2015
Net Sales	¥2,822,811	¥2,568,779	\$23,490,147
Cost of Sales	2,310,606	2,104,728	19,227,811
Gross profit	512,205	464,051	4,262,336
Selling, General and Administrative Expenses	377,748	343,993	3,143,447
Operating income	134,457	120,058	1,118,889
Other Income (Expenses):			
Interest and dividend income	5,019	5,039	41,766
Interest expenses	(6,694)	(7,055)	(55,704)
Equity in net income	27,187	29,626	226,238
Gain on sales of investment securities	49,613	—	412,857
Gain on step acquisitions (Note 19)	5,797	—	48,240
Gain on return of assets from retirement benefits trust (Note 13)	—	1,487	—
Loss on disposal of property, plant and equipment	(2,916)	(3,668)	(24,266)
Loss on valuation of investment securities	(1,071)	(1,170)	(8,912)
Impairment losses of fixed assets (Notes 15 and 16)	(7,926)	(5,430)	(65,957)
Restructuring expenses (Note 16)	(16,944)	(2,742)	(141,000)
Surcharge (Note 17)	(4,851)	—	(40,368)
Special transportation expenses (Note 18)	(4,212)	—	(35,050)
Environmental expenses	(1,050)	—	(8,738)
Settlement package	(9,970)	(9,998)	(82,966)
Other, net	628	(2,314)	5,226
	32,610	3,775	271,366
Income before Income Taxes and Minority Interests	167,067	123,833	1,390,255
Income Taxes (Note 12):			
Current	48,962	43,439	407,439
Deferred	(11,926)	779	(99,243)
	37,036	44,218	308,196
Income before Minority Interests	130,031	79,615	1,082,059
Minority Interests	(10,260)	(12,867)	(85,379)
Net Income	¥ 119,771	¥ 66,748	\$ 996,680
	Yen		U.S. dollars (Note 1)
Per Share of Common Stock (Note 10):			
Net income (basic)	¥151.00	¥84.15	\$1.257
Net income (diluted)	—	—	—
Cash dividends	30.00	22.00	0.250

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Comprehensive Income
SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2014	FY2013	FY2014
	For the years ended March 31, 2015	March 31, 2014	March 31, 2015
Income before Minority Interests	¥130,031	¥ 79,615	\$1,082,059
Other Comprehensive Income (Note 11):			
Net unrealized holding gains on available-for-sale securities	42,221	16,992	351,344
Deferred gains or losses on hedges	148	(128)	1,232
Foreign currency translation adjustments	62,195	37,581	517,558
Remeasurements of defined benefit plans	32,347	—	269,177
Share of other comprehensive income of affiliates accounted for using equity method	19,434	22,849	161,721
Total other comprehensive income	156,345	77,294	1,301,032
Comprehensive Income	¥286,376	¥156,909	\$2,383,091
Comprehensive income attributable to:			
Owners of the Company	259,195	135,690	2,156,903
Minority interests	27,181	21,219	226,188

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Changes in Net Assets
SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

Millions of yen

	Shareholders' Equity				Accumulated Other Comprehensive Income					Total net assets (Note 9)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Minority interests	
Balance at Beginning of FY2013	¥99,737	¥171,020	¥763,159	¥(649)	¥66,687	¥(1,254)	¥(26,215)	¥ —	¥172,210	¥1,244,695
Cumulative effect of changes in accounting policies										—
Restated Balance at Beginning of FY2013	99,737	171,020	763,159	(649)	66,687	(1,254)	(26,215)	—	172,210	1,244,695
Cash dividends			(15,867)							(15,867)
Net income for the year			66,748							66,748
Purchases of treasury stock				(10)						(10)
Disposal of treasury stock		0		0						0
Effect arising from net change in scope of consolidation			(621)							(621)
Other			5,760		18,483	157	51,117	(8,644)	18,094	84,967
Balance at End of FY2013	¥99,737	¥171,020	¥819,179	¥(659)	¥85,170	¥(1,097)	¥ 24,902	¥(8,644)	¥190,304	¥1,379,912
Balance at Beginning of FY2014	¥99,737	¥171,020	¥819,179	¥(659)	¥ 85,170	¥(1,097)	¥24,902	¥(8,644)	¥190,304	¥1,379,912
Cumulative effect of changes in accounting policies			935						1,462	2,397
Restated Balance at Beginning of FY2014	99,737	171,020	820,114	(659)	85,170	(1,097)	24,902	(8,644)	191,766	1,382,309
Cash dividends			(19,040)							(19,040)
Net income for the year			119,771							119,771
Purchases of treasury stock				(8)						(8)
Disposal of treasury stock		0		0						0
Effect arising from net change in scope of consolidation			5							5
Other					42,246	259	63,542	33,868	23,961	163,876
Balance at End of FY2014	¥99,737	¥171,020	¥920,850	¥(667)	¥127,416	¥ (838)	¥88,444	¥25,224	¥215,727	¥1,646,913

Consolidated Statements of Changes in Net Assets

Thousands of U.S. dollars (Note 1)

	Shareholders' Equity				Accumulated Other Comprehensive Income					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Minority interests	Total net assets (Note 9)
Balance at Beginning of FY2014	\$829,966	\$1,423,151	\$6,816,834	\$(5,484)	\$ 708,746	\$(9,129)	\$207,223	\$(71,931)	\$1,583,623	\$11,482,999
Cumulative effect of changes in accounting policies			7,781						12,166	19,947
Restated Balance at Beginning of FY2014	829,966	1,423,151	6,824,615	(5,484)	708,746	(9,129)	207,223	(71,931)	1,595,789	11,502,946
Cash dividends			(158,442)							(158,442)
Net income for the year			996,680							996,680
Purchases of treasury stock				(67)						(67)
Disposal of treasury stock		0		0						0
Effect arising from net change in scope of consolidation			41							41
Other					351,552	2,156	528,767	281,834	199,393	1,363,702
Balance at End of FY2014	\$829,966	\$1,423,151	\$7,662,894	\$(5,551)	\$1,060,298	\$(6,973)	\$735,990	\$209,903	\$1,795,182	\$13,704,860

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows
SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2014	FY2013	FY2014
	For the years ended March 31, 2015	March 31, 2014	March 31, 2015
Cash Flows from Operating Activities:			
Income before income taxes and minority interests	¥ 167,067	¥ 123,833	\$1,390,255
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	123,471	110,441	1,027,469
Impairment losses of fixed assets	13,634	6,312	113,456
Amortization of goodwill	4,721	2,175	39,286
Interest and dividend income	(5,019)	(5,039)	(41,766)
Interest expenses	6,694	7,055	55,704
Equity in net income	(27,187)	(29,626)	(226,238)
Net gain on sales of investment securities	(49,548)	(374)	(412,316)
Loss on disposal of property, plant and equipment	4,635	4,005	38,570
Loss on valuation of investment securities	1,071	1,170	8,912
Gain on step acquisitions	(5,797)	—	(48,240)
Gain on return of assets from retirement benefits trust	—	(1,487)	—
Settlement package	9,970	9,998	82,966
Surcharge	4,851	—	40,368
(Increase) decrease in trade notes and accounts receivable	(14,672)	(30,246)	(122,094)
(Increase) decrease in inventories	(22,004)	(14,002)	(183,107)
Increase (decrease) in trade notes and accounts payable	6,486	10,679	53,974
Increase (decrease) in net defined benefit assets and liabilities	611	5,288	5,085
Other, net	(13,625)	(19,167)	(113,380)
Subtotal	205,359	181,015	1,708,904
Interest and dividend received	11,674	11,199	97,146
Interest paid	(7,467)	(6,437)	(62,137)
Settlement package paid	(3,373)	(3,268)	(28,069)
Surcharge paid	(8,387)	—	(69,793)
Income taxes paid	(49,602)	(39,098)	(412,765)
Income taxes refund	5,305	4,294	44,146
Net cash provided by operating activities	153,509	147,705	1,277,432
Cash Flows from Investing Activities:			
Purchase of property, plant and equipment	(146,158)	(142,662)	(1,216,260)
Proceeds from sales of property, plant and equipment	3,972	3,492	33,053
Purchase of investment securities	(13,071)	(4,477)	(108,771)
Proceeds from sales and redemption of investment securities	86,073	4,728	716,260
Purchase of investments in subsidiaries	(390)	(762)	(3,245)
Net cash for the acquisition of shares of newly consolidated subsidiaries (Note 3)	(6,660)	(15,901)	(55,421)
Other, net	(10,654)	(18,520)	(88,658)
Net cash used in investing activities	(86,888)	(174,102)	(723,042)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2014	FY2013	FY2014
	For the years ended March 31, 2015	March 31, 2014	March 31, 2015
Cash Flows from Financing Activities:			
Net increase (decrease) in short-term debt	10,873	(21,363)	90,480
Proceeds from bonds and long-term debt	43,483	94,934	361,846
Redemption of bonds and repayments of long-term debt	(91,087)	(48,632)	(757,985)
Cash dividends paid	(19,040)	(15,867)	(158,442)
Cash dividends paid to minority shareholders	(7,419)	(7,581)	(61,738)
Other, net	(847)	(1,378)	(7,048)
Net cash provided by (used in) financing activities	(64,037)	113	(532,887)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	11,817	6,665	98,336
Net Increase (Decrease) in Cash and Cash Equivalents	14,401	(19,619)	119,839
Cash and Cash Equivalents at Beginning of Year	160,129	176,543	1,332,521
Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries	2,500	3,205	20,803
Increase in Cash and Cash Equivalents Resulting from Merger with Unconsolidated Subsidiaries	77	—	641
Cash and Cash Equivalents at End of Year (Note 3)	¥ 177,107	¥ 160,129	\$1,473,804

The accompanying notes to consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

March 31, 2015 and 2014

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Electric Industries, Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their accounts and records in Japanese yen and in accordance with the provisions set forth in the Japanese Corporate Law (the "Law"), the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accounts of overseas consolidated subsidiaries are prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles, with adjustments for the specified following five items as applicable.

- a) Goodwill not subject to amortization
- b) Actuarial gains and losses of defined benefit retirement plans recognized outside profit and loss
- c) Capitalized expenditures for research and development activities
- d) Fair value measurement of investment properties and revaluation of property, plant and equipment and intangible assets
- e) Accounting for net income attributable to minority interests

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance in Japan as required by the Japanese Financial Instruments and Exchange Act. Some supplementary information included in the statutory consolidated financial statements prepared in Japanese, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S. \$1.00. These translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

The consolidated financial statements include the accounts of the Company and all of its significant subsidiaries. All significant intercompany transactions and balances have been eliminated. The difference between the cost of investments in consolidated subsidiaries and the underlying equity at dates of acquisition is treated as goodwill.

Investments in unconsolidated subsidiaries and affiliates are, with minor exceptions, accounted for using the equity method.

Investments in unconsolidated subsidiaries and affiliates not accounted for using the equity method are stated at cost.

All but 34 of the overseas consolidated subsidiaries that have a fiscal year ending other than March 31 have processed additional annual financial closings at March-end for consolidation purposes, aiming at a more appropriate disclosure.

The remaining 34 overseas consolidated subsidiaries that have a fiscal year ending December 31 reported on a calendar year for consolidation purpose in fiscal year 2014. Any significant transactions that occurred between January 1 and March 31, 2015 have been adjusted for, if necessary.

b) Translation of Foreign Currencies

All assets and liabilities of overseas subsidiaries and affiliates are translated into Japanese yen at current exchange rates at the respective fiscal year end, revenues and expenses are translated at the average exchange rates, and shareholders' equity is translated at historical rates. The resulting foreign currency translation adjustments are shown as a separate component of net assets, net of minority interests.

c) Cash and Time Deposits

Cash and time deposits include cash on hand, readily available deposits and deposits with a maturity of one year or less.

d) Securities

The Company and its domestic consolidated subsidiaries classify and account for securities as follows:

Held-to-maturity debt securities are stated at amortized cost. Investments in unconsolidated subsidiaries and affiliates, excluding those accounted for using the equity method, are stated at cost.

Debt and equity securities not classified as above are classified as available-for-sale securities. Available-for-sale securities which have fair values are stated at the fair value at the fiscal year end, and unrealized gains and losses, net of related taxes and minority interests, are reported as a separate component of net assets. Available-for-sale securities which do not have fair values are stated at moving average cost. Realized gains and losses on sales of such securities are computed using moving average cost.

Held-to-maturity debt securities and available-for-sale securities maturing within one year from the fiscal year end, and highly liquid investment funds are included in securities in current assets. Other securities are included in investments in unconsolidated subsidiaries and affiliates and investment securities.

e) Derivatives and Hedging Transactions

The Company and its consolidated subsidiaries utilize hedge accounting for foreign currency forward exchange contracts hedging foreign currency monetary assets and liabilities, foreign currency swap contracts hedging foreign currency debt and others, interest rate swap contracts hedging interest on debt and others and commodity forward contracts, etc., hedging raw materials.

Derivative financial instruments are stated at fair value. If the derivative financial instruments meet certain hedging criteria, the Company and its consolidated subsidiaries defer the recognition of gains or losses until the hedged transactions occur. Certain foreign currency forward exchange contracts and foreign currency swap contracts meeting certain conditions, are accounted for as a part of translating foreign currency monetary assets and liabilities in the consolidated balance sheets. In cases in which an interest rate swap contract is used as a hedge and meets certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

The Company and its consolidated subsidiaries utilize hedging instruments to hedge risks of future changes in foreign exchange rates and interest rates in accordance with respective internal policies and procedures on risk control.

The Company and its consolidated subsidiaries assess the effectiveness of each hedge contract by comparing the total cash flow fluctuation of hedging instruments and hedged items, except in cases in which interest rate swap contracts are used as hedges and meet certain hedging criteria.

f) Allowance for Doubtful Receivables

The allowance for doubtful receivables is provided based upon estimated uncollectible amounts for individually identified doubtful receivables and historical loss experience for other receivables.

g) Inventories

Inventories are mainly stated at the lower of the cost using the weighted average method or net realizable value.

h) Property, Plant and Equipment (Excluding Leases)

The Company and its consolidated subsidiaries use the straight-line method over the estimated useful life to depreciate property, plant and equipment.

i) Goodwill

Goodwill is amortized on a straight-line basis over a period within 20 years (mostly 5 or 10 years).

j) Revenue Recognition (Construction contracts)

For construction contracts, when the outcome of individual contracts can be estimated reliably, the percentage-of-completion method is applied, otherwise the completed contract method is applied. The percentage of completion at the end of the reporting period is measured by the proportion of the cost incurred to the estimated total cost.

k) Research and Development

Expenses relating to research and development activities are charged to expenses as incurred and totaled ¥105,604 million (US\$878,788 thousand) and ¥99,520 million for the years ended March 31, 2015 and 2014, respectively.

l) Retirement Benefits

(1) Method of attributing expected benefit to periods of service

When calculating retirement benefit obligations, a benefit formula basis is used for attributing expected retirement benefits to periods of service.

(2) Method for calculating expenses for actuarial gains and losses and past service cost

The amount for defined benefit liabilities (assets) is based on the benefit obligation and fair value of plan assets at the end of the fiscal year.

Past service cost is amortized on a straight-line basis over certain periods within the average remaining service years of employees (mainly 15 years) from the year in which it arises, or accounted for as an expense when it arises.

Actuarial gains and losses are amortized on a straight-line basis over certain periods within the average remaining service years of employees (mainly 15 years) from the year following that in which they arise. At some consolidated subsidiaries, it is accounted for as an expense when it arises.

m) Income Taxes

Income tax expense comprises current and deferred tax.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted (or substantively enacted at the reporting date).

Deferred tax is accounted for under the asset-liability method. Deferred tax assets and liabilities are determined based on the financial statements carrying amounts and tax bases of assets and liabilities, using the effective tax rates in effect for the year in which the temporary differences are expected to be recovered or settled. Deferred tax assets are also recognized for the estimated future tax effects attributable to operating loss carryforwards.

n) Leases

Finance leases which do not transfer ownership are accounted for as purchase and sale transactions and are depreciated to a residual value of zero by the straight-line method over their lease terms, while some such leases are accounted for in the same manner as operating leases if they commenced prior to April 1, 2008.

o) Consolidated Statements of Cash Flows

In preparing the consolidated statements of cash flows, cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

p) Appropriation of Retained Earnings

The Company and its domestic consolidated subsidiaries record, as a charge directly to retained earnings, cash dividends in the fiscal year in which the appropriation of retained earnings is approved at the shareholders' meeting.

q) Use of Estimates

The management has made estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in preparing these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

r) Reclassifications and Restatements

Certain prior year amounts are reclassified and restated to conform to the current year presentation. These reclassifications and restatements have no effect on previously reported results of operations or retained earnings.

s) Consumption Taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

t) Adoption of Consolidated Taxation System

The Company and its wholly owned domestic consolidated subsidiaries have applied to the Commissioner of the National Tax Agency for approval to adopt a consolidated taxation system effective from the fiscal year ending March 31, 2016. For this reason, accounting treatment that assumes the adoption of the consolidated taxation system will be implemented from the end of the current fiscal year in accordance with "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 1)" (Accounting Standards Board of Japan ("ASBJ") PITF No. 5, January 16, 2015) and "Practical Solution on Tentative Treatment of Tax Effect Accounting Under Consolidated Taxation System (Part 2)" (ASBJ PITF No. 7, January 16, 2015).

u) Changes in Accounting Policy

Effective from the fiscal year ended March 31, 2015, the Company and its consolidated domestic subsidiaries have applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 ("Statement No. 26")) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015 ("Guidance No. 25")), in accordance with the provisions stated in Article 35 of Statement No. 26 and Article 67 of Guidance No. 25. As a result, the determination of retirement benefit obligations and current service cost have been changed as follows: The method of attributing expected benefit to periods of service has been changed from a straight-line basis to a benefit formula basis, and determining the discount rate has been changed to use a single weighted-average discount rate that reflects the periods until the expected payment of retirement benefits and the amount of the retirement benefits for each period.

In accordance with the transitional treatment stated in Article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service cost has been recognized in retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result of the application, retained earnings increased by ¥935 million (US\$7,781 thousand) at the beginning of the fiscal year ended March 31, 2015. The effect of this change on consolidated operating income and income before income taxes and minority interests for the fiscal year ended March 31, 2015 was immaterial.

v) Standards Issued but Not Yet Adopted

- Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
- Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
- Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
- Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, September 13, 2013)
- Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
- Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(1) Summary

Under the revised accounting standards, the followings have been predominantly amended.

1. How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.
2. Accounting treatment of acquisition related costs
3. Presentation of net income and minority interests
4. Provisional accounting treatments for business combination

(2) Effective date

These standards are effective from the beginning of the fiscal year ending on or after March 31, 2016.

Provisional accounting treatments for business combination are scheduled to apply on or after the beginning of the fiscal year ending March 31, 2016.

(3) Impact of adoption

The Company and its consolidated subsidiaries are currently in the process of estimating the effects of these new standards on the consolidated financial statements.

3. CASH AND CASH EQUIVALENTS

a) Reconciliations

The reconciliations between cash and time deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
	As of March 31, 2015	March 31, 2014	March 31, 2015
Cash and time deposits	¥172,697	¥161,797	\$1,437,106
Securities maturing within three months from the acquisition date	5,009	343	41,683
Other current assets (Short-term loan)	39	418	324
Deposits placed with banks with a maturity of over three months	(638)	(2,429)	(5,309)
Cash and cash equivalents	¥177,107	¥160,129	\$1,473,804

b) Obtaining Control of Subsidiary

In FY2014, the Company and its consolidated subsidiaries obtained control of J-Power Systems Corporation and some other companies due to the acquisition of shares.

The assets and liabilities of these companies at the time of consolidation in connection with acquisition cost and net cash paid for the acquisition are as follows:

FY2014	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 87,424	\$ 727,503
Non-current assets	9,364	77,923
Goodwill	11,129	92,610
Current liabilities	(84,148)	(700,241)
Non-current liabilities	(4,152)	(34,551)
Gain on step acquisitions	(5,797)	(48,240)
Minority interests and acquisition cost of shares in a subsidiary purchased previously, etc.	(4,552)	(37,880)
Acquisition cost	9,268	77,124
Cash and cash equivalents	(2,608)	(21,703)
Net cash paid for the acquisition	¥ 6,660	\$ 55,421

In FY2013, the Company and its consolidated subsidiaries obtained control of Anvis Group GmbH and some other companies due to the acquisition of shares.

The assets and liabilities of these companies at the time of consolidation in connection with acquisition cost and net cash paid for the acquisition are as follows:

FY2013	Millions of yen
Current assets	¥ 17,288
Non-current assets	17,088
Goodwill	11,667
Current liabilities	(12,888)
Non-current liabilities	(7,951)
Minority interests and acquisition cost of shares in a subsidiary purchased previously, etc.	(6,982)
Acquisition cost	18,222
Cash and cash equivalents	(2,016)
Cash paid in FY2012	(305)
Net cash paid for the acquisition	¥ 15,901

4. FINANCIAL INSTRUMENTS

a) Qualitative Information on Financial Instruments

(1) Policies for using financial instruments

The Company and its consolidated subsidiaries finance investment in equipment and operating capital for business mainly through borrowings from banks and the issuance of bonds based on their cash flow planning. Temporary excess cash is managed with low risk financial assets. The Company and its consolidated subsidiaries use derivative transactions only to hedge risks of future changes in cash flows and fair values not for trading purpose.

(2) Details of financial instruments used and the exposures to risk and how they arise

Trade notes and accounts receivable are exposed to the credit risks of customers, but the Company and its consolidated subsidiaries try to reduce the risk according to rules for credit control. Operating receivables denominated in foreign currency are exposed to foreign exchange risks, but the Company and its consolidated subsidiaries hedge the risks using forward exchange contracts, etc., for the net position of foreign currency operating receivables and payables. Securities and investment securities are held mainly to build and maintain good trading relationships and are exposed to market value fluctuation risks. The Company and its consolidated subsidiaries review the circumstances periodically and evaluate the fair value of the securities and investment securities and the financial condition of the issuers, which are generally business counterparties.

The main purpose of holding debt and issuing bonds is to secure financing for equipment and operating capital. The derivative transactions entered into comprise forward exchange contracts to hedge exchange risks of foreign currency debts and credits, interest swap contracts to hedge fluctuation risks of interest rates and fair value for debt and bonds and commodity forward transactions to hedge the risk of price fluctuation for materials. The Company and its consolidated subsidiaries manage and control these risks according to management's rules for derivative transactions.

b) Fair Value of Financial Instruments

The carrying amounts and fair values of the financial instruments on the consolidated balance sheet as of March 31, 2015 and 2014 are as follows. Financial instruments whose fair value is hard to determine are not included in the table.

As of	Millions of yen						Thousands of U.S. dollars		
	FY2014			FY2013			FY2014		
	March 31, 2015			March 31, 2014			March 31, 2015		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and time deposits	¥ 172,697	¥ 172,697	¥ —	¥ 161,797	¥ 161,797	¥ —	\$ 1,437,106	\$ 1,437,106	\$ —
Trade notes and accounts receivable	644,834	644,834	—	563,599	563,599	—	5,366,015	5,366,015	—
Securities, investments in unconsolidated subsidiaries and affiliates and investment securities	415,253	664,469	249,216	325,564	403,341	77,777	3,455,546	5,529,408	2,073,862
Total assets	1,232,784	1,482,000	249,216	1,050,960	1,128,737	77,777	10,258,667	12,332,529	2,073,862
Trade notes and accounts payable	367,253	367,253	—	329,021	329,021	—	3,056,112	3,056,112	—
Short-term debt	213,637	213,637	—	215,379	215,379	—	1,777,790	1,777,790	—
Bonds	46,230	46,894	664	56,850	57,485	635	384,705	390,231	5,526
Long-term debt	288,160	291,833	3,673	258,954	261,887	2,933	2,397,936	2,428,501	30,565
Total liabilities	915,280	919,617	4,337	860,204	863,772	3,568	7,616,543	7,652,634	36,091
Derivative transactions	(1,676)	(1,676)	—	(196)	(196)	—	(13,947)	(13,947)	—

(1) Valuation approach for the fair value of financial instruments

Cash and time deposits, trade notes and accounts receivable:

The carrying amount approximates fair value because of the short maturity.

Securities, investments in unconsolidated subsidiaries and affiliates and investment securities:

Securities in current assets are stated at the carrying amount which approximates fair value because they consist of negotiable certificates of deposit settled in the short term. Investments in unconsolidated subsidiaries and affiliates and investment securities which have a quoted market value are stated at the fair market value. The fair value of those which do not have a quoted market value is estimated based on the present value of future cash flows using appropriate current discount rates.

Trade notes and accounts payable:

The carrying amount approximates fair value because of the short maturity.

Short-term debt:

The carrying amount approximates fair value because of the short maturity of one year or less.

Bonds:

The fair value of bonds is stated at the fair market value.

Long-term debt:

The fair value of long-term debt is estimated based on the present value of future cash flows using appropriate current discount rates.

Derivative transactions:

See Note 6.

(2) Financial instruments whose fair value is hard to determine

	Millions of yen		Thousands of U.S. dollars
	FY2014 As of March 31, 2015	FY2013 March 31, 2014	FY2014 March 31, 2015
Unlisted securities (available-for-sale securities)	¥ 7,875	¥ 7,639	\$ 65,532
Unlisted investments in unconsolidated subsidiaries and affiliates	82,170	120,660	683,781

These financial instruments do not have quoted market values and their future cash flows cannot be estimated. Because the fair value is hard to determine, these instruments are not included in "Securities, investments in unconsolidated subsidiaries and affiliates and investment securities."

5. SECURITIES

The carrying amounts of securities in current assets and investment securities as of March 31, 2015 and 2014 consist of the following:

As of	Millions of yen		Thousands of U.S. dollars
	FY2014 March 31, 2015	FY2013 March 31, 2014	FY2014 March 31, 2015
Securities in current assets:			
Available-for-sale securities	¥ 5,009	¥ 343	\$ 41,683
Held-to-maturity debt securities	—	—	—
	¥ 5,009	¥ 343	\$ 41,683
Investment securities:			
Available-for-sale securities	¥241,674	¥193,485	\$2,011,101
Held-to-maturity debt securities	—	—	—
	¥241,674	¥193,485	\$2,011,101

Available-for-sale securities with fair values or quoted market values included in investment securities as of March 31, 2015 and 2014 are as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
FY2014				
Equity securities	¥27,330	¥195,431	¥(151)	¥222,610
Other	10,638	551	—	11,189
	¥37,968	¥195,982	¥(151)	¥233,799
	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
FY2013				
Equity securities	¥35,124	¥140,504	¥(372)	¥175,256
Other	10,000	590	—	10,590
	¥45,124	¥141,094	¥(372)	¥185,846
	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
FY2014				
Equity securities	\$227,428	\$1,626,288	\$(1,257)	\$1,852,459
Other	88,524	4,585	—	93,110
	\$315,952	\$1,630,873	\$(1,257)	\$1,945,569

Proceeds from sales of available-for-sale securities were ¥13,451 million (US\$111,933 thousand) and ¥495 million for the years ended March 31, 2015 and 2014, respectively. The net realized gains on those sales were ¥5,221 million (US\$43,447 thousand) and ¥186 million for the years ended March 31, 2015 and 2014, respectively. Impairment losses of securities during fiscal year 2014 amounted to ¥1,240 million (US\$10,319 thousand), which consist of ¥436 million (US\$3,628 thousand) for available-for-sale securities, ¥602 million (US\$5,010 thousand) for investments in unconsolidated subsidiaries and ¥202 million (US\$1,681 thousand) for investments in affiliated companies not accounted for using the equity method. Impairment losses of securities during fiscal year 2013 amounted to ¥1,246 million, which consist of ¥925 million for available-for-sale securities, ¥133 million for the investments in unconsolidated subsidiaries and ¥188 million for investments in affiliated companies not accounted for using the equity method.

6. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries have entered into foreign currency forward exchange contracts and foreign currency swap contracts to hedge risks of exchange rate fluctuations in connection with foreign currency monetary assets and liabilities, interest rate swap contracts to hedge risks of interest rate fluctuations and commodity forward contracts, etc., to hedge risks of fluctuations in the price of raw materials. The Company and its consolidated subsidiaries use derivative transactions for managing market risk related to recorded assets and liabilities as well as for future commitments and not for speculation or dealing purposes. The Company and its consolidated subsidiaries deal with highly rated international financial institutions and trading concerns as counterparties to these transactions to minimize credit risk exposure. Derivative transactions are entered into by each operational division, and the processing of the transactions is controlled and reviewed by administrative divisions in accordance with established policies that restrict dealing in derivatives, including limits on authorities and amounts.

Additional information for derivative transactions as of and for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen									
	FY2014					FY2013				
	Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*		Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*	
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value
Foreign currency forward exchange contracts:										
Buy	¥18,537	¥ 95	¥ 95	¥ 21,687	¥ 466	¥10,937	¥(26)	¥(26)	¥ 26,773	¥ 149
Sell	29,827	849	849	140,337	(3,122)	56,580	73	73	158,822	(393)
Interest rate and currency swap contracts	—	—	—	620	39	—	—	—	907	53
Commodity forward contracts (copper and nickel):										
Buy	1,832	(1)	(1)	141	(16)	1,778	1	1	—	—
Sell	4,579	(125)	(125)	1,032	167	1,791	1	1	194	22
Commodity swap contracts (copper and silver)	—	—	—	1,574	(28)	—	—	—	1,365	(76)
	¥54,775	¥ 818	¥ 818	¥165,391	¥(2,494)	¥71,086	¥ 49	¥ 49	¥188,061	¥(245)

Thousands of U.S. dollars

	FY2014				
	Contracts for which hedge accounting is not adopted			Contracts for which hedge accounting is adopted*	
	Contracted amount	Fair value	Recognized gain (loss)	Contracted amount	Fair value
Foreign currency forward exchange contracts:					
Buy	\$154,256	\$ 791	\$ 791	\$ 180,470	\$ 3,878
Sell	248,208	7,064	7,064	1,167,821	(25,980)
Interest rate and currency swap contracts	—	—	—	5,159	325
Commodity forward contracts (copper and nickel):					
Buy	15,245	(8)	(8)	1,173	(133)
Sell	38,104	(1,040)	(1,040)	8,588	1,389
Commodity swap contracts (copper and silver)	—	—	—	13,098	(233)
	\$455,813	\$ 6,807	\$ 6,807	\$1,376,309	\$(20,754)

* Certain foreign currency forward exchange contracts meeting certain hedging criteria except forecasted transactions are excluded from the fair value of the table above for the years ended March 31, 2015 and 2014, respectively. Certain interest rate swap contracts (contracted amount ¥152,887 million (US\$1,272,256 thousand) and ¥173,169 million for the years ended March 31, 2015 and 2014, respectively) meeting certain hedging criteria are excluded from the table above. See Note 4.

7. INVENTORIES

Inventories as of March 31, 2015 and 2014 consist of the following:

As of	Millions of yen		Thousands of U.S. dollars
	FY2014 March 31, 2015	FY2013 March 31, 2014	FY2014 March 31, 2015
Merchandise and finished goods	¥146,912	¥119,507	\$1,222,535
Work in process	157,980	132,116	1,314,638
Raw materials and supplies	145,384	131,011	1,209,819
	¥450,276	¥382,634	\$3,746,992

8. INTEREST-BEARING LIABILITIES

a) Short-Term Debt and Bonds in Current Liabilities

Short-term debt and bonds in current liabilities at March 31, 2015 and 2014 consist of the following:

As of	Millions of yen		Thousands of U.S. dollars
	FY2014 March 31, 2015	FY2013 March 31, 2014	FY2014 March 31, 2015
Short-term debt, principally from banks, with a weighted-average interest rate of 1.34% at March 31, 2015	¥192,115	¥141,352	\$1,598,694
Current portion of long-term debt, principally from banks and insurance companies, with a weighted-average interest rate of 1.49% at March 31, 2015	21,522	74,027	179,096
Current portion of bonds, interest rate of 0.83%-1.75%	10,620	10,620	88,375
	¥224,257	¥225,999	\$1,866,165

b) Bonds and Long-Term Debt

Bonds and long-term debt at March 31, 2015 and 2014 consist of the following:

As of	Millions of yen		Thousands of U.S. dollars
	FY2014 March 31, 2015	FY2013 March 31, 2014	FY2014 March 31, 2015
Unsecured bonds, due 2014 to 2023, interest rate of 0.288%–1.75%	¥ 46,230	¥ 56,850	\$ 384,705
Long-term debt, principally from banks and insurance companies, due 2014–2024, with a weighted-average interest rate of 0.65% at March 31, 2015	309,682	332,981	2,577,032
	355,912	389,831	2,961,737
Current portion of bonds and long-term debt	(32,142)	(84,647)	(267,471)
	¥323,770	¥305,184	\$2,694,266

The aggregate annual maturities of bonds and long-term debt at March 31, 2015 are as follows:
(Bonds)

March 31	Millions of yen	Thousands of U.S. dollars
2016 (= current portion)	¥10,620	\$ 88,375
2017	10,610	88,292
2018	15,000	124,823
2019	—	—
2020	—	—
2021 and thereafter	10,000	83,215
	¥46,230	\$384,705

(Long-term debt)

March 31	Millions of yen	Thousands of U.S. dollars
2016 (= current portion)	¥ 21,522	\$ 179,096
2017	48,983	407,614
2018	23,533	195,831
2019	41,093	341,957
2020	40,051	333,286
2021 and thereafter	134,500	1,119,248
	<u>¥309,682</u>	<u>\$2,577,032</u>

The following assets were pledged as collateral for short-term debt and long-term debt, including the current portion, at March 31, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
As of	March 31, 2015	March 31, 2014	March 31, 2015
Investment securities	¥17,923	¥13,613	\$149,147
Property, plant and equipment, net of accumulated depreciation	3,659	4,010	30,449
	<u>¥21,582</u>	<u>¥17,623</u>	<u>\$179,596</u>

c) Lease Obligations

Lease obligations are disclosed as other current liabilities and other non-current liabilities in the consolidated balance sheets.

The aggregate annual maturities of lease obligations at March 31, 2015 are as follows:

March 31	Millions of yen	Thousands of U.S. dollars
2016 (= current portion)	¥ 630	\$ 5,242
2017	198	1,648
2018	265	2,205
2019	176	1,465
2020	179	1,490
2021 and thereafter	1,364	11,350
	<u>¥2,812</u>	<u>\$23,400</u>

9. NET ASSETS

Under the Law, the entire amount of the issue price of shares is required to be accounted for as common stock. However a company may, by a resolution of the Board of Directors, account for an amount not exceeding 50% of the issue price of the new shares as additional paid-in capital, which is included in capital surplus. However, an increase resulting from a share exchange can be included in capital surplus up to the full amount.

The Law provides that the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve, in cases in which a dividend distribution of surplus is made.

Under the Law, additional paid-in capital may be used to eliminate or reduce a deficit or may be capitalized by a resolution of the shareholders' meeting, and legal earnings reserve may be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that a company can distribute as dividends is calculated based on its non-consolidated financial statements in accordance with the Law.

a) Stock Information

Changes in number of shares issued and outstanding during the years ended March 31, 2015 and 2014 are as follows:

Common stock outstanding	Thousands of shares	
	FY2014	FY2013
	For the years ended March 31, 2015	March 31, 2014
Balance at beginning	793,941	793,941
Balance at end	793,941	793,941

Treasury stock outstanding	Thousands of shares	
	FY2014	FY2013
	For the years ended March 31, 2015	March 31, 2014
Balance at beginning	744	738
Increase due to purchase of odd-lot stocks	3	3
Other, net	2	3
Balance at end	749	744

b) Dividend Information

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
Dividends paid in fiscal year 2014				
Shareholders' meeting on June 26, 2014	March 31, 2014	June 27, 2014	¥9,520	\$79,221
Board of Directors on October 30, 2014	September 30, 2014	December 1, 2014	¥9,520	\$79,221

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
Dividend paid after March 31, 2015 with respect to fiscal year 2014				
Shareholders' meeting on June 25, 2015	March 31, 2015	June 26, 2015	¥14,280	\$118,832

Resolution	Record date	Effective date	Total amount
			Millions of yen
Dividends paid in fiscal year 2013			
Shareholders' meeting on June 26, 2013	March 31, 2013	June 27, 2013	¥7,933
Board of Directors on October 31, 2013	September 30, 2013	December 2, 2013	¥7,933

Resolution	Record date	Effective date	Total amount
			Millions of yen
Dividend paid after March 31, 2014 with respect to fiscal year 2013			
Shareholders' meeting on June 26, 2014	March 31, 2014	June 27, 2014	¥9,520

10. AMOUNTS PER SHARE

Basic net income per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding increased by the number of shares which would have been outstanding assuming the conversion of all dilutive bonds and the exercise of all dilutive share warrants at the beginning of the period. The related interest expense, net of income taxes, has been eliminated for the purpose of this calculation.

For the year ended March 31, 2015 and 2014, there were no potential common shares.

Cash dividends per share in the consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the consolidated fiscal year.

11. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in current or previous periods and tax effects for each component of other comprehensive income are as follows:

	Millions of yen		Thousands of
	FY2014	FY2013	U.S. dollars
	For the years ended	March 31, 2014	FY2014
	March 31, 2015	March 31, 2014	March 31, 2015
Net Unrealized Holding Gains on Available-for-Sale Securities:			
Increase (decrease) during the year	¥ 60,077	¥25,479	\$ 499,933
Reclassification adjustments	(4,793)	137	(39,885)
Subtotal, before tax	55,284	25,616	460,048
Tax effects	(13,063)	(8,624)	(108,704)
Subtotal, net of tax	¥ 42,221	¥16,992	\$ 351,344
Deferred Gains or Losses on Hedges:			
Increase (decrease) during the year	¥ 709	¥(211)	\$ 5,900
Reclassification adjustments	(40)	(5)	(333)
Subtotal, before tax	669	(216)	5,567
Tax effects	(521)	88	(4,335)
Subtotal, net of tax	¥ 148	¥(128)	\$ 1,232
Foreign Currency Translation Adjustments:			
Increase (decrease) during the year	¥62,209	¥37,302	\$517,675
Reclassification adjustments	(14)	279	(117)
Subtotal, before tax	62,195	37,581	517,558
Tax effects	—	—	—
Subtotal, net of tax	¥62,195	¥37,581	\$517,558
Remeasurements of Defined Benefit Plans			
Increase (decrease) during the year	¥ 41,951	—	\$ 349,097
Reclassification adjustments	5,184	—	43,139
Subtotal, before tax	47,135	—	392,236
Tax effects	(14,788)	—	(123,059)
Subtotal, net of tax	¥ 32,347	—	\$ 269,177
Share of Other Comprehensive Income of Affiliates Accounted for Using Equity Method:			
Increase (decrease) during the year	¥ 21,305	¥23,221	\$ 177,291
Reclassification adjustments	(1,871)	(372)	(15,570)
Subtotal, net of tax	19,434	22,849	161,721
Total other comprehensive income	¥156,345	¥77,294	\$1,301,032

* Reclassification adjustments of portion of other comprehensive income of affiliates accounted for using the equity method include adjustments for the acquisition cost of hedged items.

12. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to several taxes based on income which, in the aggregate, result in a statutory tax rate of approximately 35.6% and 37.9% for the years ended March 31, 2015 and 2014, respectively.

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2015 and 2014:

	For the years ended	FY2014 March 31, 2015	FY2013 March 31, 2014
Statutory tax rate		35.6%	37.9%
Equity in net income		(5.7)	(9.0)
Expenses not deductible for tax purposes		0.2	0.6
Dividend income from overseas consolidated subsidiaries		0.6	0.6
Gain on sales of shares of an affiliate		(9.4)	—
Tax credits		(1.3)	(1.0)
Effect of lower tax rates for overseas consolidated subsidiaries		(5.5)	(9.0)
Change in valuation allowance		0.9	5.5
Intercompany profits		0.4	0.5
Change in undistributed earnings of consolidated subsidiaries and affiliates		2.9	2.7
Amortization of goodwill		2.2	0.6
Adjustment of deferred tax assets due to change in corporate tax rate		2.2	1.3
Other		(0.9)	5.0
Effective tax rate		<u>22.2%</u>	<u>35.7%</u>

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates

On March 31, 2015, amendments to the Japanese tax regulations, "Act for Partial Revision of the Income Tax Act etc.," (Act No. 9 of 2015) and "Act for Partial Revision of the Local Tax Act etc.," (Act No. 2 of 2015) were enacted into law.

Based on the amendments, the statutory income tax rates used for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.6% for the fiscal year ended March 31, 2015 to 33.0% and 32.2%, respectively, as of March 31, 2015.

The effect of this change in statutory effective tax rate was to decrease net deferred tax liabilities by ¥4,452 million (US\$37,048 thousand) and to increase deferred income taxes by ¥3,593 million (US\$29,899 thousand), net unrealized holding gains on available-for-sale securities by ¥6,610 million (US\$55,005 thousand), remeasurements of defined benefit plans by ¥1,430 million (US\$11,900 thousand) and deferred gains or losses on hedges by ¥5 million (US\$42 thousand) for fiscal year 2014.

Deferred tax assets and liabilities included in the consolidated balance sheets at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	As of	FY2014 March 31, 2015	FY2013 March 31, 2014	FY2014 March 31, 2015
Deferred tax assets (current assets)		¥ 40,995	¥ 32,273	\$ 341,142
Deferred tax assets (investments and other assets)		19,344	19,423	160,972
Other current liabilities		(15)	(1)	(125)
Deferred tax liabilities (non-current liabilities)		(88,327)	(65,719)	(735,017)
		<u>¥(28,003)</u>	<u>¥(14,024)</u>	<u>\$(233,028)</u>

Significant components of the deferred tax assets and liabilities at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014 As of March 31, 2015	FY2013 March 31, 2014	FY2014 March 31, 2015
Deferred tax assets:			
Net operating loss carryforwards	¥ 56,237	¥ 48,361	\$ 467,979
Fixed assets	19,914	19,865	165,715
Net defined benefit liabilities	13,023	17,031	108,371
Accrued expenses	13,074	13,350	108,796
Inventories	9,450	8,155	78,639
Intercompany profits	9,002	8,132	74,911
Investment securities	4,213	4,445	35,059
Allowance for doubtful receivables	1,506	1,132	12,532
Other	29,461	20,325	245,160
	155,880	140,796	1,297,162
Valuation allowance	(55,389)	(54,160)	(460,922)
Total deferred tax assets	100,491	86,636	836,240
Deferred tax liabilities:			
Net unrealized holding gains on available-for-sale securities	(62,406)	(49,425)	(519,314)
Undistributed earnings of consolidated subsidiaries and affiliates	(26,569)	(22,573)	(221,095)
Net defined benefit assets	(24,307)	(13,633)	(202,272)
Excess of fair value over the book value of assets and liabilities of consolidated subsidiaries at the acquisition dates	(6,030)	(6,926)	(50,179)
Accelerated depreciation of overseas consolidated subsidiaries	(4,622)	(3,899)	(38,462)
Reserve for deferred gains on sales of fixed assets	(1,080)	(1,324)	(8,987)
Other	(3,480)	(2,880)	(28,959)
Total deferred tax liabilities	(128,494)	(100,660)	(1,069,268)
Net deferred tax liabilities	¥ (28,003)	¥ (14,024)	\$ (233,028)

13. RETIREMENT BENEFITS

The Company and most of its domestic consolidated subsidiaries have contributory and noncontributory defined benefit plans and lump-sum retirement benefit plans, while the Company and some of its subsidiaries have defined contribution plans and prepaid retirement allowance plans. Some overseas subsidiaries have defined benefit plans and defined contribution plans. And some subsidiaries apply the simplified method for the computation of benefit obligations.

a) Defined benefit plans

(1) Movements in retirement benefit obligations, except plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
		FY2013	FY2014
	As of March 31, 2015	March 31, 2014	March 31, 2015
Balance at beginning of year	¥281,431	¥269,802	\$2,341,941
Cumulative effect of changes in accounting policies	(2,466)	—	(20,521)
Restated balance at beginning of year	278,965	269,802	2,321,420
Service cost	12,312	11,311	102,455
Interest cost	4,809	4,876	40,018
Actuarial gains and losses	1,565	2,010	13,023
Benefits paid	(14,620)	(13,730)	(121,661)
Other	5,001	7,162	41,616
Balance at end of year	¥288,032	¥281,431	\$2,396,871

(2) Movements in plan assets, except plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
		FY2013	FY2014
	As of March 31, 2015	March 31, 2014	March 31, 2015
Balance at beginning of year	¥300,280	¥260,048	\$2,498,793
Expected return on plan assets	3,491	3,168	29,051
Actuarial gains and losses	45,585	31,499	379,338
Contributions paid by the employer	13,355	14,851	111,134
Benefits paid	(9,114)	(8,930)	(75,842)
Return of assets from retirement benefits trust	—	(5,125)	—
Other	2,318	4,769	19,289
Balance at end of year	¥355,915	¥300,280	\$2,961,763

(3) Movements in net defined benefit liabilities (or assets) for defined benefit plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
		FY2013	FY2014
	As of March 31, 2015	March 31, 2014	March 31, 2015
Balance at beginning of year	¥2,039	¥2,105	\$16,968
Retirement benefit costs	544	236	4,527
Benefits paid	(362)	(104)	(3,012)
Contributions paid by the employer	(331)	(310)	(2,755)
Other	96	112	799
Balance at end of year	¥1,986	¥2,039	\$16,527

(4) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liabilities (assets) in the consolidated balance sheets, including the defined benefit plans applying the simplified method

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
	As of March 31, 2015	March 31, 2014	March 31, 2015
Funded retirement benefit obligations	¥ 265,403	¥ 266,706	\$ 2,208,563
Plan assets	(359,565)	(303,394)	(2,992,136)
	(94,162)	(36,688)	(783,573)
Unfunded retirement benefit obligations	28,265	19,878	235,208
Total net defined benefit liabilities (assets)	¥ (65,897)	¥ (16,810)	\$ (548,365)
Net defined benefit liabilities	¥ 39,408	¥ 47,507	\$ 327,935
Net defined benefit assets	(105,305)	(64,317)	(876,300)
Total net defined benefit liabilities (assets)	¥ (65,897)	¥ (16,810)	\$ (548,365)

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
	As of March 31, 2015	March 31, 2014	March 31, 2015
Service cost	¥12,312	¥11,311	\$102,455
Interest cost	4,809	4,876	40,018
Expected return on plan assets	(3,491)	(3,168)	(29,051)
Amortization:			
Actuarial gains and losses	2,667	8,370	22,194
Past service cost	(167)	(235)	(1,390)
Retirement benefit costs from plans applying the simplified method	544	236	4,527
Gain on return of assets from retirement benefits trust	—	(1,487)	—
Other	225	243	1,873
Total retirement benefit costs	¥16,899	¥20,146	\$140,626

In addition to the retirement benefit costs listed above, an extra payment of retirement benefits in the amount of ¥4,003 million (US\$33,311 thousand) and ¥699 million were recognized as restructuring expenses in the consolidated statements of income for fiscal years 2014 and 2013, respectively.

(6) Remeasurements of defined benefit plans (before tax)

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
	As of March 31, 2015	March 31, 2014	March 31, 2015
Past service cost	¥ 195	¥—	\$ 1,623
Actuarial gains and losses	(47,330)	—	(393,859)
Total	¥(47,135)	¥—	\$(392,236)

(7) Accumulated remeasurements of defined benefit plans (before tax)

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
	As of March 31, 2015	March 31, 2014	March 31, 2015
Unrecognized past service cost	¥ (726)	¥ (921)	\$ (6,041)
Unrecognized actuarial gains and losses	(39,744)	7,586	(330,732)
Total	¥(40,470)	¥6,665	\$(336,773)

(8) Plan assets

1. Plan assets comprise:

	FY2014	FY2013
Equity securities	54.8%	54.1%
Bonds	23.7	24.6
General account	9.3	10.1
Cash and cash equivalents	1.4	1.5
Other	10.8	9.7
Total	<u>100.0%</u>	<u>100.0%</u>

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions at March 31, 2015 and 2014 (expressed as weighted averages) are as follows:

	FY2014	FY2013
Discount rate	1.6%	1.9%
Long-term expected rate of return	1.1%	1.2%

The Company and some of its consolidated subsidiaries do not apply expected rates of pay raises to calculate the retirement benefit obligations because they adopt a point basis.

b) Defined contribution plans

The amount of required contributions to the defined contribution plans of the Company and its consolidated subsidiaries was ¥5,425 million (US\$45,144 thousand) and ¥4,919 million for FY2014 and FY2013, respectively.

14. CONTINGENT LIABILITIES

Contingent liabilities as of March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014	FY2013	FY2014
As of	March 31, 2015	March 31, 2014	March 31, 2015
Notes receivable discounted	¥ 591	¥ –	\$ 4,918
Notes receivable endorsed	870	399	7,240
Guarantees:			
Guarantees for debt of employees, unconsolidated subsidiaries and affiliates	5,385	5,305	44,812
Contingent guarantees for debt of unconsolidated subsidiaries and affiliates	1,422	1,678	11,833
Keepwell agreements and letters of awareness for debt of unconsolidated subsidiaries and affiliates	1,486	309	12,366

15. IMPAIRMENT LOSSES OF FIXED ASSETS

The Company and its consolidated subsidiaries grouped long-lived assets into asset groups by business segment and conducted impairment tests with the conclusion that the carrying amounts should be reduced by ¥13,634 million (US\$113,456 thousand) and ¥6,312 million to the recoverable amounts in FY2014 and FY2013, respectively.

The recoverable amount is mainly the net selling price.

Impairment losses of fixed assets for each reportable segment are disclosed in Note 20 b), for the years ended March 31, 2015 and 2014.

Details of impairment losses of fixed assets for the years ended March 31, 2015 and 2014 are as follows:

FY2014	Millions of yen	Thousands of U.S. dollars
Goodwill	¥ 5,903	\$ 49,122
Machinery, equipment and others	5,240	43,605
Buildings and structures	1,329	11,059
Other	1,162	9,670
	¥13,634*1	\$113,456*1

*1 The amount of ¥7,926 million (US\$65,957 thousand) is shown as "Impairment losses of fixed assets," and the amount of ¥5,708 million (US\$47,499 thousand) is included in "Restructuring expenses" (Note 16) in the consolidated statement of income for fiscal year 2014.

FY2013	Millions of yen
Machinery, equipment and others	¥2,421
Intangible assets	2,242
Buildings and structures	1,102
Other	547
	¥6,312*2

*2 The amount of ¥5,430 million is shown as "Impairment losses of fixed assets," and the amount of ¥882 million is included in "Restructuring expenses" (Note 16) in the consolidated statement of income for fiscal year 2013.

16. RESTRUCTURING EXPENSES

In fiscal year 2014, restructuring expenses of ¥16,944 million (US\$141,000 thousand) are related to the reorganization of the business locations and the restructuring of the R&D system to make work productivity more efficient and strengthen new product development of the Company and certain consolidated subsidiaries in response to the rapid deceleration of the business environment.

In fiscal year 2013, restructuring expenses of ¥2,742 million are related to the reorganization of the business locations of the Company and its consolidated subsidiaries in response to the rapid deceleration of the business environment.

The major details of the expenses for the years ended March 31, 2015 and 2014 are as follows:

FY2014	Millions of yen	Thousands of U.S. dollars
Impairment losses of fixed assets (Note 15)	¥5,708	\$47,499
Extra payment of retirement benefits	4,003	33,311
FY2013	Millions of yen	
Impairment losses of fixed assets (Note 15)	¥882	
Extra payment of retirement benefits	699	

17. SURCHARGE

In fiscal year 2014, a surcharge was imposed due to the decision the Company received from the National Development and Reform Commission of China stating that the Company violated China's Anti-Monopoly Law in connection with the supply of automotive wiring harnesses and related products.

18. SPECIAL TRANSPORTATION EXPENSES

In fiscal year 2014, special transportation expenses were incurred in connection with significantly increased transportation costs for imported products and materials in some consolidated subsidiaries in the U.S., due to the long delay in cargo handling caused by the rapid deterioration of labor-management relations at harbor facilities on the West Coast of the U.S.

19. BUSINESS COMBINATIONS

Business combinations resulting from acquisitions during the year ended March 31, 2015

a) Outline of business combination

(1) Name and a description of the acquiree

- J-Power Systems Corporation ("JPS")
- Research, development, design, manufacturing, installation and export of electric power cables and accessories, overhead power transmission lines and related systems

(2) Primary reasons for the business combination

The Company intended to make JPS a wholly owned subsidiary from its then current status as an equity method affiliate 50% shares of which were owned by Hitachi Metals, Ltd.

(3) Date of business combination

April 1, 2014

(4) Legal form of the business combination

Share acquisition by cash

(5) Name of the company after the business combination

J-Power Systems Corporation

(6) Percentage of voting rights acquired

Percentage of voting rights held prior to business combination:	50%
Percentage of voting rights acquired on the date of business combination:	50%
Percentage of voting rights held after business combination:	100%

(7) Grounds for determining acquiring company

The Company is the acquiring company because it has acquired 100% of the voting rights of JPS as a result of a cash acquisition of shares.

b) Period of operation of the acquired company included in the accompanying consolidated financial statements

From April 1, 2014 to March 31, 2015

c) Acquisition cost and breakdown

		Millions of yen	Thousands of U.S. dollars
Acquisition value	Market price of common stock of the acquired company held prior to business combination:	¥ 9,030	\$ 75,144
	Market price of common stock of the acquired company additionally acquired on date of business combination:	9,030	75,144
Acquisition cost		¥18,060	\$150,288

d) Difference between the acquisition cost of the acquired company and total amount of acquisition cost of each transaction

	Millions of yen	Thousands of U.S. dollars
	¥5,797	\$48,240

e) Amount of goodwill recognized, the factors that make up the goodwill recognized and goodwill amortization method and period

(1) Amount of goodwill

	Millions of yen	Thousands of U.S. dollars
Amount of goodwill	¥11,080	\$92,203

(2) Factors that make up the goodwill recognized

Goodwill was recognized as the acquisition cost exceeded the net amount allocated to assets acquired and liabilities assumed.

(3) Goodwill amortization method and period

Straight-line amortization over 5 years

f) Amounts recognized as of the date of the business combination for each major class of assets acquired and liabilities assumed

	Millions of yen	Thousands of U.S. dollars
Current assets	¥49,099	\$408,579
Non-current assets	8,269	68,811
Total assets	¥57,368	\$477,390
Current liabilities	¥46,960	\$390,780
Non-current liabilities	3,428	28,526
Total liabilities	¥50,388	\$419,306

20. SEGMENT INFORMATION

a) Reportable Segments

The reportable segments of the Company are business areas of which divided financial information is available for the President, the supreme decision maker of the Company, to make decisions regarding management resources allocation and evaluate each business result.

The Company has adopted a business unit system based upon the similarity in each product category, methods for manufacturing and sales markets, etc., and devises comprehensive strategies for the Company and its affiliates by dividing businesses such as product development, manufacturing, sales and supplementary services into the following five classifications: "Automotive," "Infocommunications," "Electronics," "Environment and Energy" and "Industrial Materials and Others." Therefore, the Company considers the above five classifications as reportable segments.

The method of calculation for sales, profit or loss, assets and other items by reportable segment is pursuant to the accounting policies stated in Note 2. Intersegment sales are stated at current market value.

Automotive:

Wiring harnesses, anti-vibration rubber products and other automotive parts

Infocommunications:

Optical fiber cables, optical fiber fusion splicers, optical data links and other optical components, access network system products such as GE-PON, CDN and CATV related products and traffic control systems

Electronics:

Electronic wires, compound semiconductors, materials for electronic components, irradiated products and flexible printed circuits (FPCs)

Environment and Energy:

Copper wire rods, electric power cables, magnet wires, power system equipment such as substation equipment, supervisory telecontrol equipment and power cable construction works

Industrial Materials and Others:

Special steel wires, cutting tools, diamond and CBN tools, sintered parts and heatspreader materials

Reportable segment information for the years ended March 31, 2015 and 2014 is as follows:

	Millions of yen						
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Consolidated
FY2014							
Sales to customers	¥1,486,183	¥170,114	¥277,485	¥617,536	¥271,493	¥ —	¥2,822,811
Intersegment sales	2,031	1,897	14,520	18,976	45,867	(83,291)	—
Net sales	¥1,488,214	¥172,011	¥292,005	¥636,512	¥317,360	¥(83,291)	¥2,822,811
Segment profit or loss	¥ 89,252	¥ 3,749	¥ 5,460	¥ 13,528	¥ 22,992	¥ (524)	¥ 134,457
Segment assets	¥1,290,669	¥219,185	¥223,150	¥567,945	¥680,636	¥(55,800)	¥2,925,785
Depreciation and amortization	¥ 67,413	¥ 11,379	¥ 14,376	¥ 14,283	¥ 19,212	¥ —	¥ 126,663
Amortization of goodwill	2,189	(11)	178	2,284	81	—	4,721
Investments in equity method affiliates	172,369	25,739	449	5,935	39,358	—	243,850
Amount of increase in tangible and intangible fixed assets	83,500	15,584	16,000	21,182	25,409	—	161,675

	Millions of yen						
FY2013	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Consolidated
Sales to customers	¥1,350,124	¥162,945	¥248,770	¥547,471	¥259,469	¥ —	¥2,568,779
Intersegment sales	925	1,948	13,854	16,686	43,830	(77,243)	—
Net sales	¥1,351,049	¥164,893	¥262,624	¥564,157	¥303,299	¥(77,243)	¥2,568,779
Segment profit or loss	¥ 71,781	¥ (1,155)	¥ 5,332	¥ 24,134	¥ 20,509	¥ (543)	¥ 120,058
Segment assets	¥1,165,307	¥204,166	¥197,765	¥476,528	¥561,452	¥(50,399)	¥2,554,819
Depreciation and amortization	¥ 60,227	¥ 11,576	¥ 13,300	¥ 11,241	¥ 16,927	¥ —	¥ 113,271
Amortization of goodwill	1,736	(20)	234	144	81	—	2,175
Investments in equity method affiliates	118,417	32,861	518	51,151	42,119	—	245,066
Amount of increase in tangible and intangible fixed assets	97,856	12,424	12,037	19,959	24,929	—	167,205

	Thousands of U.S. dollars						
FY2014	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Consolidated
Sales to customers	\$12,367,338	\$1,415,611	\$2,309,104	\$5,138,853	\$2,259,241	\$ —	\$23,490,147
Intersegment sales	16,901	15,786	120,829	157,910	381,684	(693,110)	—
Net sales	\$12,384,239	\$1,431,397	\$2,429,933	\$5,296,763	\$2,640,925	\$(693,110)	\$23,490,147
Segment profit or loss	\$ 742,714	\$ 31,197	\$ 45,436	\$ 112,574	\$ 191,329	\$ (4,361)	\$ 1,118,889
Segment assets	\$10,740,359	\$1,823,958	\$1,856,953	\$4,726,180	\$5,663,942	\$(464,342)	\$24,347,050
Depreciation and amortization	\$ 560,980	\$ 94,691	\$ 119,631	\$ 118,857	\$ 159,873	\$ —	\$ 1,054,032
Amortization of goodwill	18,216	(92)	1,481	19,006	675	—	39,286
Investments in equity method affiliates	1,434,376	214,188	3,736	49,388	327,521	—	2,029,209
Amount of increase in tangible and intangible fixed assets	694,849	129,683	133,145	176,267	211,442	—	1,345,386

1. Segment profit or loss included in Adjustments of ¥(524) million (US\$(4,360) thousand) and ¥(543) million for FY2014 and FY2013, respectively, consists mainly of unrealized profits caused by intersegment transactions.
2. Segment assets included in Adjustments of ¥(55,800) million (US\$(464,342) thousand) and ¥(50,399) million as of March 31, 2015 and 2014, respectively, consist mainly of elimination of receivables caused by intersegment transactions, cash and time deposits and investment securities owned by the Company.
3. Segment profit or loss corresponds to operating income in the consolidated statements of income.

b) Related Information

(1) Information about products and services

	Millions of yen		
FY2014	Wiring harnesses	Others	Total
Sales to customers	¥1,089,562	¥1,733,249	¥2,822,811

	Millions of yen		
FY2013	Wiring harnesses	Others	Total
Sales to customers	¥982,609	¥1,586,170	¥2,568,779

	Thousands of U.S. dollars		
FY2014	Wiring harnesses	Others	Total
Sales to customers	\$9,066,839	\$14,423,308	\$23,490,147

(2) Information about geographical areas

Sales to customers

	Millions of yen						Consolidated
	Japan	Asia		Americas		Europe and Others	
		China	Others	U.S.	Others		
FY2014							
Sales to customers	¥1,175,996	¥459,896	¥346,227	¥351,689	¥142,995	¥346,008	¥2,822,811

	Millions of yen						Consolidated
	Japan	Asia		Americas		Europe and Others	
		China	Others	U.S.	Others		
FY2013							
Sales to customers	¥1,151,770	¥402,957	¥313,312	¥281,203	¥121,303	¥298,234	¥2,568,779

	Thousands of U.S. dollars						Consolidated
	Japan	Asia		Americas		Europe and Others	
		China	Others	U.S.	Others		
FY2014							
Sales to customers	\$9,786,103	\$3,827,045	\$2,881,143	\$2,926,596	\$1,189,939	\$2,879,321	\$23,490,147

Net property, plant and equipment

	Millions of yen						Consolidated
	Japan	Asia		Americas	Europe and Others		
		China	Others				
FY2014							
Net property, plant and equipment	¥392,652	¥108,269	¥146,919	¥73,546	¥68,389	¥789,775	

	Millions of yen						Consolidated
	Japan	Asia		Americas	Europe and Others		
		China	Others				
FY2013							
Net property, plant and equipment	¥382,655	¥95,862	¥116,695	¥62,359	¥67,306	¥724,877	

	Thousands of U.S. dollars						Consolidated
	Japan	Asia		Americas	Europe and Others		
		China	Others				
FY2014							
Net property, plant and equipment	\$3,267,471	\$900,965	\$1,222,593	\$612,016	\$569,103	\$6,572,148	

(3) Information about major customers

This information is omitted because the Company does not have any major customers that account for 10% or more of net sales in the consolidated statements of income for FY2014 or FY2013.

(4) Information about impairment losses of fixed assets by reportable segment

	Millions of yen						
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Total
FY2014							
Impairment losses of fixed assets	¥7,256	¥1,549	¥2,372	¥55	¥230	¥2,172	¥13,634

	Millions of yen						
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Total
FY2013							
Impairment losses of fixed assets	¥2,199	¥2,896	¥317	¥722	¥178	¥-	¥6,312

	Thousands of U.S. dollars						
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Total
FY2014							
Impairment losses of fixed assets	\$60,381	\$12,890	\$19,739	\$458	\$1,914	\$18,074	\$113,456

Adjustments of ¥2,172 million (US\$18,074 thousand) for FY2014 represent impairment losses of Research and Development equipment and others that were not attributable to any reportable segment.

(5) Information about goodwill by reportable segment

	Millions of yen					
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Total
FY2014						
Amortization	¥ 2,189	¥(11)	¥178	¥2,284	¥ 81	¥ 4,721
Balance at end	¥12,312	¥ 9	¥343	¥9,037	¥195	¥21,896

	Millions of yen					
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Total
FY2013						
Amortization	¥ 1,736	¥(20)	¥234	¥144	¥ 81	¥ 2,175
Balance at end	¥20,472	¥ (2)	¥569	¥140	¥274	¥21,453

	Thousands of U.S. dollars					
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Total
FY2014						
Amortization	\$ 18,216	\$(92)	\$1,481	\$19,006	\$ 675	\$ 39,286
Balance at end	\$102,455	\$ 75	\$2,854	\$75,202	\$1,623	\$182,209

21. RELATED PARTY INFORMATION

a) Related party transactions

The Company entered into the following transaction with a related party in FY2014.

FY2014

Party type	Affiliate
Party name	Sumitomo 3M Ltd.
Address	Shinagawa-ku, Tokyo, Japan
Capital	¥18,929 million (US\$157,519 thousand)
Business	Chemical and industrial products, electric and electrical products, reflective materials, tapes and film products
% of voting stock held	Direct 25.0
Business relationship	Sending a board member to Sumitomo 3M Ltd.
Details of transactions	The Company sold all its shares in Sumitomo 3M Ltd., accepting the request from Sumitomo 3M Ltd. to buy back its own shares.
Transaction amount	Selling amount ¥90,000 million (US\$748,939 thousand) Gain on sale ¥44,255 million (US\$368,270 thousand)
Account title and balance at the end	–

1. The sale price was decided based on a negotiation between the two parties.
2. As a result of the transaction noted above, which was made in September 2014, Sumitomo 3M Ltd. is no longer a related party of the Company. Each item mentioned above is stated based on the circumstances under which the transaction was made. None of board members was sent to Sumitomo 3M Ltd. at the end of FY2014.

b) Notes to significant affiliates

Condensed financial information of a significant affiliate, Sumitomo Rubber Industries, Ltd., at the end of FY2014 is as follows:

	Millions of yen	Thousands of U.S. dollars
FY2014		
Total current assets	¥440,296	\$3,663,943
Total non-current assets	533,291	4,437,805
Total current liabilities	292,305	2,432,429
Total non-current liabilities	234,322	1,949,921
Total net assets	446,960	3,719,398
Sales	837,647	6,970,517
Income before income taxes and minority interests	87,411	727,395
Net income	53,206	442,756

Condensed financial information of a significant affiliate, Sumitomo Rubber Industries, Ltd., at the end of FY2013 is as follows:

	Millions of yen
FY2013	
Total current assets	¥407,482
Total non-current assets	459,981
Total current liabilities	313,185
Total non-current liabilities	195,434
Total net assets	358,844
Sales	780,608
Income before income taxes and minority interests	74,021
Net income	44,794

22. OTHER

Class action lawsuits have been filed in countries including the U.S. against the Company and its subsidiaries for damages caused by violation of antitrust law in the Automotive segment. Also, the Company is in negotiations with some automakers for compensation.



Independent Auditor's Report

To the Board of Directors of Sumitomo Electric Industries, Ltd.:

We have audited the accompanying consolidated financial statements of Sumitomo Electric Industries, Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statement of income, statement of comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2015, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

June 25, 2015
Osaka, Japan

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Corporate Directory

(As of March 2015)

Head Office (Osaka)

4-5-33, Kitahama, Chuo-ku,
Osaka 541-0041, Japan
Tel : +81 (6) 6220-4141
Fax: +81 (6) 6222-3380

Head Office (Tokyo)

Akasaka Center Building,
1-3-13, Motoakasaka, Minato-ku,
Tokyo 107-8468, Japan
Tel : +81 (3) 6406-2600
Fax: +81 (3) 6406-2700

DOMESTIC WORKS

Osaka Works

Main Products:

Electric conductors, electric power cables, power line construction and engineering, optical fiber cables, telecommunication cables, information systems, control systems, high-frequency products, hybrid products

Itami Works

Main Products:

Special steel wires, powdered alloys, sintered powder metal products, diamond products, compound semiconductors

Yokohama Works

Main Products:

Optical fiber cables, telecommunication cables, optical connectors, optical fiber fusion splicers, optical amplifiers, optical transmission components

Consolidated Companies (389 Companies)

AUTOMOTIVE

DOMESTIC CONSOLIDATED SUBSIDIARIES

- Sumitomo Riko Company Ltd.
- Sumitomo Wiring Systems, Ltd.
- ★ AutoNetworks Technologies, Ltd.

OVERSEAS CONSOLIDATED SUBSIDIARIES

- Sumitomo Electric Wiring Systems, Inc.
- Sumitomo Wiring Systems (U.S.A.) Inc.
- Sumidenso do Brasil Industrias Eletricas Ltda.
- Sumitomo Electric Wiring Systems (Europe) Ltd.
- Sumitomo Electric Bordnetze GmbH
- SEWS-CABIND S.p.A.
- Huizhou Zhurun Wiring Systems Co., Ltd.
- Fuzhou Zhu Wiring Systems Co., Ltd.
- Sumidenso Mediatech Suzhou Co., Ltd.
- Sumidenso Vietnam Co., Ltd.

INFOCOMMUNICATIONS

DOMESTIC CONSOLIDATED SUBSIDIARIES

- Sumitomo Electric Device Innovations, Inc.
- Sumitomo Electric Networks, Inc.
- Sumitomo Electric System Solutions Co., Ltd.

OVERSEAS CONSOLIDATED SUBSIDIARIES

- Sumitomo Electric Lightwave Corp.
- Sumitomo Electric Device Innovations U.S.A., Inc.
- Hangzhou SEI-Futong Optical Fiber Co., Ltd.
- Sumitomo Electric Optical Components (Wuxi) Co., Ltd.
- Sumitomo Electric Photo-Electronics Components (Suzhou), Ltd.

ELECTRONICS

DOMESTIC CONSOLIDATED SUBSIDIARIES

- ★ Sumiden Shoji Co., Ltd.
- Sumitomo (SEI) Electronic Wire, Inc.
- Sumiden Fine Conductors Co., Ltd.
- Sumiden Semiconductor Materials Co., Ltd.
- Sumitomo Electric Printed Circuits, Inc.
- Sumitomo Electric Fine Polymer, Inc.

OVERSEAS CONSOLIDATED SUBSIDIARIES

- Judd Wire, Inc.
- Sumitomo Electric Semiconductor Materials, Inc.
- Sumitomo Electric Interconnect Products (Suzhou), Ltd.
- Sumitomo Electric Interconnect Products (Hong Kong), Ltd.
- Sumitomo Electric Interconnect Products (Shenzhen), Ltd.

ENVIRONMENT AND ENERGY

DOMESTIC CONSOLIDATED SUBSIDIARIES

- J-Power Systems Corporation
- **Sumitomo Densetsu Co., Ltd.**
- **Nissin Electric Co., Ltd.**
- Daikoku Electric Wire Co., Ltd.
- Sumitomo Electric Toyama Co., Ltd.
- Sumitomo Electric Industrial Wire & Cable, Inc.
- Sumitomo Electric Wintec, Inc.

OVERSEAS CONSOLIDATED SUBSIDIARIES

- P.T. Karya Sumiden Indonesia
- **P.T. Sumi Indo Kabel Tbk.**
- Sumitomo Electric Wintec (Wuxi) Co., Ltd.

INDUSTRIAL MATERIALS AND OTHERS

DOMESTIC CONSOLIDATED SUBSIDIARIES

- Sumitomo Electric Hardmetal Corp.
- Sumitomo Electric Sintered Alloy Ltd.
- A.L.M.T. Corp.
- Sumitomo (SEI) Steel Wire Corp.
- Sumitomo Electric Tochigi Co., Ltd.

OVERSEAS CONSOLIDATED SUBSIDIARIES

- ★ Sumitomo Electric Finance U.S.A., Inc.
- ★ Sumitomo Electric U.S.A., Inc.
- ★ Sumitomo Electric Carbide, Inc.
- ★ Sumitomo Electric Finance U.K. Ltd.
- ★ Sumitomo Electric Europe Ltd.
- ★ Sumitomo Electric Hartmetall GmbH
- Sumiden Hyosung Steel Cord (Thailand) Co.,Ltd.
- ★ Sumitomo Electric Asia, Ltd.

SUBSIDIARIES AND AFFILIATES ACCOUNTED FOR BY THE EQUITY METHOD

DOMESTIC

- Kitanihon Electric Cable Co., Ltd.
- ★ **TECHNO ASSOCIE, Co., Ltd.**
- **Sumitomo Rubber Industries, Ltd.**
- Dyden Corporation
- ★ **MIRAIT Holdings Corporation**

OVERSEAS

- Kyungshin Corporation
- Chengdu SEI-Futong Optical Cable Co., Ltd.

Notes:1. Publicly listed companies are indicated in bold print.
2. Information as of March 31, 2015.

- Manufacturing / Construction company
- ★ Sales company / Others

Company Information

Sumitomo Electric Industries, Ltd.

(As of March 31, 2015)

HEAD OFFICE (OSAKA)

4-5-33, Kitahama, Chuo-ku, Osaka 541-0041, Japan

HEAD OFFICE (TOKYO)

Akasaka Center Building, 1-3-13, Motoakasaka,
Minato-ku, Tokyo 107-8468, Japan

INCORPORATED

December 1920

NUMBER OF EMPLOYEES

240,798

COMMON STOCK

Issued: 793,940,571 shares

NUMBER OF SHAREHOLDERS

63,086

STOCK EXCHANGE LISTINGS

Three domestic stock and securities exchanges: Tokyo,
Nagoya, and Fukuoka

Ticker Code: 5802

SHAREHOLDER REGISTER MANAGER

Sumitomo Mitsui Trust Bank, Limited.

1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233, Japan

SUMITOMO ELECTRIC VIA THE INTERNET

Sumitomo Electric Group's web site provides a wide range
of corporate information, including the latest annual
report, news releases, and financial results.

<http://global-sei.com/>

PRINCIPAL SHAREHOLDERS

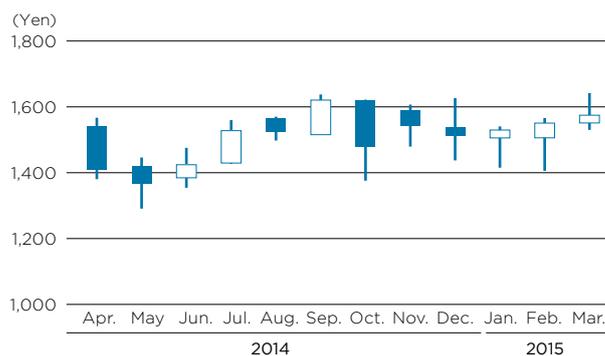
	Shareholdings (Thousands)	Outstanding voting share (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	43,308	5.46
The Master Trust Bank Japan, Ltd. (Trust Account)	42,488	5.36
Nippon Life Insurance Company	24,703	3.11
SUMITOMO LIFE INSURANCE COMPANY	15,556	1.96
Japan Trustee Services Bank, Ltd. (Trust Account 9)	12,820	1.62
Sumitomo Mitsui Banking Corporation	12,551	1.58
THE BANK OF NEW YORK MELLON SA/NV 10	11,928	1.50
CBNY - GOVERNMENT OF NORWAY	11,772	1.48
STATE STREET BANK AND TRUST COMPANY 505001	10,458	1.32
STATE STREET BANK WEST CLIENT - TREATY 505234	10,306	1.30

SHARE PRICE RANGE

(yen)

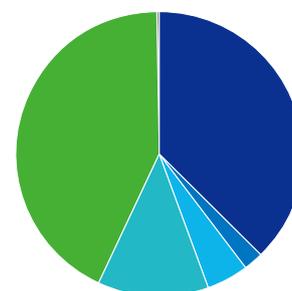
Year	Month	High	Low	
2014	Apr.	1,567.0	1,381.0	
	May	1,446.0	1,291.0	
	Jun.	1,475.0	1,353.0	
	Jul.	1,559.0	1,426.0	
	Aug.	1,569.5	1,497.0	
	Sep.	1,637.0	1,515.5	
	Oct.	1,620.5	1,375.0	
	Nov.	1,605.5	1,478.0	
	Dec.	1,625.5	1,435.5	
	2015	Jan.	1,540.0	1,414.0
		Feb.	1,564.5	1,404.0
		Mar.	1,641.5	1,529.0

SHARE PRICE



BREAKDOWN OF SHAREHOLDERS

- **Financial Institutions**
299,651 thousand shares
37.74% (Shareholders: 175)
- **Financial Instruments Firms**
17,569 thousand shares
2.21% (Shareholders: 70)
- **Other Corporations**
36,912 thousand shares
4.65% (Shareholders: 671)
- **Individuals and Others**
98,353 thousand shares
12.39% (Shareholders: 61,521)
- **Foreign Investors**
340,852 thousand shares
42.93% (Shareholders: 648)
- **Treasury Stock**
603 thousand shares
0.08% (Shareholders: 1)





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