

# ANNUAL REPORT 2020

YEAR ENDED MARCH 31, 2020



An aerial photograph of a city skyline at sunrise. The sky is a mix of blue and orange, with soft clouds. The city is filled with various skyscrapers and buildings. In the center, two prominent towers with spires are visible. The word "ANSWERS" is written in large, bold, white capital letters across the middle of the image. The text is slightly transparent, allowing the city buildings to be seen through it. The overall mood is bright and optimistic.

# ANSWERS

An aerial photograph of a multi-lane highway at sunset. The sky is a mix of orange, pink, and purple. The highway has several lanes in each direction, with white dashed lines. Several cars are visible on the road. On the right side of the highway, there are several traffic lights mounted on poles. The overall scene is a high-angle, wide shot of a modern road infrastructure project.

# ANSWER \_ TRAFFIC CONTROL SYSTEM

Cambodia, 2015: With the increase in the number of vehicles on the road in the capital Phnom Penh, traffic congestion and the number of accidents have worsened. To mitigate this situation, Sumitomo Electric joined a project launched to install traffic lights at intersections and introduce a traffic control system in the city. Just over two years after the operation of this system began, the positive results are evident: traffic congestion has been greatly alleviated and the introduction of the traffic control system has raised awareness of the road rules among citizens. On the back of the success of this project, Sumitomo Electric will continue to look at ways to help resolve urban traffic problems in emerging countries around the world.

**Traffic control systems:**

**For a world free from traffic accidents and congestion**



# ANSWER\_

# POREFLON

With exponential population growth and changing climate patterns, the growing risk to the Earth's freshwater reserves has led to the call for increasingly sophisticated water treatment systems from all over the world. Sumitomo Electric's POREFLON Membrane Module is poised to address this significant challenge. Whether treating oil refinery wastewater in Taiwan or reusing injection water for oil field drilling in the US, POREFLON has been producing excellent results around the globe. To preserve limited water resources and provide safe water to humankind, Sumitomo Electric is committed to resolving water issues facing the world.

**POREFLON: For a world without water shortage**

# ANSWER OPTICAL FIBER

A super-smart society where everything is connected to the internet, realistic simulated experiences are available through ultrahigh-quality virtual reality (VR), and vehicles are driven autonomously – optical fiber lies at the foundation of the network that will support such a cloud-based society with the emergence of 5G. Sumitomo Electric started manufacturing optical fiber cables in 1974 and has been developing and offering various optical fiber cables for over 40 years. Looking at the 5G world ahead, we will support this new era by developing optical fibers that enable higher-speed, longer-distance, and larger-capacity communications with the technological capabilities we have cultivated thus far.

Optical fiber: For more comfortable living worldwide

# PROFILE and HISTORY

Since being founded in 1897, the Sumitomo Electric Group has built a strong history over these 120 years. In keeping with the Sumitomo business spirit, we have always pursued the most advanced technology that underpins the foundations of society and industry in every era, and have provided support for the development of modern Japan. Today, the fields in which we are active span the globe, and we are using our capabilities to help resolve such issues as the rapid urbanization of emerging countries and we provide increasingly sophisticated infrastructure in developed countries, as we are called upon to make a broader contribution to social progress.

The strength of our Group lies in a deep understanding of customer needs across a wide range of industries, including automotive, information technology, electronics, environmental energy and industrial materials, and in drawing together and providing solutions for these industries. We manifest this strength through repeated effort and innovation to remain a vital presence for all our stakeholders around the world.

## 1890s

In 1897, Sumitomo Electric was founded as Sumitomo Copper Rolling Works, marking the beginning of the Company's history. The Company began by manufacturing copper electric cables, contributing toward the development of domestic production of high-voltage underground power transmission cables, which had all been imported up to that time.



Photo by courtesy of Sumitomo Historical Archives

## 1920s

In 1922, the Company succeeded in manufacturing and laying a submarine cable from Niihama in Ehime Prefecture to Shisakajima. At 21 km, it was the longest cable of its type in the world. Buffeted by violent storms, the cable used in this difficult project was dogged by faults caused by dropping resistance in the insulation and requiring repeated repairs.



Photo by courtesy of Sumitomo Historical Archives

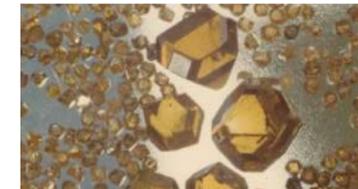
## 1960s

In 1969, we began making flexible printed circuits (FPCs). This technology made a significant contribution to the spread of portable electronic devices, such as modern smartphones and notebook PCs.



## 1980s

In 1982, the Company succeeded in the single-crystal synthesis of a diamond with a diameter of 6 mm (1.2 carats). It was listed in the 1984 edition of the Guinness Book of Records as the world's largest synthetic diamond. In 1989, we began volume production of large single-crystal synthetic diamonds of around 1 cm.



## 2010s

The electric wiring used in wire harnesses in cars is typically made of copper because of its superior conductivity, but the Group developed new aluminum alloy wires that have the same conductivity, though only half the weight. The aluminum harnesses made from these wires were positively received by both domestic and overseas auto manufacturers, and have now been adopted for a large number of models, thus contributing to reduced vehicle weights and cost.

1890s 1900s 1910s 1920s 1930s 1940s 1950s 1960s 1970s 1980s 1990s 2000s 2010s Recently

## 1910s

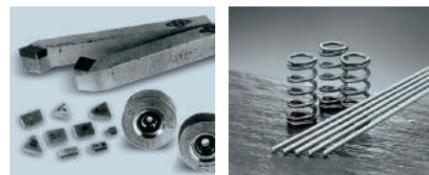
In 1914, we developed contact wires. The first generation of this product was supplied in 1916 to the City of Tokyo, the present-day Tokyo Metropolitan Government. Since then, in addition to supplying domestic railways, the Company also supplied the entire Taiwan High Speed Rail network, which began operating in 2007. In this way, we contribute to the development of the railways that are indispensable for daily life.



Photo by courtesy of Toei Transportation

## 1930s

1930 saw the start of the Research Division, and the development of new products accelerated. The product lineup of the current mainstay businesses of the Group were built on technology born at this time.



## 1970s

A communication network project in Nigeria that was awarded to the Company by the Nigerian Ministry of Communications in 1976 was at that time unprecedented anywhere in the world: the largest urban telephone network construction work order taken on by a single company. Three-hundred Japanese employees and 2,000 local people worked on this project, which took over 11 years to go from order to completion.



## Recently

We continue to move ahead with projects that support social infrastructure both in Japan and overseas, including demonstration tests performed jointly with Hokkaido Electric Power Co., Inc. at the Minami Hayakita substation for one of the world's largest redox flow battery installations, and work by the Company and subsidiary J-Power Systems on the design, manufacture, cable laying, servicing and maintenance of a transmission cable system providing unbroken links between the UK and Belgium.



# To Shareholders

I would like to express my sincere appreciation to all of you for continually providing us with generous support. I am pleased to present the outline of our corporate group's FY2019 business results.

## FY2019 Business Results

The global economy showed moderate growth until the third quarter of FY2019, mainly due to the steady recovery of the U.S. economy. Since January 2020, however, the global novel coronavirus (COVID-19) pandemic has caused global economic activity to rapidly contract.

Regarding the Japanese economy, the first half of FY2019 saw a recovery in consumer spending partly because of an improved employment environment, but the consumption tax increase in October 2019 caused consumer spending to take a downward turn. In the fourth quarter of FY2019, moreover, Japan faced harsher economic conditions due to the COVID-19 pandemic.

The Sumitomo Electric Group faced a severe business environment due to a decrease in the production of automobiles and sluggish sales of smartphones, a decline in optical fiber cable prices, appreciation of the yen, and falling copper prices, which was further exacerbated by the slowdown in economic activity resulting from the COVID-19 pandemic in the fourth quarter.

In this harsh environment, the consolidated financial settlement for FY2019 suffered a revenue decline from the previous fiscal year, as net sales amounted 3,107,027 million yen (previous fiscal year: 3,177,985 million yen, -2.2%). In terms of profits, despite our full efforts to proceed with global cost reductions, we were faced with sales declines, price reductions in the automobile industry, cost increases at the time of establishing production lines for some products, and rapid production losses due to the COVID-19 pandemic. We also increased our depreciation costs with an eye to the future. As a result, operating income was 127,216 million yen (previous fiscal year: 166,260 million yen, -23.5%); ordinary income was 130,498 million yen (previous fiscal year: 188,649 million yen, -30.8%); and profit attributable to owners of the parent was 72,720 million yen (previous fiscal year: 118,063 million yen, -38.4%), each of which showed a decrease in profit.

As for the year-end dividend, in consideration of the business results for FY2019 and other matters, we have decided on a distribution in the amount of 16 yen per share, a decline of 8 yen from the previous fiscal year. As a result, the dividend for FY2019, including the interim dividend (24 yen), is 40 yen per share, which is 8 yen less than in the previous fiscal year.

## Key Issues Requiring Attention

The future outlook of the global economy will remain unclear mainly due to growing concerns about a prolonged economic slowdown resulting from the COVID-19 pandemic, coupled with the impacts of U.S. and Chinese trade policies and political and geopolitical risks in the Middle East. Under these circumstances, we at the Sumitomo Electric Group will dedicate our best efforts to ensuring our employees' health and safety and fully maintaining our supply chain in order to overcome the unprecedented challenges and put our business back on a stable track to regain solid growth. To make our corporate structure robust enough to react flexibly to any business environment, we will also strive for the further evolution and improvement of "SEQCDD" (safety, environment, quality, cost, delivery, and R&D), which is the key foundation of manufacturing, and will implement business structure reforms to improve profitability and work-style reforms to improve productivity.

Aiming to become a "Glorious Excellent Company," we will work hard toward achieving our mid-term management plan VISION 2022, launched with the concept of "contributing to a better society by leveraging our expertise in connectivity and transmission technologies through the concerted efforts of the entire group." To this end, we will pursue the following strategies in each of our business segments. In the Automotive segment, we will endeavor to make our business structure more robust and resistant by flexibly controlling our production capacity to respond to a decline in global demand for automobiles resulting from the COVID-19 pandemic, taking into account a likely recovery in demand in the future, and by engaging in intensive efforts to further promote cost reductions.

To become a mega supplier with wiring harnesses as the core of the segment, we will promote the development of new products related to CASE\*—such as high-voltage wiring harnesses and other products for electric vehicles, electronic components corresponding to electronic control of automobiles, and connectors for high-speed communication—and accelerate the efforts to change the material for wiring harnesses to aluminum in order to meet the demand for weight reduction. In addition, we will strive to further expand our market share for overseas customers. Sumitomo Riko Company Ltd. will continue to devote itself to recovery of profitability in the field of automotive anti-vibration rubbers and hoses by expanding its sales globally, improving productivity, and reducing costs. The company will also work on developing new products for next generation vehicles.

In the Infocommunications segment, we seek to fully respond to growing demand for optical/electronic devices and optical fiber cables due to an increase in data traffic and the launch of the 5G mobile communications market. At the same time, we will continue our efforts to develop and market high-functioning products in response to market needs, including extra-low-loss fibers for submarine cables, products related to data centers such as ultra-high-count optical fiber cables and optical wiring products, and access-based network products such as new 4K compatible video distribution equipment and 10 Gigabit-Ethernet Passive Optical Network (10G-EPON). In addition, we will strive for further cost reductions in the optical fiber cable market, which has seen increasingly intensifying price competition.

In the Electronics segment, with regard to flexible printed circuits (FPCs), we will continue the efforts to recover our earning power by optimizing the global production system and improving productivity. At the same time, we will devote our energies to expanding business in the automotive market and developing new products that respond to customer needs such as thinness and high frequency. In addition, we will make efforts to promote the global sales of lead wire (TAB-LEAD) for battery terminals used in electric vehicles and enhance our capacity to produce it. With regard to irradiation tubes, we will continue to capture a wide variety of needs. Also, we will work on early realization of generating a business synergy with Techno Associe Co., Ltd., which became a subsidiary in September 2019 as a result of our tender offer.

In the Environment and Energy segment, we will proceed with efforts to improve profitability by capturing new large-scale overseas power cable projects and domestic demand for renewable energy and facility replacement, and by further promoting cost reductions. We will also strive to increase our global production capacity of flat magnet wires for motors used in electric vehicles in order to meet growing demand. In addition, we will focus on securing more orders in Japan and abroad by leveraging the integrated capabilities of the Group, including Nissin Electric Co., Ltd. and Sumitomo Densetsu Co., Ltd.

In the Industrial Materials segment, with regard to cemented carbide tools, we will strengthen our global sales capabilities not only in our main automotive field, but also in the fields of construction machinery, farm machinery and electronics. Moreover, we will proceed with the marketing of new products for the machining of difficult-to-cut materials in the fields of aircraft and medical care. Regarding sintered components, we will further strengthen sales and our cost competitiveness, taking advantage of our global production bases. We will also continue to focus on strengthening our production system and marketing for tensioning materials used in pre-stressed concrete and precision spring steel wires.

Regarding decreased demand due to the COVID-19 pandemic, we will use this opportunity to further reinforce our business structure, by constantly improving productivity, promoting the abolition and consolidation of business locations, and providing retraining to employees. In R&D activities, we will make efforts to create new businesses and products that are original and excel in profitability. Specifically, we will focus on the early commercialization of magnesium alloy products, water-treatment systems, superconducting products, silicon carbide (SiC) power semiconductor devices, redox flow batteries, and concentrated solar power generation equipment. Continued efforts will also be devoted to developing next-generation products and new production methods that support the present five business segments.

Also, taking a long-term perspective, we will utilize outside specialized knowledge and expertise—including collaboration of industry, academia and government—to develop new products in response to society's needs, including strengthening the development systems for on-board equipment that is compatible with automated driving and electric vehicles, and searching for new materials with new functions. We will also work proactively on production innovation by utilizing artificial intelligence (AI) and the Internet of things (IoT)\*\* at the manufacturing level.

Finally, we believe that our management foundation lies in compliance with laws and regulations and the maintenance of corporate ethics, and that these are the absolute basis for us to continue and develop as a corporate group. We will continue to operate fairly and honestly based on the tenets of the Sumitomo Spirit: *Banji-nissei*, *Shinyo-kakujitsu* and *Fusu-furi*\*\*\* ensuring that our corporate activities are trusted by society. In addition, we believe that the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles share common core values with the UN's Sustainable Development Goals (SDGs). We will seek to provide various types of value in order to realize a "safe and secure society," a "green society" and a "comfortable and viable society" through our concerted efforts. We would like to receive your further understanding and support toward the future.

June 2020

\* CASE: A term for a recent trend in the automotive industry; an acronym for Connected, Autonomous, Shared and Electric

\*\* Internet of things (IoT): A wide variety of things, not limited to information communication devices such as PCs and smartphones, being connected to a network such as the Internet.

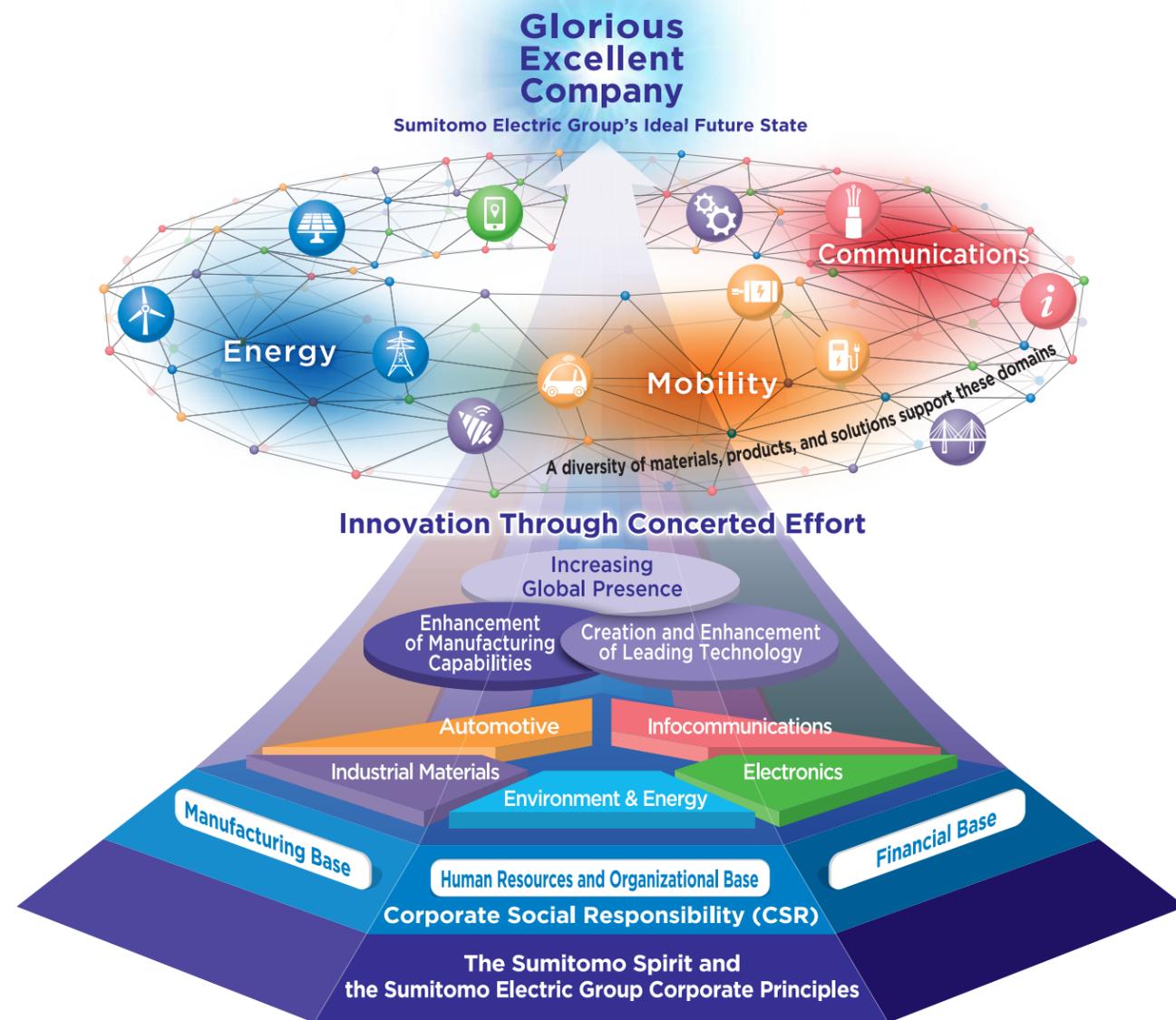
\*\*\* *Banji-nissei*: Do your sincere best not only in business but also in every aspect of your life. *Shinyo-kakujitsu*: Place importance on integrity and sound management. *Fusu-furi*: Do not act rashly or carelessly in pursuit of immoral business.

Osamu Inoue  
President & COO

# Business Strategy

## VISION 2022 Mid-term Management Plan: Overall Concept

Contributing to a better society by leveraging our expertise in connectivity and transmission technologies through concerted efforts of the entire group.



Net Sales  
¥3.6  
TRILLION

Operating Income  
¥230  
BILLION

ROIC  
9%  
OR MORE

ROE  
8%  
OR MORE

## VISION 2022 Growth Strategy

### Enhancement and Expansion of Five Business Segments

Sumitomo Electric Group continues to strive for growth in five business segments focusing on Mobility, Energy, and Communications fields as well as materials, products, and solutions supporting these fields. We aim to grow every segment by strengthening revenue bases and improving capital efficiency and to achieve a balanced business portfolio.

### Further Growth Through Innovation

In the wake of dramatic changes in the automobile industry together with the renewable energy revolution and exponential growth in data usage worldwide, Sumitomo Electric Group will achieve further growth by enhancing innovation building on the diversity in technologies and business expertise we have cultivated over the years, developing and offering new technologies, products, and services toward a better society.

## Our Priorities

### Enhancement of Manufacturing Capabilities

Taking "SEQCDD\*" one step further

- Aim for "the world's top safety company"
- Create "strong factories" by continuous improvement (kaizen)
- Share technologies and best practices among group companies worldwide

\*SEQCDD: S (Safety), E (Environment), Q (Quality), C (Cost), D (Delivery), D (R&D)

### Increasing Global Presence

- Work to increase market share with global customers
- Create new business models that anticipate market changes
- Enhance the efficacy of our marketing efforts

### Creation and Enhancement of Leading Technology

- Continue to enhance core technologies from materials to processes
- Innovation that anticipates change in the automotive and energy fields and exploits commercialization opportunities with agility
- Challenge ourselves to create innovative technology that encourages social reform

## The Three Bases

### Manufacturing Base

- Consolidating Our Manufacturing Base and Business Quality  
Maintaining and building secure, safe, clean, reliable, and efficient production systems.
- Developing Personnel  
Strengthening basic competence through group-wide education and fostering professional human resources through practical education.

### Human Resources and Organization Base

- Promoting Diversity Management (realizing our Global HRM\* Policy)
- Building a global common infrastructure for human resources and organization

\*HRM: Human Resource Management

### Financial Base

- By reinforcing our corporate structure, we strive to build on a robust financial footing.
- We aim to keep our shareholders' equity ratio at 50%
- We aim to increase dividend payout ratio to approximately 40%

## The Sumitomo Spirit and The Sumitomo Electric Group Corporate Principles

With the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, we can contribute to society through all of our business activities and enrich the public good and our environment.

# Financial Highlights

## Sumitomo Electric Industries, Ltd. and Consolidated Subsidiaries

For the Year:	Millions of yen					Thousands of U.S. dollars
	FY2019 Mar. 31, 2020	FY2018 Mar. 31, 2019	FY2017 <sup>7</sup> Mar. 31, 2018	FY2016 Mar. 31, 2017	FY2015 Mar. 31, 2016	FY2019 Mar. 31, 2020
Net sales	¥3,107,027	¥3,177,985	¥3,082,247	¥2,814,483	¥2,933,089	\$28,549,361
Operating income	127,216	166,260	173,139	150,503	143,476	1,168,942
Profit before income taxes	133,198	181,388	193,337	167,792	154,859	1,223,909
Profit attributable to owners of the parent	72,720	118,063	120,328	107,562	91,001	668,198
Capital expenditures <sup>1</sup>	208,834	190,314	171,110	183,693	167,282	1,918,901
Depreciation and amortization	163,581	148,916	146,098	134,532	134,371	1,503,087
R&D expenses	125,449	129,627	117,735	115,155	110,839	1,152,706

### At Year-End:

Total assets	¥3,084,517	¥3,053,263	¥2,999,903	¥2,907,292	¥2,742,848	\$28,342,525
Total interest-bearing liabilities	618,960	540,745	492,567	510,989	457,145	5,687,402
Total net assets <sup>2</sup>	1,766,830	1,776,313	1,764,086	1,628,615	1,561,289	16,234,770

### Cash Flows:

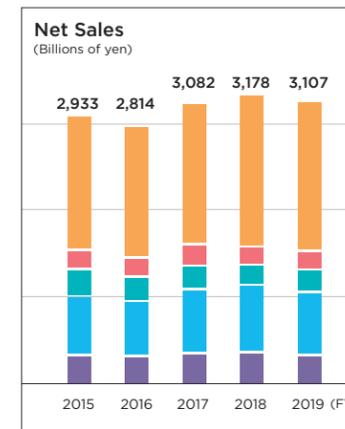
Net cash provided by operating activities	¥264,608	¥177,656	¥239,573	¥209,233	¥240,779	\$2,431,388
Net cash used in investing activities	(178,020)	(184,601)	(174,265)	(194,829)	(117,387)	(1,635,762)
Net cash provided by (used in) financing activities	(1,277)	(4,324)	(66,795)	(4,763)	(115,912)	(11,734)

Per Share Data:	Yen					U.S. dollars
	FY2019	FY2018	FY2017 <sup>7</sup>	FY2016	FY2015	FY2019
Profit attributable to owners of the parent <sup>3</sup>						
Basic	¥93.24	¥151.38	¥154.29	¥137.61	¥114.73	\$0.857
Diluted	—	—	152.88	137.24	—	—
Cash dividends <sup>4</sup>	40.00	48.00	46.00	40.00	35.00	0.368
Owner's equity <sup>5</sup>	1,947.16	1,988.58	1,973.95	1,815.32	1,715.28	17.892

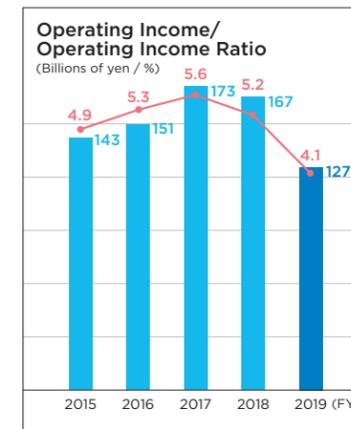
### Financial Indexes:

Operating income/net sales (%)	4.1	5.2	5.6	5.3	4.9
Profit attributable to owners of the parent/net sales (%)	2.3	3.7	3.9	3.8	3.1
Operating income/invested assets <sup>6</sup> (ROIC)(%)	5.4	7.3	7.9	7.2	6.8
Return on owner's equity (%)	4.7	7.6	8.1	7.7	6.5
Owner's equity ratio (%)	49.2	50.8	51.3	48.7	49.6
Current ratio (times)	1.7	1.7	1.7	1.7	1.8
R&D expenses/net sales (%)	4.0	4.1	3.8	4.1	3.8

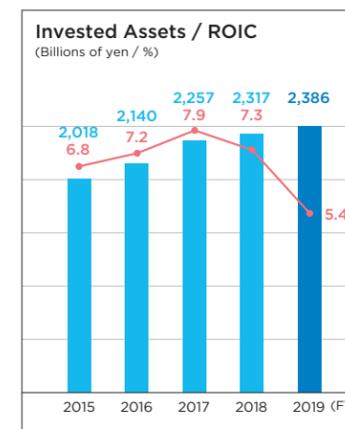
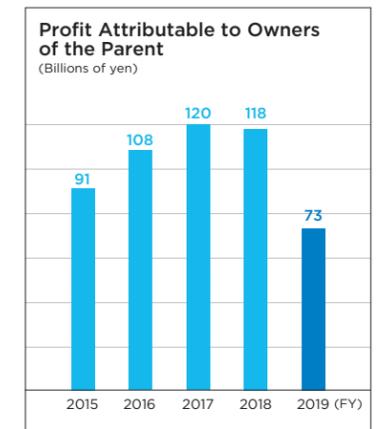
Note: All dollar figures herein refer to U.S. currency. Yen amounts have been translated, for convenience only, at the rate of ¥108.83 to U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2020.  
<sup>1</sup> Capital expenditures are recorded as property, plant and equipment.  
<sup>2</sup> See Note 9.  
<sup>3</sup> In the year ended March 31, 2016 and from the year ended March 31 2019 to the year ended March 31, 2020, there were no potentially dilutive common shares.  
<sup>4</sup> Cash dividends per share for the year ended March 31, 2017 include a 2-yen distribution as commemorative dividends for the 120th anniversary.  
<sup>5</sup> Owner's equity is the sum of total shareholders' equity and total accumulated other comprehensive income.  
<sup>6</sup> Invested assets = total assets - interest-free liabilities  
<sup>7</sup> The "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been adopted from the beginning of the fiscal year ended March 31, 2019. The financial data and indexes for the year ended March 31, 2018 have been adjusted retrospectively to conform to this accounting standard.



Automotive  
 Infocommunications  
 Electronics  
 Environment and Energy  
 Industrial Materials and Others



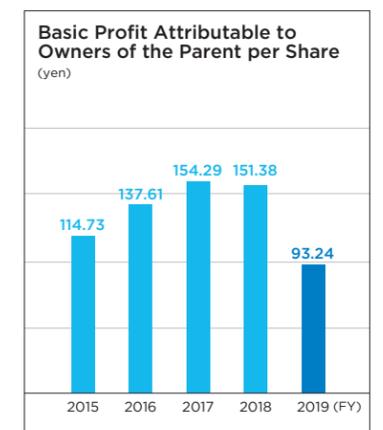
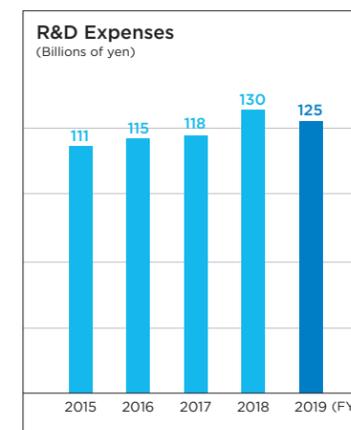
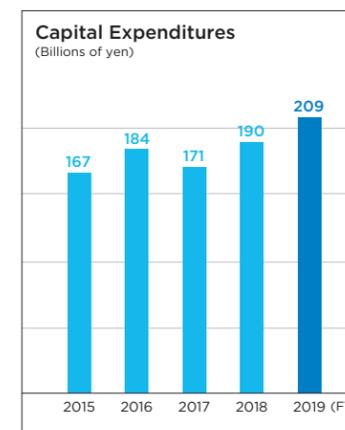
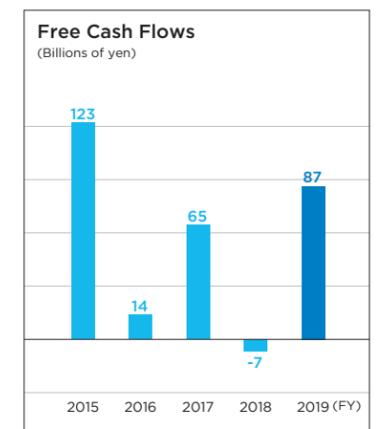
Operating Income  
 Operating Income Ratio



Invested Assets  
 ROIC



Owner's Equity  
 Return on Owner's Equity



## NET SALES

OVER  
¥ **3** TRILLION

Net sales have grown steadily from ¥2.0 trillion in FY2009 and ¥3.1 trillion in FY2019. We continue to be an industry leader in the creation of new business models that anticipate changes in the market environment.

## SALES RATIO OUTSIDE JAPAN

**55.8%**

Overseas sales ratio has grown steadily from 38.4% in FY2009 and 55.8% in FY2019. Our overseas share of sales now surpasses that of domestic sales. We continue to manufacture products that are trusted around the world.

## BUSINESS LOCATIONS OUTSIDE JAPAN

**309**

The number of our business locations is gradually increasing from 200 in FY2009 and 309 in FY2019. We will continue to enhance our business by increasing business relationships with customers around the world.

## FOUNDED

**123** YEARS AGO

Since its founding in 1897, the Sumitomo Electric Group has expanded and developed its business domain by developing proprietary technologies based on copper wire manufacturing technology and challenging new business fields.

## R&D EXPENSES

¥ **125.4** BILLION

R&D expenses have grown gradually from ¥75.0 billion in FY2009 and ¥125.4 billion in FY2019, the Sumitomo Electric Group continues to invest in R&D. We promote innovation, regarding the great changes underway in society and the energy sector as growth opportunities.

## BUSINESS OPERATIONS IN

**41** COUNTRIES

The Sumitomo Electric Group has been proactive in pursuing business expansion overseas. Our products, popular with customers worldwide, are made around the world.

## CONSOLIDATED EMPLOYEES

OVER **280** THOUSAND

People are the backbone of our business. We have started to actively promote globalization of the human resources employed in group companies in Japan and overseas.

# Review of Operations

Sumitomo Electric operates in five segments: Automotive, Infocommunications, Electronics, Environment and Energy, and Industrial Materials and Others.

Segment	Net Sales	Business Overview	Main Products
<b>Automotive</b>	<p>Net Sales ¥<b>1,683.6</b> billion</p> <p>Share of net sales <b>53%</b></p>	<p>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. The Company also supply traffic control systems.</p>	<ul style="list-style-type: none"> <li>• Wiring harnesses</li> <li>• Anti-vibration rubbers/automotive hoses</li> <li>• Car electronic components</li> <li>• Network system products such as traffic control</li> </ul>
<b>Infocommunications</b>	<p>Net Sales ¥<b>217.4</b> billion</p> <p>Share of net sales <b>7%</b></p>	<p>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, opto-electronic devices, gigabit Ethernet-passive optical network (GE-PON), and other devices.</p>	<ul style="list-style-type: none"> <li>• Optical fiber cables</li> <li>• Telecommunication cables and equipment</li> <li>• Fusion splicers</li> <li>• Optical/wireless devices such as optical transceiver modules/wireless communication devices</li> <li>• Access network equipment (GE-PON/set-top box/CATV-related products, etc.)</li> </ul>
<b>Electronics</b>	<p>Net Sales ¥<b>252.1</b> billion</p> <p>Share of net sales <b>8%</b></p>	<p>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, other highly functional wiring materials and fluorine resin products.</p>	<ul style="list-style-type: none"> <li>• Electronic wires</li> <li>• Electric beam irradiation products</li> <li>• Flexible printed circuits</li> <li>• Fluorine resin products</li> <li>• Fastener products</li> <li>• Metal products</li> <li>• Chemical products</li> </ul>
<b>Environment and Energy</b>	<p>Net Sales ¥<b>712.5</b> billion</p> <p>Share of net sales <b>22%</b></p>	<p>Since its inception, the Sumitomo Electric Group has helped underpin modern daily life through its energy transmission business, supplying products such as cables for power distribution, railway trolley wires, and wire coils used in home appliances, automobiles, and other applications.</p>	<ul style="list-style-type: none"> <li>• Electric conductors</li> <li>• Power transmission wires/cables/equipment</li> <li>• Magnet wires</li> <li>• Air cushions for railroad vehicles</li> <li>• Power system equipment such as substation equipment/control systems</li> <li>• Charged beam equipment and processing</li> <li>• Electrical/power supply work and engineering</li> <li>• Porous metals</li> <li>• Metal materials for electronic parts</li> </ul>
<b>Industrial Materials and Others</b>	<p>Net Sales ¥<b>331.3</b> billion</p> <p>Share of net sales <b>10%</b></p>	<p>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 are used in automotive and a wide range of other industrial fields.</p>	<ul style="list-style-type: none"> <li>• Tensioning materials for prestressed concrete</li> <li>• Precision spring steel wires</li> <li>• Steel tire cords</li> <li>• Cemented carbide tools</li> <li>• Diamond/CBN tools</li> <li>• Laser optics</li> <li>• Sintered powder metal parts</li> <li>• Semiconductors</li> <li>• heat-spreader materials</li> </ul>



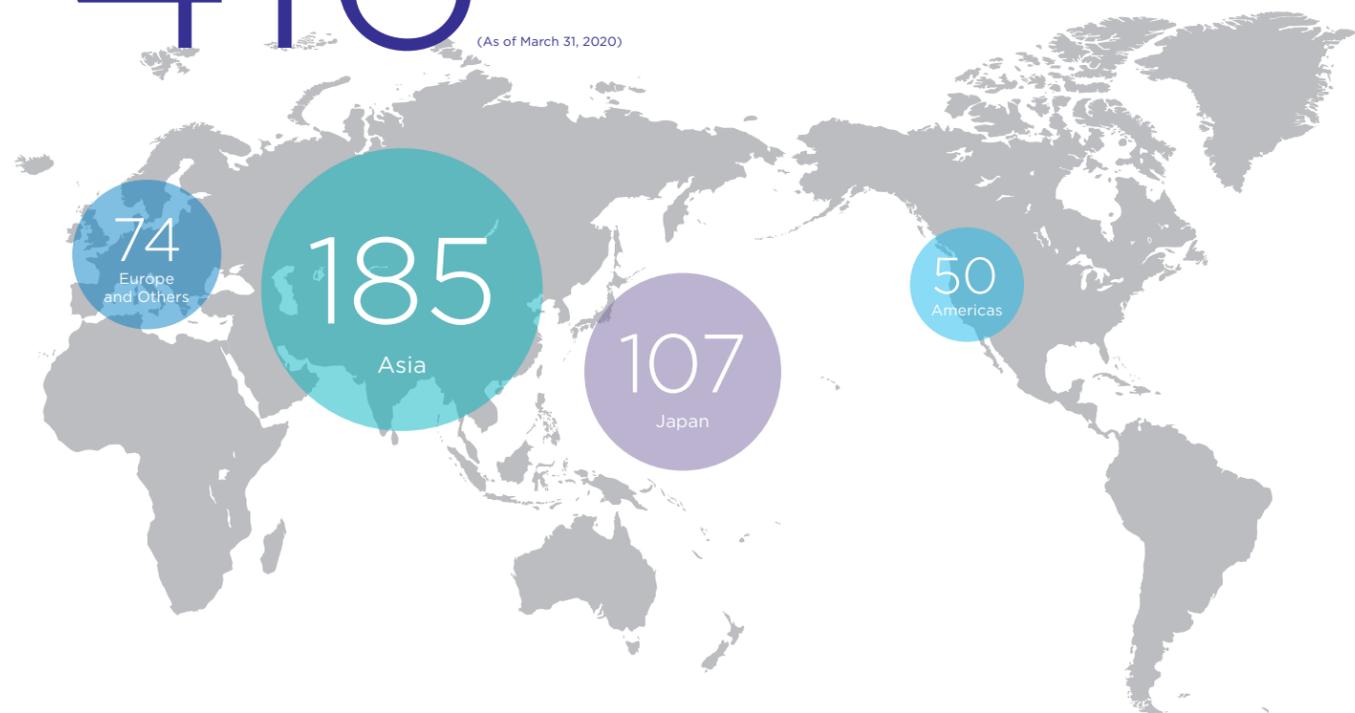
## Expanding Business on the World Stage

The Sumitomo Electric Group is expanding marketing bases and establishing an optimal global production system to respond more precisely to growing worldwide demand driven by emerging economies. However, partly because of the massive impact of the COVID-19 outbreak around the world, sales for the Company and its consolidated subsidiaries outside Japan (overseas sales) totaled ¥1,735.2 billion in FY2019, a decrease of ¥123.1 billion over the previous fiscal year. Overseas sales were 55.8% of total sales on a consolidated basis, a year-on-year decrease of 2.7%.

### Number of Consolidated Subsidiaries and Equity-Method Affiliates

# 416

(As of March 31, 2020)



## Americas

Sales in the Americas in FY2019 decreased by ¥8.9 billion year-on-year to ¥540.2 billion (comprising 17.4% of all consolidated sales). Meanwhile, sales for consolidated subsidiaries (to external customers) fell by ¥8.9 billion year-on-year to ¥529.4 billion, and operating income decreased by ¥1.4 billion to ¥13.7 billion. Operating income generated in the region was 10.7% of total consolidated operating income.

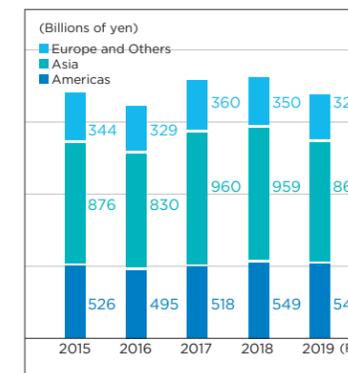
## Asia

FY2019 sales in China decreased by ¥30.3 billion year-on-year to ¥486.0 billion, or 15.6% of all consolidated sales. In other Asian markets, sales decreased ¥61.5 billion over the previous year to ¥381.2 billion, accounting for 12.3% of total sales on a consolidated basis. Sales for consolidated subsidiaries (to external customers) in Asia, including China, totaled ¥811.1 billion, a decrease of ¥72.7 billion from the previous fiscal year. Meanwhile, operating income saw a decrease of ¥18.4 billion year-on-year to ¥60.8 billion. Operating income generated in the region was 47.8% of total consolidated operating income.

## Europe and Others

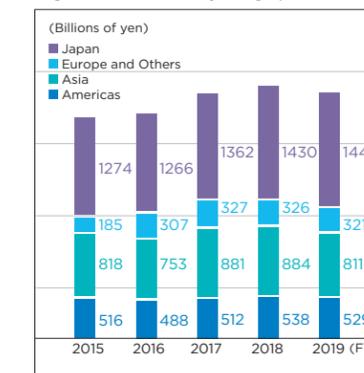
Sales in Europe and other regions in FY2019 came to ¥327.7 billion, or 10.5% of total consolidated sales. This was a decrease of ¥22.4 billion over the previous fiscal year. Meanwhile, sales for consolidated subsidiaries (to external customers) in the region for FY2019 was down ¥5.4 billion over the previous fiscal year at ¥320.6 billion. Operating income deteriorated by ¥3.3 billion to an operating loss of ¥13.1 billion. Operating income generated in the region was -10.3% of total operating income on a consolidated basis.

### Overseas Sales



### Geographical Segment Sales

Segment Information by Geographic Area



## Global Human Resource Management Policy

In the Sumitomo Electric Group, over 270,000 employees are working actively in about 40 countries around the world. We believe that for Sumitomo Electric to win the global competition and grow further, it is essential that we fully mobilize the Group's technologies, products, business models and all other resources, and we acknowledge that it is most important to secure and utilize highly capable employees who support the efforts.

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

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

Global Human Resource Management Policy:  
<https://global-sei.com/csr/sociality/employment.html>

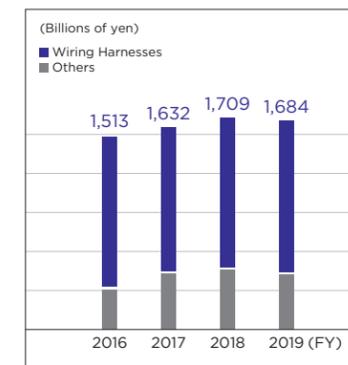


# AUTOMOTIVE

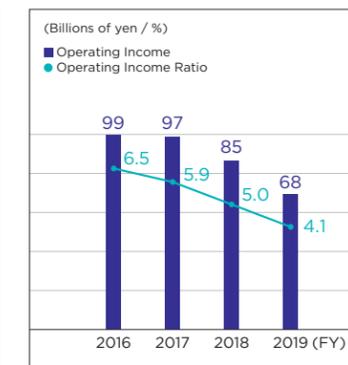
## Performance in FY2019

Despite our aggressive effort to enhance sales of wiring harnesses and automotive electronic parts, there was a noticeable drop in demand in the 4th quarter due to the impact of COVID-19, and net sales fell ¥25.8 billion to ¥1683.6 billion (down 1.5%). Operating income also fell ¥16.5 billion to ¥68.2 billion due to a drop in prices and an increase in depreciation for the feature, as well as a rise in the costs associated with the start-up of new production lines and the appreciation of the yen together with the deterioration in profitability due to a sharp decline in production caused by the spread of COVID-19.

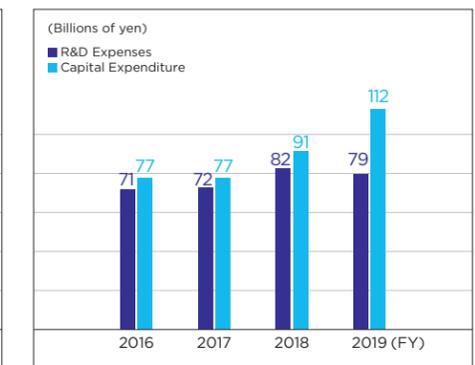
Net Sales



Operating Income and Operating Income Ratio



R&D Expenses and Capital Expenditure



### Net Sales

FY2019 result  
¥1,683.6 billion

### Operating Income

FY2019 result  
¥68.2 billion

## FY2020 Challenges and Strategies

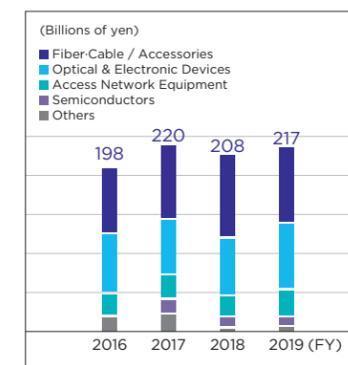
1. Although the outlook of the impact of COVID-19 remains uncertain, we will respond flexibly to the respective situations of the regions and OEMs to continue to supply products and secure profits based on enhanced global collaboration within the Group.
2. We will seek to further strengthen the structure of our European and American businesses and focus on a smooth launch of mass production of new models that are being planned in each region.
3. In the near term, we will strive to reduce costs and capital expenditure while working to accelerate the development of new products for the future, such as CASE-related products.

# INFOCOMMUNICATIONS

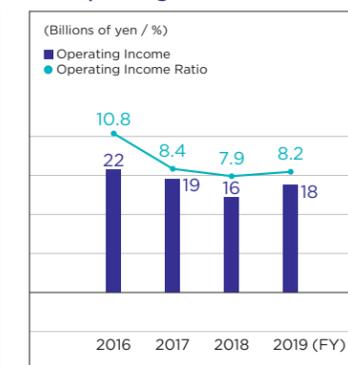
## Performance in FY2019

With a rise in demand for optical and electronic devices and access network equipment, net sales rose ¥9.0 billion (4.3%) to ¥217.4 billion. Meanwhile, operating income posted a ¥1.4 billion rise to ¥17.8 billion, offsetting the drop in the price of optical fiber cables due to increased sales and reduced costs through productivity improvement.

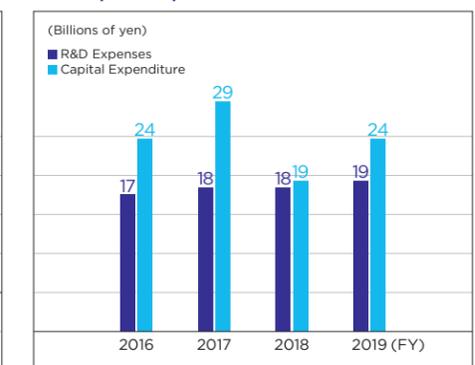
### Net Sales



### Operating Income and Operating Income Ratio



### R&D Expenses and Capital Expenditure



### Net Sales

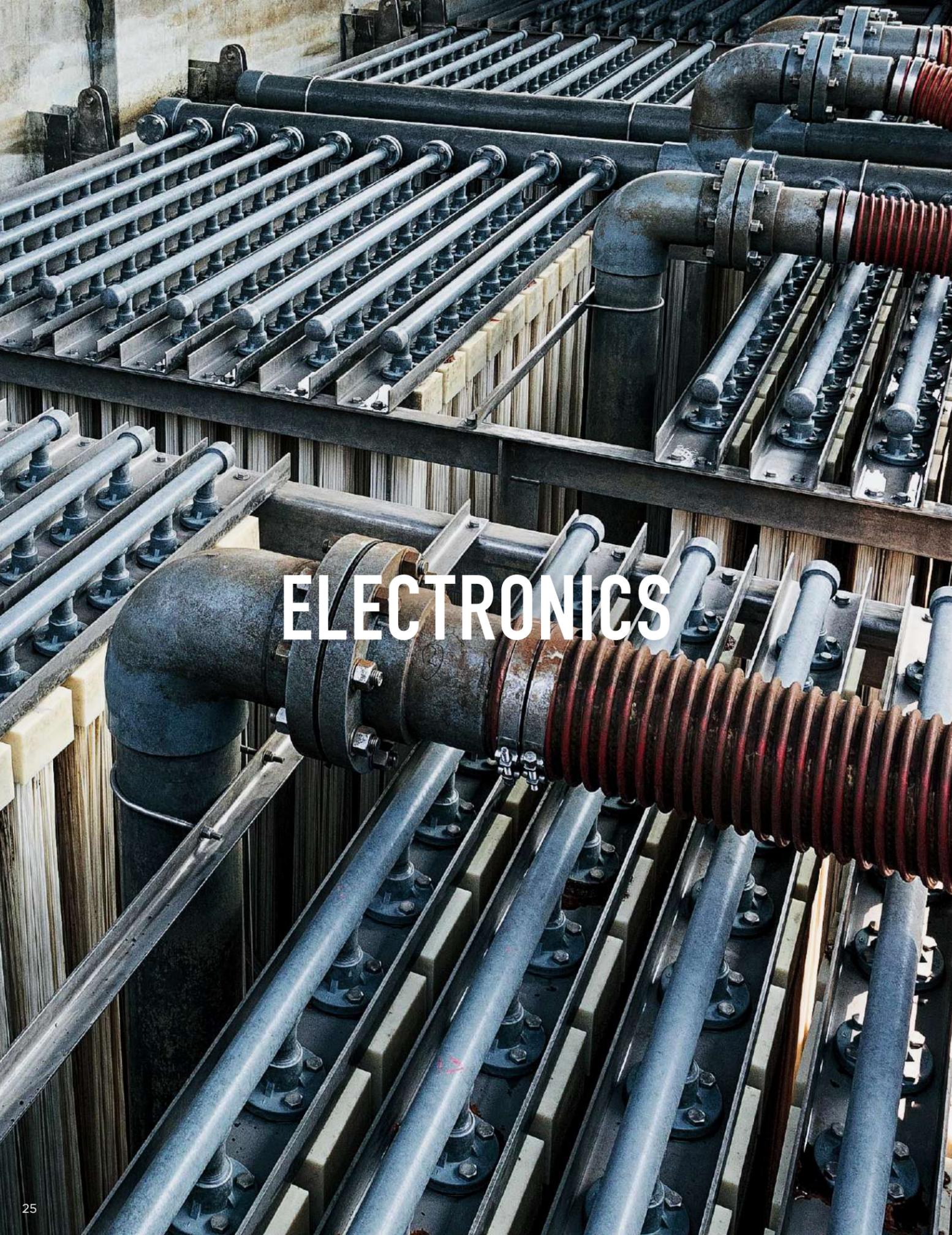
FY2019 result  
¥217.4 billion

### Operating Income

FY2019 result  
¥17.8 billion

## FY2020 Challenges and Strategies

1. In optical communication and equipment, while standard single-mode optical fibers are expected to see continued weakness in demand and price declines in China and other regions, we will focus on increasing sales of optical fibers and amplifiers for submarine cable and optical cabling equipment for data centers.
2. In optical & electronic devices, we will focus on strengthening production capacity and capturing demand for GaN devices, which are expected to see a rise in demand due to the full-scale launch of the 5G market, as well as on expanding sales of optical components for data centers.
3. We will respond to full-fledged demand for new products such as 10G-EPON and 4K-STB.

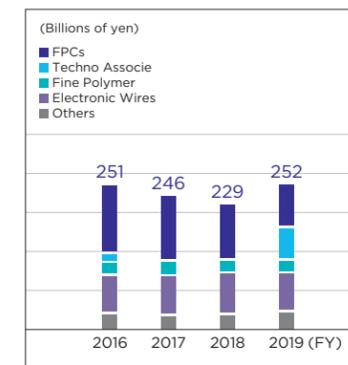


# ELECTRONICS

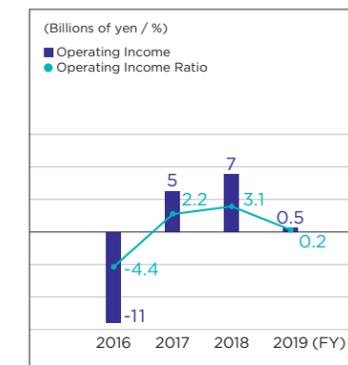
## Performance in FY2019

Despite the suppressed demand for flexible printed circuits (FPC) used in mobile devices, the incorporation of Techno Associe Co., Ltd., as a consolidated subsidiary saw an increase in net sales by ¥23.2 billion to ¥252.2 billion (10.2%). A contraction in sales of FPCs and the downturn in demand due to the effects of COVID-19 saw a drop in operating income by ¥6.5 billion to ¥536 million.

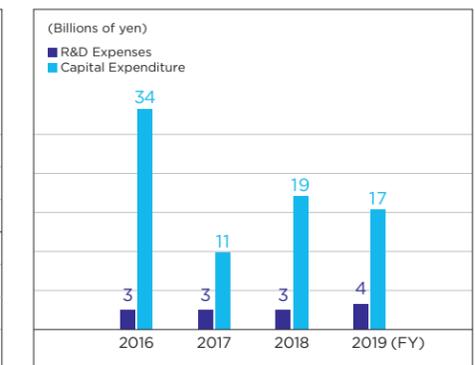
Net Sales



Operating Income and Operating Income Ratio



R&D Expenses and Capital Expenditure



Net Sales

FY2019 result

¥252.2 billion

Operating Income

FY2019 result

¥0.5 billion

## FY2020 Challenges and Strategies

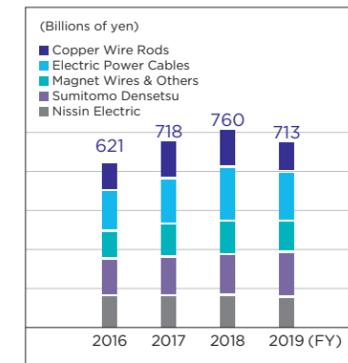
1. While the business environment for FPC is expected to remain difficult in terms of demand for smartphone applications and prices, we will focus on increasing sales for new products that employ our strength, such as fine pitch technology, optimizing the global production system and thoroughly reducing costs.
2. In electronic wire, we will focus on increasing sales of products that meet market needs, including high-speed transmission, high heat resistance and high pressure, as well as increasing production and reducing costs for tab-leads for electric vehicle batteries, which are expected to see a rise in demand.

# ENVIRONMENT AND ENERGY

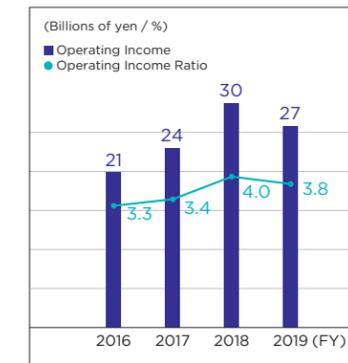
## Performance in FY2019

Affected by a decline in large-scale power transmission cable projects and a drop-off period of demand for beam- and vacuum-applied equipment of Nissin Electric Co., Ltd., as well as a fall in copper prices, net sales contracted by ¥47.2 billion (6.2%) to ¥712.5 billion. Due to the fall in net sales, operating income fell to ¥27.1 billion (a decrease of ¥2.9 billion).

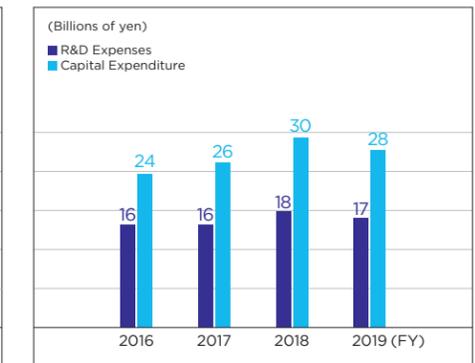
Net Sales



Operating Income and Operating Income Ratio



R&D Expenses and Capital Expenditure



### Net Sales

FY2019 result  
¥712.5 billion

### Operating Income

FY2019 result  
¥27.1 billion

### FY2020 Challenges and Strategies

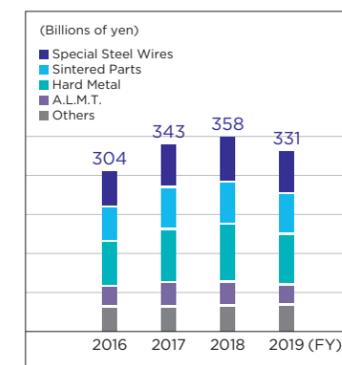
1. In electric power cables, we will focus on winning new orders for large-scale overseas projects (Asia, Middle East, Europe) and renewable energy projects in Japan (onshore and offshore wind power, grid reinforcement) as well as on strengthening the management of these projects.
2. In magnet wires, we will focus on enhancing production capacity (three-location structure of Japan, Thailand and China) of rectangular magnet wires for motors for electric vehicles, which are expected to see a rise in demand. In conventional magnet wires, we will seek optimal production efficiency through the collaboration of three Asian locations (Thailand, Malaysia, Indonesia).

# INDUSTRIAL MATERIALS AND OTHERS

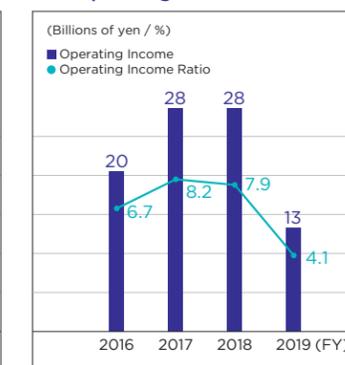
## Performance in FY2019

With a decline in demand for cemented carbide and diamond/CBN tools, automotive sintered parts, and heatsinks, net sales fell by ¥26.5 billion (7.4%) to ¥331.4 billion. Operating income saw a decline of ¥14.8 billion down to ¥13.4 billion, partly due to deterioration in profitability related to the falling factory capacity utilization rate.

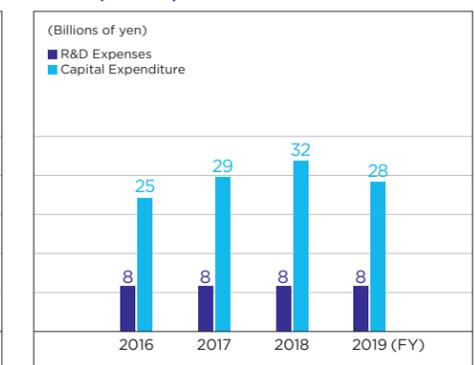
### Net Sales



### Operating Income and Operating Income Ratio



### R&D Expenses and Capital Expenditure



### Net Sales

FY2019 result

¥331.4 billion

### Operating Income

FY2019 result

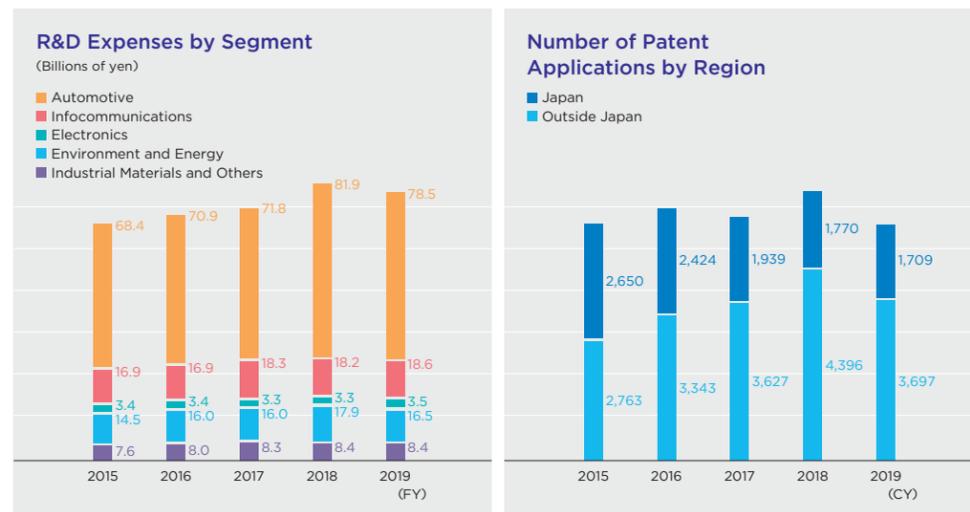
¥13.4 billion

### FY2020 Challenges and Strategies

1. The impact of COVID-19 will be large for the time being in cutting tools, which have a wide range of applications and are consumable goods, as well as in sintered components, the majority of which are accounted for by the automotive business.
2. In the cutting tools and A.L.M.T., we will strengthen our responses in growth areas such as aircraft and medical care as well as in overseas markets, and promote differentiation from competitors through innovative materials and process development.
3. In sintered components, we will follow through with what can be done by self-help efforts, such as cost and quality improvements at Japanese and overseas bases.

# Research & Development

In line with our commitment in the Sumitomo Electric Group Corporate Principles to build technical expertise, realize changes and strive for consistent growth, we focus on growing business areas and develop 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. In FY2019, ended March 31, 2020, consolidated R&D expenses totaled ¥125.4 billion.



based on a greenfield approach, to which part of the reconstruction funds has been dedicated. One of these projects is INCIPICT, proposed and led by the University of L'Aquila and funded by the Italian Government, to support production and research activities in L'Aquila.

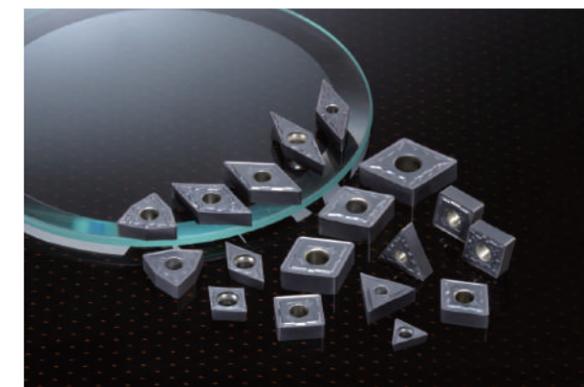
The testbed is available to the international research community under the jurisdiction of the University of L'Aquila. The testbed will serve to assess problems and requirements for deployed MCFs, thereby contributing to the development of SDM transmission systems.

\*1 Space-division multiplexed transmission  
A transmission method for multiplexing signals using multiple spatial channels in optical fiber. Various fiber structures have been proposed to this end, including MCFs, where the fiber cores are used as spatial channels, and few mode fibers, where the fiber modes are used as spatial channels.

## Topics | Sumitomo Electric Makes Full-Scale Expansion of Its Cutting Tool Business in the Aircraft Industry

In December 2019, Sumitomo Electric Carbide, Inc. (Head office: Illinois, U.S.; President: Kazuyoshi Kimura), a group company of Sumitomo Electric Industries, Ltd. joined Oregon Manufacturing Innovation Center Research and Development (OMIC R&D), an industry-academia-government cooperative consortium for aircraft.

OMIC R&D is an aircraft consortium established in June 2017 under the initiative of the Boeing Company, six private enterprises in Oregon, three universities in Oregon (The Oregon Institute of Technology, Oregon State University and Portland State University), and the Oregon state government. Its objective is to promote collaboration among industries, academia and government, thereby strengthening competitiveness in metalworking and developing human resources who will play key roles in the field of next-generation manufacturing. Through joint research and information-sharing with OMIC R&D, the Company will effectively use its original powder metallurgy technology and ultra-high pressure technology to develop innovative cutting tools required in the aircraft industry.



Products the Company intends to expand sales in the aircraft industry  
Left: Coated Grades for Exotic Alloys, AC5015S/AC5025S  
Right: High-Precision shoulder Milling Cutter for General-Purpose, SEC-WaveMill WEZ™ series

## Topics | World's First Field-Deployed Multi-Core Fiber Testbed Installed in L'Aquila, Italy

Sumitomo Electric, the University of L'Aquila, and Optoscribe have jointly deployed the world's first multi-core fiber (MCF) testbed for space-division multiplexed (SDM)\*1 fiber-optic communications in a real-field environment in the city of L'Aquila, as part of the restoration project Innovating City Planning through Information and Communication Technologies (INCIPICT).

An MCF is an optical fiber with multiple cores in a glass cladding and is considered one of the most promising SDM transmission technologies to overcome the limitations of conventional single-core fiber communication systems.

The total length of the installed MCF cable is 6.3 km, of which 5.6 km is in the tunnel and 0.7 is km in the laboratory that gives access to the fibers.

The city of L'Aquila was struck by a high-magnitude earthquake on April 6, 2009, which destroyed most of the city center. Since the beginning of the reconstruction process, the city has been open to various experimental projects

## Directors, Audit & Supervisory Board Members and Executive Officers (As of June, 2020)



**Masayoshi Matsumoto**  
Chairman & CEO



**Osamu Inoue**  
President & COO



**Mitsuo Nishida**  
Executive Vice President



**Nozomi Ushijima**  
Executive Vice President



**Yoshitomo Kasui**  
Senior Managing Director



**Akira Nishimura**  
Senior Managing Director



**Hideo Hato**  
Senior Managing Director



**Masaki Shirayama**  
Managing Director



**Nobuyuki Kobayashi**  
Managing Director



**Hiroshi Sato**  
Director\*



**Michihiro Tsuchiya**  
Director\*



**Christina L. Ahmadian**  
Director\*

\*Mr. Hiroshi Sato, Mr. Michihiro Tsuchiya and Ms. Christina L. Ahmadian are Outside Directors.

### Audit & Supervisory Board Members

Satoru Ogura  
Akira Hayashi  
Katsuaki Watanabe\*  
Michiko Uehara\*  
Ikuo Yoshikawa\*

\*Mr. Katsuaki Watanabe, Ms. Michiko Uehara and Mr. Ikuo Yoshikawa are Outside Corporate Auditors.

### Managing Executive Officer

Yasuhiro Miyata  
Shigeru Nakajima  
Masahiro Kobayashi  
Tomoaki Nagano  
Yasuyuki Shibata  
Yuichi Sano  
Toshiyuki Sahashi  
Hidetoshi Saito  
Yoshiyuki Ogata  
Hiroshi Hayami  
Hisashi Togawa  
Mitsuhiro Goto  
Shigeru Suemori

### Executive Officer

Tetsuya Hayashi  
Takafumi Uemiya  
Hiroshi Shikata  
Hiroshi Iwano  
Takaaki Yamamoto  
Soichiro Seki  
Masataka Inoue  
Hidetoshi Ishiguro  
Koji Niikura  
Masatoshi Nakata  
Kazuhira Harada  
Kiyonori Yokoi  
Atsushi Kittaka  
Atsushi Murayama  
Yoshiyuki Suetsugu  
Yuichi Hasegawa  
Tokiji Aoyama  
Takashi Horiuchi  
Miwa Kunii

## Basis for Growth

# Corporate Governance

### Basic Principles Concerning Corporate Governance

The unwavering basic policy of the Sumitomo Electric Group is to continue to make a positive contribution to society through the pursuit of fair business practices that are 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 operational resources, recognizing that these endeavors are important for both sustaining growth and increasing corporate value over the medium to long term. We are committed to enhancing our corporate governance in accordance with the following basic principles.

### 1. Overview of Corporate Governance Structure and Reasons for Adoption

Sumitomo Electric chose to adopt an Audit & Supervisory Board system as the roles of such a board and its members under this system are clearly intended for ensuring sound business management. With the Board of Directors, executive officers and Audit & Supervisory Board members carrying out their respective duties, the Company intends to pursue sustainable growth and increase its corporate value over the medium to long term in keeping with basic principles.

- Aiming for the sustainable growth of the Company, improvement in its medium to long term corporate value, and enhancement of its profitability and capital efficiency, the Company's Board of Directors is primarily responsible for deliberating and determining basic management policies and other important company matters, as well as supervising the execution of duties by each individual director. In order for the Board of Directors to appropriately fulfill these roles, it deliberates only important issues among individual subjects, such as major investment items, and focuses on the medium-term business plan, annual plans based on it and quarterly follow-ups of the plans.
- When carrying out its supervisory duties, the Board of Directors respects the opinions of independent officers, particularly outside directors, to ensure a more independent and objective standpoint. In addition to possessing a structure that features at least two independent outside directors, we will work to strengthen the support structure and cooperation between auditors, including independent outside auditors, accounting auditors and the internal audit department.

### 2. Status of Audits by Corporate Auditors

To ensure lawful and proper business management, Sumitomo Electric receives three types of audits: corporate auditor audits, internal audits and accounting audits. With regard to corporate auditor audits, a total of five corporate auditors, including three outside auditors, work with dedicated corporate audit staff (Office of Audit & Supervisory Board Members) to audit the execution of duties by each director and the development and implementation status of internal controls.

### 3. Outside Directors and Outside Auditors

The Company has appointed three outside directors to further strengthen the supervisory function of the Board of Directors from an external perspective and to enhance the transparency and objectivity of business management. In addition, in order to reinforce the system of ensuring lawful and proper management, we have appointed three outside auditors with expertise in various fields and multifaceted perspectives to occupy a majority of corporate auditor positions.

#### Outside Directors

##### Hiroshi Sato

Advisor, Kobe Steel, Ltd.  
President & Representative Director, The Kobe International House Inc.  
Director of the Company since June 2016  
Reasons for election: His extensive experience and high degree of knowledge in all aspects of corporate management derived from his involvement with a company engaged in a wide range of business domains, including materials (primarily steel), machinery and energy.



##### Michihiro Tsuchiya

Director, RaQualia Pharma Inc.  
Director of the Company since June 2018  
Reasons for election: His rich experience and deep insight into all facets of corporate management derived from his experience at a company that expanded its business activities globally.



##### Christina L. Ahmadjian

Professor, Graduate School of Business Administration, Hitotsubashi University  
Director, Japan Exchange Group, Inc.  
Director, Mitsubishi Heavy Industries, Ltd.  
Director, Asahi Group Holdings, Ltd.  
Director of the Company since June 2018  
Reasons for election: Her extensive experience and ability to offer a global perspective on corporate management and corporate governance, which is her field of research as professor at Hitotsubashi University.



### Outside Audit & Supervisory Board Members

#### Katsuaki Watanabe

Director, Kyushu Financial Group, Inc.  
Audit & Supervisory Board Member of the Company since June 2013  
Reasons for election: His extensive experience and superior insight into all aspects of corporate management stemming from his involvement over many years with a company that expanded its business activities globally.



#### Ikuo Yoshikawa

Certified public accountant Audit & Supervisory Board Member, Konishi Co., Ltd.  
Audit & Supervisory Board Member of the Company since June 2018  
Reasons for election: His high degree of knowledge of the field of accounting derived from his extensive experience over many years as a CPA and his research into accounting in his capacity as university professor.



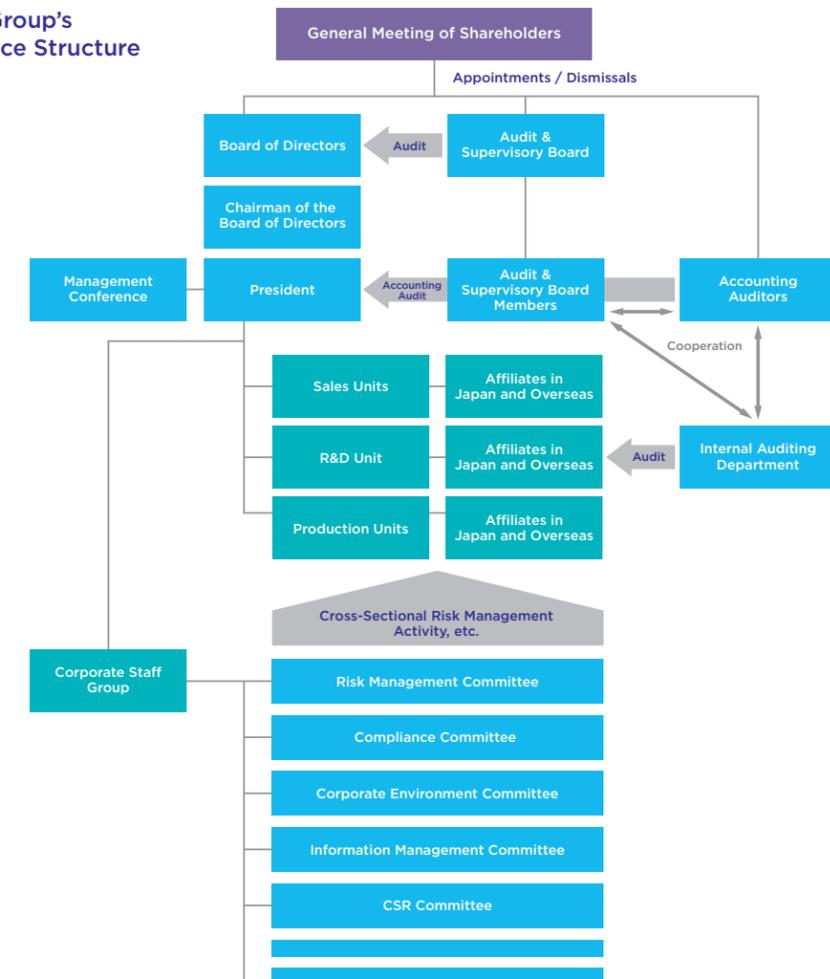
#### Michiko Uehara

Attorney at law  
Audit & Supervisory Board Member, The Japan Wool Textile Co., Ltd.  
Audit & Supervisory Board Member of the Company since June 2016  
Reasons for election: Her extensive experience and high degree of knowledge in relation to corporate law, including compliance, derived from her work in the judicial system as a judge and attorney.



The Sumitomo Electric Corporate Governance Guidelines are available online : <https://global-sei.com/company/governance.html>

### Sumitomo Electric Group's Corporate Governance Structure

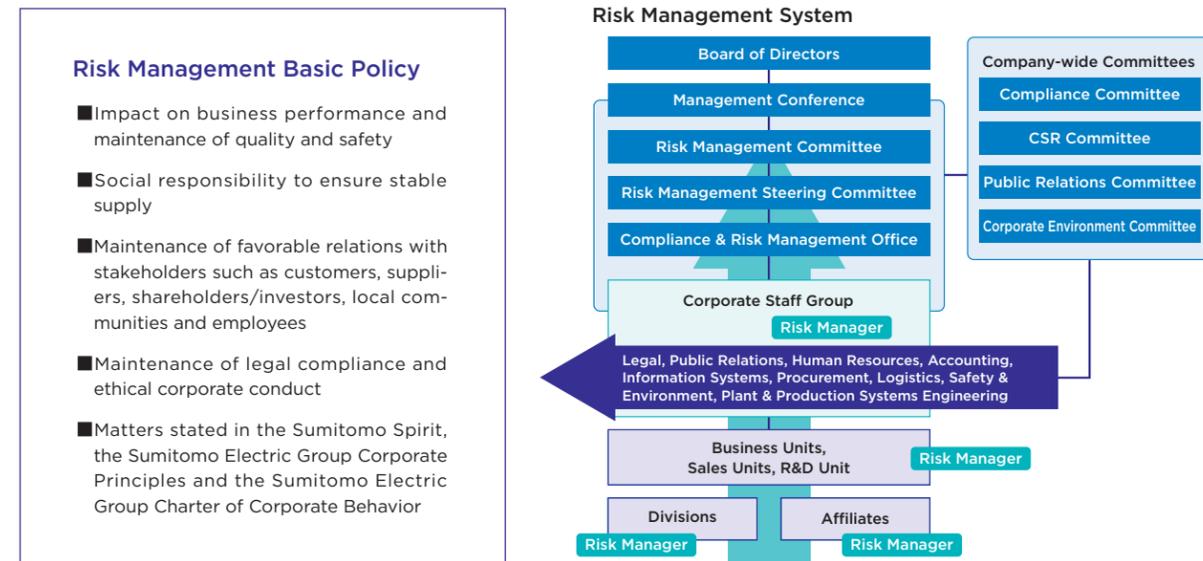


## Basis for Growth

# Risk Management

### Basic Approach

The Sumitomo Electric Group identifies, analyzes and assesses factors that may hinder or adversely affect the execution of its business activities or achievement of management goals and strategies, and seeks to reduce and minimize risks at reasonable cost and effort. With respect to cross-sectional risks common to all divisions and affiliates in the Group, the relevant corporate staff divisions, as well as company-wide committees organized by officers in charge, seek to identify, analyze and assess risks in accordance with their area of responsibility and take measures to mitigate them. For risks associated with business operations in each business division, sales group and R&D group, each division or group will individually identify, analyze and assess the risks associated with their business operations and take measures to reduce such risks.



### Business Continuity Initiatives

Sumitomo Electric has been working on a business continuity plan (BCP) since 2007 to ensure that core business functions can be maintained in the event of emergencies such as earthquakes or influenza pandemics and operations can be swiftly resumed after any interruption. Furthermore, we promote business continuity management (BCM) to ensure the continuous improvement of the BCP. In addition to reviewing the BCP on an annual basis, we verify the effectiveness of emergency response plans and take inventory of supply chain risks.

### Strengthening Personal Information Protection/Information Security

The Sumitomo Electric Group is working to improve its information management system and related rules in each division and affiliate, and is enhancing mechanisms to prevent the leakage of information. In terms of social media usage, we have established a social media policy that specifies basic approaches to its use in addition to social media guidelines that set out specific points to note when using social media. Together, these serve to raise awareness among employees. We will continue to improve the structure of our domestic and overseas affiliates and enhance employee training to further improve information management within the Group.

### Protection of Personal Information

In accordance with its Personal Information Protection Policy, Personal Information Protection Regulations and other rules, Sumitomo Electric appropriately handles the personal information of its customers, business partners and employees in the course of business in compliance with laws and regulations pertaining to the protection and use of personal information. The Regulations Concerning Specific Personal Information Protection were established in November 2015 to ensure the appropriate handling of specific personal information based on the provisions of laws and regulations and to prevent external leaks and so on. In addition, the Personal Information Protection Policy, Personal Information Protection Regulations and other rules were revised in response to the full enforcement of the Revised Personal Information Protection Act in May 2017 and we promote the appropriate protection and use of personal information according to the provisions of laws and regulations. In addition, with the EU General Data Protection Regulation (GDPR) coming into effect in May 2018, we formulated the Personal Information Protection Regulations for EU Residents to ensure the proper protection of the personal information of EU residents as specified by the GDPR and we have concluded contract procedures to facilitate the sharing of the personal information of those residing in the EU within the Sumitomo Electric Group. Furthermore, we have put in place a system for the prompt reporting of any leak, loss, damage or other infringement of the personal data of EU residents to the supervisory body in the EU.

### Strengthening of Information Security Measures

In terms of information security, ICT Management Committees have been set up in China, Thailand, Indonesia, Malaysia and the United States to form the basis of our global expansion. The work they have done has produced actual results, such as a reduction in the risk of computer virus infection and the implementation of information security training. In terms of structure, the newly-established SEI-CSIRT (Computer Security Incident Response Team) is now playing a central role in our efforts to promptly identify and respond to any incidents relating to information security at Group companies.

## Basis for Growth

# Compliance

### Basic Stance on Compliance

Compliance with laws and regulations and maintenance of our corporate ethics form the core of Sumitomo Electric's management and are part of our social responsibility. At the same time, they are the absolute foundation of the Company's continued existence and development.

In response to the on-site investigation by the Japan Fair Trade Commission (JFTC) in June 2009 concerning optical fiber cables and related products, we have taken corrective action out of recognition of the seriousness of the matter, including the exhaustive compliance with the Antimonopoly Act and prompt recruitment of outside experts to conduct studies into other infringement behavior, if any, in order to identify and eliminate conduct that violates the Act. Additionally, we have conducted intensive training, enforced Competition Law Compliance Regulations and established a system to ensure the administration and management of the Regulations by specialized organizations in order to reinforce competition law compliance by the entire Group.

### 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, and monitors compliance activities implemented by each division and subsidiary.

## Initiatives to Deepen Awareness of Compliance

### 1. Code of Conduct

The Code is a statement of our shared values and the standards of conduct that are expected of each of us. It describes the fundamental principles and key policies that govern how we conduct business. The Code applies to all Company employees, officers, and directors at every level.

### 2. 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. At overseas consolidated subsidiaries, a business code of conduct in line with local laws is being introduced along with compliance training.

### 3. Speak-Up System

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

### 4. Competition Law Compliance System

The Compliance & Risk Management Office has been set up within the Corporate Staff Group to investigate suspicious behavior involving the Group, including cartels and bid rigging, as well as to implement compliance education based on the Competition Law. In partnership with dedicated organizations within each business unit, or with the Competition Law Compliance promotion leaders, this office manages and monitors the state of compliance based on the Competition Law Compliance Action Guidelines, including rules restricting contact with competitors in the same industry.

### 5. Anti-bribery Compliance System

Sumitomo Electric introduced an anti-bribery program in April 2013 to enhance its anti-bribery compliance system on a global scale. This program has established rules on bribery-related issues, including ban of bribery, as well as ex ante approval and ex post report on gifts, donations and offering entertainment, in the Bribery Prevention Compliance Policy in response to the recent tightening of regulations on bribery of domestic and foreign public officers in the US, Europe and emerging markets. One bribery prevention manager is appointed in each unit to build a system to apply the rules.

### 6. Awareness of Compliance among Overseas Group Companies

We are also committed to the development of the compliance system among group companies overseas in line with the globalization of our businesses. Sumitomo Electric has introduced the Business Code of Conduct (BCC) to overseas consolidated subsidiaries based on the local legal systems and also provides compliance training seminars for local managers.

## Financial Information

# Management's Discussion and Analysis

While the global economy had generally been on a moderate expanding trend due to steady economic recovery in the US and so forth up until the third quarter of the current consolidated fiscal year, economic activity sharply contracted after January 2020 with the emergence of the COVID-19 global pandemic. In Japan, despite a recovery in personal consumption during the first half of the fiscal year thanks to an improved employment situation, the October 2019 consumption tax hike saw consumer spending start on a downward trend and in the fourth quarter, the economic situation became even more severe with the spread of COVID-19.

In terms of business conditions for the Sumitomo Electric Group, the situation was extremely difficult due to a contraction in automobile production and smartphone sales, the impact of the decline in optical fiber cable prices, the appreciation of the yen and the lower price of copper, and of course the sudden slowdown in economic activity as a result of COVID-19 in the fourth quarter. Against such a backdrop, net sales for the current consolidated fiscal year contracted to ¥3,107.0 billion (a 2.2% decrease on the ¥3,178.0 billion recorded in FY2018).

While maximum efforts were focused on cost reductions globally, in addition to the drop in net sales, an increase in projected depreciation costs, declining prices in the automotive business, cost increases at the time of production start-up for certain products, and a sharp decline in production caused by the spread of COVID-19 saw operating income at ¥127.2 billion (a 23.5% decrease from ¥166.3 billion in FY2018) and the operating income margin at 4.1% (1.1 percentage points down on 5.2% in FY2018).

Profit attributable to owners of the parent fell to ¥72.7 billion, decreasing 38.4% from ¥118.1 billion in FY2018.

### Automotive

Despite an aggressive effort to enhance sales of wiring harnesses and automotive electronic parts, net sales fell ¥25.8 billion to ¥1,683.6 billion (down 1.5% on FY2018) due to a noticeable drop in demand in the fourth quarter resulting from the impact of COVID-19. On top of a drop in prices, wage hikes in emerging economies, and an increase in projected depreciation costs, a rise in the costs associated with the start-up of production of certain products and the appreciation of the yen together with the deterioration in profitability due to a sharp decline in production caused by the spread of COVID-19 saw operating income fall ¥16.5 billion to ¥68.2 billion. The operating income margin fell by 0.9 percentage points to 4.1%.

### Environment and Energy

While there was an increase in construction project sales at Sumitomo Densetsu Co., Ltd., a decline in large-scale overseas power transmission cable projects and a drop-off period of demand for Nissin Electric Co., Ltd. charged beam equipment and vacuum-applied equipment, net sales were also affected by a fall in copper prices, contracting by ¥47.2 billion (6.2%) down to ¥712.5 billion. Due to the fall in net sales, operating income fell to ¥27.1 billion (a decrease of ¥2.9 billion). The operating income margin fell by 0.2 percentage points to 3.8%. Meanwhile, orders received for plant and installation work came to ¥314.2 billion, a rise of ¥27.1 billion (9.4%) on the previous fiscal year.

### Infocommunications

With a rise in demand for GaN devices for mobile base station transmitters, data center-related products, and access network equipment, net sales rose ¥9.0 billion (4.3%) to ¥217.4 billion. Meanwhile, operating income posted a ¥1.4 billion rise to ¥17.8 billion thanks to increased sales, offsetting lower optical fiber cable prices by reducing costs through improved productivity. The operating income margin rose by 0.3 percentage points to 8.2%.

### Industrial Materials and Others

With a decline in demand for cemented carbide tools, diamond / CBN tools, automotive sintered parts and heat sinks, net sales fell by ¥26.5 billion (7.4%) to ¥331.4 billion. Operating income saw a decline of ¥14.8 billion, down to ¥13.4 billion due to a decline in sales and a deterioration in profitability related to the falling factory capacity utilization rate. The operating income margin fell by 3.8 percentage points to 4.1%.

### Electronics

While there was a withdrawal from unprofitable areas and depressed demand for FPCs used in mobile devices, the incorporation of Techno Associe Co., Ltd. as a consolidated subsidiary during the consolidated fiscal year saw net sales increase by ¥23.2 billion (10.2%) to ¥252.2 billion. The contraction in sales of FPCs for mobile devices in addition to lower prices seen through intensified competition and the downturn in demand due to the effects of COVID-19 saw operating income drop ¥6.5 billion to ¥536 million. The operating income margin fell by 0.2 percentage points to 2.9%.

### Cashflows

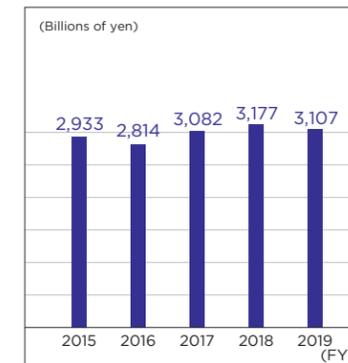
Net cash provided by operating activities came to ¥264.6 billion, an increase in income to the tune of ¥87.0 billion on the previous fiscal year. This was the result of factors such as the fluctuation in working capital being subtracted from profit before income taxes of ¥133.2 billion in addition to depreciation and amortization of ¥163.6 billion - in other words, a cash flow generated by business activity totaling ¥296.8 billion.

In terms of cash flows from investment activities, net cash used came to ¥178.0 billion (down ¥6.6 billion on the previous fiscal year). This was due, among other factors, to capital expenditure of ¥192.9 billion on the purchase of tangible fixed assets.

Meanwhile, free cash flow, calculated by deducting net cash used in investing activities from net cash provided by operating activities, was ¥86.6 billion in the black (in contrast, free cash flow was ¥6.9 billion in the red in FY2018). Cash flow from financing activities saw a decrease of ¥1.3 billion (a decrease of ¥4.3 billion was recorded in the previous fiscal year). This was mainly due to the payment of dividends subtracted from the increase in loans payable and proceeds from the issuance of bonds and so forth.

Partly in preparation for unforeseen circumstances associated with the spread of COVID-19, the year-end balance of cash and cash equivalents stood at ¥249.0 billion, a year-on-year increase of ¥80.1 billion (47.5%).

#### Net Sales



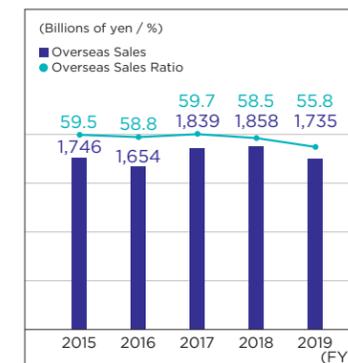
#### Operating Income / Operating Income Ratio



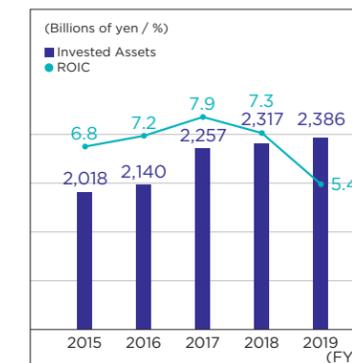
#### Profit Attributable to Owners of the Parent / Return on Owner's Equity



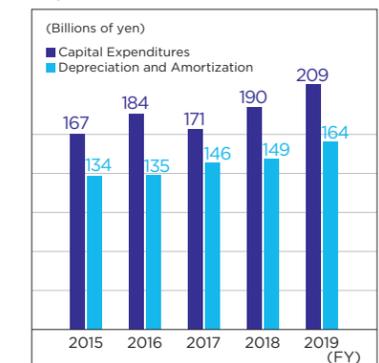
#### Overseas Sales / Overseas Sales Ratio



#### Invested Assets / ROIC



#### Capital Expenditures / Depreciation and Amortization





## Independent auditor's report

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

### Opinion

We have audited the accompanying consolidated financial statements of Sumitomo Electric Industries, Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheet as at March 31, 2020, the consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies, other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the 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 misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 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.

## Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Hiroshi Tani

Designated Engagement Partner

Certified Public Accountant

Toshiyuki Maeda

Designated Engagement Partner

Certified Public Accountant

Mitsuhiro Matsumoto

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

June 25, 2020

### Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

## Corporate Information

Sumitomo Electric Industries, Ltd. (As of March 31, 2020)

### HEAD OFFICE (OSAKA)

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

### HEAD OFFICE (TOKYO)

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

### ESTABLISHED

1897

### NUMBER OF EMPLOYEES

Consolidated: 283,910  
Non-Consolidated: 6,020

### COMMON STOCK

Issued: 793,940,571 shares

### NUMBER OF SHAREHOLDERS

61,346

### STOCK EXCHANGE LISTINGS

Three domestic stock and securities exchanges:  
Tokyo, Nagoya, and Fukuoka  
Ticker Code: 5802

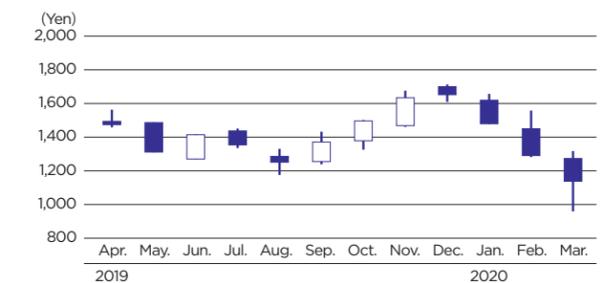
### SHAREHOLDER REGISTER MANAGER

Sumitomo Mitsui Trust Bank, Limited.  
1-4-1, Marunouchi, Chiyoda-ku, Tokyo, 100-8233, Japan

### PRINCIPAL SHAREHOLDERS

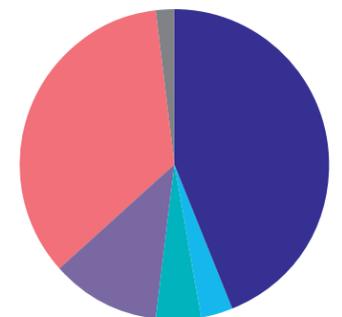
	Number of Shares Held (Thousands)	Shareholding Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	70,619	9.05
Japan Trustee Services Bank, Ltd. (trust account)	56,455	7.24
Nippon Life Insurance Company	24,703	3.17
JP MORGAN CHASE BANK 385151	17,641	2.26
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	16,891	2.17
SUMITOMO LIFE INSURANCE COMPANY	15,556	1.99
Japan Trustee Services Bank, Ltd. (trust account 5)	15,054	1.93
Japan Trustee Services Bank, Ltd. (trust account 7)	12,618	1.62
The Master Trust Bank of Japan, Ltd. (trust account J)	12,590	1.61
Japan Trustee Services Bank, Ltd. (trust account 4)	12,273	1.57
Total	254,405	32.61

### SHARE PRICE RANGE (Yen)



### BREAKDOWN OF SHAREHOLDERS

<b>Financial Institutions</b>	348,986 thousand shares 43.96% (Shareholders: 180)
<b>Securities Companies</b>	26,943 thousand shares 3.39% (Shareholders: 57)
<b>Other Corporations</b>	36,586 thousand shares 4.61% (Shareholders: 651)
<b>Individuals and Others</b>	90,385 thousand shares 11.38% (Shareholders: 59,684)
<b>Foreign Investors</b>	277,180 thousand shares 34.91% (Shareholders: 773)
<b>Treasury Stock</b>	13,860 thousand shares 1.75%



Consolidated Balance Sheet

SUMITOMO ELECTRIC INDUSTRIES, LTD. AND CONSOLIDATED SUBSIDIARIES

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2019	FY2018	FY2019
	As of March 31, 2020	March 31, 2019	March 31, 2020
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and time deposits (Notes 3 and 4)	¥ 250,600	¥ 167,225	\$ 2,302,674
Trade notes and accounts receivable (Note 4)	670,337	708,617	6,159,487
Securities (Notes 3, 4 and 5)	384	2,084	3,528
Inventories (Note 7)	553,586	528,789	5,086,704
Other current assets	103,885	108,534	954,562
Allowance for doubtful receivables	(1,765)	(1,609)	(16,218)
Total current assets	1,577,027	1,513,640	14,490,738
<b>Non-current Assets:</b>			
<b>Property, Plant and Equipment (Note 8):</b>			
Buildings and structures	711,060	690,809	6,533,676
Machinery, equipment and others	1,821,152	1,731,217	16,733,915
Land	92,961	89,229	854,185
Construction in progress	63,603	52,747	584,425
	2,688,776	2,564,002	24,706,202
Accumulated depreciation	(1,746,322)	(1,678,179)	(16,046,329)
Net property, plant and equipment	942,454	885,823	8,659,873
<b>Intangible Assets</b>	<b>37,908</b>	<b>40,695</b>	<b>348,323</b>
<b>Investments and Other Assets:</b>			
Investments in unconsolidated subsidiaries and affiliates (Note 4)	262,556	276,257	2,412,533
Investment securities (Notes 4 and 5)	119,407	170,302	1,097,188
Net defined benefit asset (Note 13)	66,234	87,569	608,601
Deferred tax assets (Note 12)	38,162	33,382	350,657
Other	42,028	47,822	386,180
Allowance for doubtful receivables	(1,259)	(2,227)	(11,569)
Total investments and other assets	527,128	613,105	4,843,591
Total non-current assets	1,507,490	1,539,623	13,851,787
Total assets	¥3,084,517	¥3,053,263	\$28,342,525

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2019	FY2018	FY2019
	As of March 31, 2020	March 31, 2019	March 31, 2020
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Trade notes and accounts payable (Note 4)	¥ 361,155	¥ 379,844	\$ 3,318,524
Short-term debt (Notes 4 and 8)	307,620	248,583	2,826,610
Accrued income taxes	16,492	22,845	151,539
Other current liabilities	227,570	229,479	2,091,059
Total current liabilities	912,837	880,751	8,387,733
<b>Non-current Liabilities:</b>			
Bonds (Notes 4 and 8)	104,851	74,828	963,438
Long-term debt (Notes 4 and 8)	173,554	213,330	1,594,726
Deferred tax liabilities (Note 12)	31,294	36,690	287,549
Net defined benefit liabilities (Note 13)	57,976	55,867	532,721
Other non-current liabilities	37,175	15,484	341,588
Total non-current liabilities	404,850	396,199	3,720,022
Total liabilities	1,317,687	1,276,950	12,107,755
<b>Contingent Liabilities (Note 14)</b>			
<b>NET ASSETS (Note 9)</b>			
<b>Shareholders' Equity:</b>			
Common stock:			
Authorized—3,000,000 thousand shares in FY2019 and FY2018	99,737	99,737	916,448
Issued—793,941 thousand shares in FY2019 and FY2018			
Capital surplus	170,881	170,868	1,570,164
Retained earnings	1,251,778	1,216,207	11,502,141
Treasury stock, at cost: 14,044 thousand shares in FY2019 and 14,047 thousand shares in FY2018	(20,759)	(20,749)	(190,747)
Total shareholders' equity	1,501,637	1,466,063	13,798,006
<b>Accumulated Other Comprehensive Income:</b>			
Net unrealized holding gains or losses on available-for-sale securities	57,781	83,430	530,929
Deferred gains or losses on hedges	(493)	(128)	(4,530)
Foreign currency translation adjustments	(42,327)	(13,927)	(388,928)
Remeasurements of defined benefit plans	1,986	15,445	18,249
Total accumulated other comprehensive income	16,947	84,820	155,720
<b>Non-controlling Interests</b>	<b>248,246</b>	<b>225,430</b>	<b>2,281,044</b>
Total net assets	1,766,830	1,776,313	16,234,770
Total liabilities and net assets	¥3,084,517	¥3,053,263	\$28,342,525

Total liabilities and net assets

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2019 March 31, 2020	FY2018 March 31, 2019	FY2019 March 31, 2020
<b>Net Sales</b>	<b>¥3,107,027</b>	¥3,177,985	<b>\$28,549,361</b>
<b>Cost of Sales</b>	<b>2,553,902</b>	2,593,363	<b>23,466,893</b>
Gross profit	<b>553,125</b>	584,622	<b>5,082,468</b>
<b>Selling, General and Administrative Expenses</b>	<b>425,909</b>	418,362	<b>3,913,526</b>
Operating income	<b>127,216</b>	166,260	<b>1,168,942</b>
<b>Other Income (Expenses):</b>			
Interest and dividend income	<b>5,578</b>	5,801	<b>51,254</b>
Interest expense	<b>(7,434)</b>	(6,897)	<b>(68,308)</b>
Loss on claims	<b>(3,782)</b>	(1,875)	<b>(34,751)</b>
Share of profit of investments accounted for using the equity method	<b>11,771</b>	25,051	<b>108,160</b>
Gain on sales of investment securities	<b>9,844</b>	—	<b>90,453</b>
Gain on return of assets from retirement benefit trust (Note 15)	<b>2,627</b>	8,905	<b>24,139</b>
Gain on bargain purchase (Note 19)	<b>10,395</b>	—	<b>95,516</b>
Loss on disposal of property, plant and equipment (Note 16)	<b>(2,867)</b>	(3,094)	<b>(26,344)</b>
Impairment loss on fixed assets (Note 17)	<b>(7,603)</b>	(10,715)	<b>(69,861)</b>
Restructuring expenses (Note 18)	<b>(3,124)</b>	(2,357)	<b>(28,705)</b>
Loss on step acquisitions (Note 19)	<b>(6,572)</b>	—	<b>(60,388)</b>
Other, net	<b>(2,851)</b>	309	<b>(26,197)</b>
	<b>5,982</b>	15,128	<b>54,966</b>
<b>Profit before Income Taxes</b>	<b>133,198</b>	181,388	<b>1,223,909</b>
<b>Income Taxes (Note 12):</b>			
Current	<b>37,578</b>	51,118	<b>345,291</b>
Deferred	<b>7,186</b>	63	<b>66,030</b>
	<b>44,764</b>	51,181	<b>411,320</b>
<b>Profit for the year</b>	<b>88,434</b>	130,207	<b>812,588</b>
<b>Profit Attributable to Non-controlling Interests</b>	<b>(15,714)</b>	(12,144)	<b>(144,390)</b>
<b>Profit Attributable to Owners of the Parent</b>	<b>¥ 72,720</b>	¥ 118,063	<b>\$ 668,198</b>
	Yen		U.S. dollars (Note 1)
<b>Per Share of Common Stock (Note 10):</b>			
Basic	<b>¥93.24</b>	¥151.38	<b>\$0.857</b>
Diluted	—	—	—
Cash dividends	<b>40.00</b>	48.00	<b>0.368</b>

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

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2019 March 31, 2020	FY2018 March 31, 2019	FY2019 March 31, 2020
<b>Profit for the year</b>	<b>¥88,434</b>	¥130,207	<b>\$812,588</b>
<b>Other Comprehensive Income (Loss) (Note 11):</b>			
Net unrealized holding gains or losses on available-for-sale securities	<b>(27,142)</b>	(527)	<b>(249,398)</b>
Deferred gains or losses on hedges	<b>(352)</b>	135	<b>(3,234)</b>
Foreign currency translation adjustments	<b>(31,160)</b>	1,123	<b>(286,318)</b>
Remeasurements of defined benefit plans	<b>(15,619)</b>	(26,463)	<b>(143,517)</b>
Share of other comprehensive income (loss) of affiliates accounted for using equity method	<b>(2,720)</b>	(19,042)	<b>(24,993)</b>
Total other comprehensive income (loss)	<b>(76,993)</b>	(44,774)	<b>(707,461)</b>
<b>Comprehensive Income (Loss)</b>	<b>¥11,441</b>	¥ 85,433	<b>\$105,127</b>
Comprehensive income (loss) attributable to:			
Owners of the parent	<b>4,844</b>	73,835	<b>44,510</b>
Non-controlling interests	<b>6,597</b>	11,598	<b>60,617</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

Consolidated Statement 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 or losses on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests		
<b>Balance at Beginning of FY2018</b>	¥99,737	¥170,849	¥1,160,601	¥(20,749)	¥86,251	¥(230)	¥238	¥42,756	¥224,633	¥1,764,086	
Cumulative effects of changes in accounting policy										—	
<b>Restated Balance at Beginning of FY 2018</b>	99,737	170,849	1,160,601	(20,749)	86,251	(230)	238	42,756	224,633	1,764,086	
Cash dividends			(38,224)							(38,224)	
Profit attributable to owners of the parent for the year			118,063							118,063	
Purchases of treasury stock				(3)						(3)	
Disposal of treasury stock		(0)		3						3	
Effect arising from net change of scope of consolidation			(24,233)							(24,233)	
Change in ownership interests arising from transactions with non-controlling shareholders		19								19	
Change based on generally accepted accounting standards adopted by overseas subsidiaries										—	
Other					(2,821)	102	(14,165)	(27,311)	797	(43,398)	
<b>Balance at End of FY2018</b>	¥99,737	¥170,868	¥1,216,207	¥(20,749)	¥83,430	¥(128)	¥(13,927)	¥15,445	¥225,430	¥1,776,313	
<b>Balance at Beginning of FY2019</b>	¥99,737	¥170,868	¥1,216,207	¥(20,749)	¥83,430	¥(128)	¥(13,927)	¥15,445	¥225,430	¥1,776,313	
Cumulative effects of changes in accounting policy			(296)							(296)	
<b>Restated Balance at Beginning of FY 2019</b>	99,737	170,868	1,215,911	(20,749)	83,430	(128)	(13,927)	15,445	225,430	1,776,017	
Cash dividends			(37,444)							(37,444)	
Profit attributable to owners of the parent for the year			72,720							72,720	
Purchases of treasury stock				(10)						(10)	
Disposal of treasury stock		13		0						13	
Effect arising from net change of scope of consolidation			78							78	
Change in ownership interests arising from transactions with non-controlling shareholders										—	
Change based on generally accepted accounting standards adopted by overseas subsidiaries			513					(513)		—	
Other					(25,649)	(365)	(28,400)	(12,946)	22,816	(44,544)	
<b>Balance at End of FY2019</b>	¥99,737	¥170,881	¥1,251,778	¥(20,759)	¥57,781	¥(493)	¥(42,327)	¥1,986	¥248,246	¥1,766,830	

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

	Thousands of U.S. dollars (Note 1)										
	Shareholders' Equity				Accumulated Other Comprehensive Income						Total net assets (Note 9)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Net unrealized holding gains or losses on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Non-controlling interests		
<b>Balance at Beginning of FY2019</b>	\$916,448	\$1,570,045	\$11,175,292	\$(190,655)	\$766,608	\$(1,176)	\$(127,970)	\$141,919	\$2,071,396	\$16,321,906	
Cumulative effects of changes in accounting policy			(2,720)							(2,720)	
<b>Restated Balance at Beginning of FY 2019</b>	916,448	1,570,045	11,172,572	(190,655)	766,608	(1,176)	(127,970)	141,919	2,071,396	16,319,186	
Cash dividends			(344,060)							(344,060)	
Profit attributable to owners of the parent for the year			668,198							668,198	
Purchases of treasury stock				(92)						(92)	
Disposal of treasury stock		119		0						119	
Effect arising from net change of scope of consolidation			717							717	
Change in ownership interests arising from transactions with non-controlling shareholders										—	
Change based on generally accepted accounting standards adopted by overseas subsidiaries			4,714					(4,714)		—	
Other					(235,680)	(3,354)	(260,957)	(118,956)	209,648	(409,299)	
<b>Balance at End of FY2019</b>	\$916,448	\$1,570,164	\$11,502,141	\$(190,747)	\$530,929	\$(4,530)	\$(388,928)	\$18,249	\$2,281,044	\$16,234,770	

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2019	FY2018	FY2019
	For the years ended March 31, 2020	March 31, 2019	March 31, 2020
<b>Cash Flows from Operating Activities:</b>			
Profit before income taxes	¥133,198	¥181,388	\$1,223,909
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	163,581	148,916	1,503,087
Impairment loss on fixed assets	8,734	11,879	80,254
Amortization of goodwill	1,068	2,140	9,813
Interest and dividend income	(5,578)	(5,801)	(51,254)
Interest expenses	7,434	6,897	68,308
Share of loss (profit) of investments accounted for using the equity method	(11,771)	(25,051)	(108,160)
Net loss (gain) on sales of property, plant and equipment	(1,417)	(1,777)	(13,020)
Net loss (gain) on sales of investment securities	(9,810)	(212)	(90,141)
Loss on disposal of property, plant and equipment	2,867	3,094	26,344
Loss (gain) on valuation of investment securities	931	28	8,555
Gain on return of assets from retirement benefit trust	(2,627)	(8,905)	(24,139)
Gain on bargain purchase	(10,395)	—	(95,516)
Loss (gain) on step acquisitions	6,572	—	60,388
(Increase) decrease in trade notes and accounts receivable	50,879	(41,044)	467,509
(Increase) decrease in inventories	(27,628)	(60,006)	(253,864)
Increase (decrease) in trade notes and accounts payable	(24,780)	12,824	(227,695)
Increase (decrease) in net defined benefit assets and liabilities	2,933	7,916	26,950
Other, net	6,121	(26,620)	56,244
Subtotal	290,312	205,666	2,667,573
Interest and dividend received	15,468	14,930	142,130
Interest paid	(7,557)	(6,901)	(69,439)
Income taxes paid	(33,615)	(36,039)	(308,876)
Net cash provided by operating activities	264,608	177,656	2,431,388
<b>Cash Flows from Investing Activities:</b>			
Purchase of property, plant and equipment	(192,874)	(178,046)	(1,772,250)
Proceeds from sales of property, plant and equipment	4,665	5,484	42,865
Purchase of investment securities	(2,956)	(2,411)	(27,162)
Proceeds from sales of investment securities	11,569	7,445	106,303
Proceeds from redemption of investment securities	10,000	—	91,886
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 3)	8,482	—	77,938
Other, net	(16,906)	(17,073)	(155,343)
Net cash used in investing activities	(178,020)	(184,601)	(1,635,762)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2019	FY2018	FY2019
	For the years ended March 31, 2020	March 31, 2019	March 31, 2020
<b>Cash Flows from Financing Activities:</b>			
Net increase (decrease) in short-term debt	75,087	49,043	689,948
Proceeds from long-term debt	14,492	48,464	133,162
Redemption of bonds and repayments of long-term debt	(64,628)	(51,221)	(593,844)
Proceeds from issuance of bonds	30,000	—	275,659
Payments for purchase of treasury stock	(10)	(3)	(92)
Cash dividends paid	(37,444)	(38,224)	(344,060)
Dividends paid to non-controlling interests	(8,637)	(9,926)	(79,362)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(9)	(1,698)	(83)
Other, net	(10,128)	(759)	(93,063)
Net cash used in financing activities	(1,277)	(4,324)	(11,734)
<b>Effect of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>(5,374)</b>	<b>(639)</b>	<b>(49,380)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>79,937</b>	<b>(11,908)</b>	<b>734,513</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>168,873</b>	<b>180,108</b>	<b>1,551,714</b>
<b>Increase in Cash and Cash Equivalents from Newly Consolidated Subsidiaries</b>	<b>201</b>	<b>673</b>	<b>1,847</b>
<b>Cash and Cash Equivalents at End of Year (Note 3)</b>	<b>¥249,011</b>	<b>¥168,873</b>	<b>\$2,288,073</b>

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, 2020 and 2019

### 1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Sumitomo Electric Industries, Ltd. (the "Company") and most of 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 and some domestic consolidated subsidiaries are prepared in accordance with either International Financial Reporting Standards ("IFRS") or U.S. generally accepted accounting principles ("U.S. GAAP"), with adjustments for the following specified 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) Subsequent changes in fair value of equity instruments presented as other comprehensive income

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, 2020, which was ¥108.83 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.

Amounts in the consolidated financial statements and notes are rounded to the nearest million yen. For translations into U.S. dollars, amounts are rounded to the nearest thousand dollars. As a result, a totals shown in the consolidated financial statements and notes do not necessarily agree with the sum of the individual amounts.

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

#### b) Translation of Foreign Currencies

All assets and liabilities of overseas subsidiaries and affiliates are translated into Japanese yen at the respective fiscal year-end exchange rates, revenues and expenses are translated at 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 non-controlling 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 holding gains and losses, net of related taxes and non-controlling 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 and 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 sheet. 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, interest rates and prices of raw materials 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 stated mainly at the lower of the cost, using the weighted average method, or net realizable value.

#### h) Property, Plant and Equipment (Excluding Leases)

The straight-line method is applied.

#### 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)

When the outcome of an individual construction contract 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 during the period to the estimated total cost.

#### k) Research and Development

Expenses related to research and development activities are charged to expenses as incurred and totaled ¥125,449 million (US\$1,152,706 thousand) and ¥129,627 million for the years ended March 31, 2020 and 2019, respectively.

**l) Retirement Benefits**

(1) Method of attributing expected benefits 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 5 years) from the year in which it arises or accounted for as an expense when it arises at some consolidated subsidiaries.

Actuarial gains and losses are amortized on a straight-line basis over certain periods within the average remaining service years of employees (mainly 14 years) from the year following that in which they arise. At some consolidated subsidiaries, they are accounted for as expense when they arise.

**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 by 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**

Leased assets related to finance leases which do not transfer ownership of the lease assets and right-of-use assets in consolidated subsidiaries that apply IFRS 16 "Leases" are depreciated by the straight-line method, assuming the lease period as the useful life and no residual value.

**o) Consolidated Statement of Cash Flows**

In preparing the consolidated statement 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 cash dividends as a charge directly to retained earnings 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) Accounting for Consumption Taxes**

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

**t) Adoption of Consolidated Taxation System**

The Company and its wholly owned domestic consolidated subsidiaries have adopted the consolidated taxation system.

**u) Application of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System**

Regarding the transition to the group tax sharing system established by the "Act for Partial Revision of the Income Tax Act, etc.," (Act No. 8 of 2020) and its related review of the taxation system for a stand-alone entity, in accordance with Paragraph 3 of the "Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (PITF No. 39, March 31, 2020), the amounts of the deferred tax assets and deferred tax liabilities of the company and its wholly owned domestic consolidated subsidiaries are based on the tax regulation before this revision without applying Paragraph 44 of the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018).

**v) Changes in Accounting Policy**

(Application of IFRS 16 "Lease")

The overseas consolidated subsidiaries, excluding the U.S. consolidated subsidiaries, have applied IFRS 16 "Lease" from the beginning of the fiscal year ended March 31, 2020.

In applying IFRS 16 "Lease", the Company has adopted the method approved as a transitional measure for recognizing the cumulative effect of applying this accounting standard on the date of initial application.

As a result, machinery, equipment and others in property, plant and equipment increased by ¥33,836 million, other current liabilities in current liabilities increased by ¥7,793 million, and other non-current liabilities in non-current liabilities increased by ¥23,774 million at the beginning of the fiscal year ended March 31, 2020. The effects on the consolidated statement of income of the fiscal year ended March 31, 2020 were immaterial.

**w) Standards Issued but Not Yet Adopted**

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

**(1) Summary**

IASB and FASB jointly developed comprehensive accounting standards for revenue recognition. "Revenue from contracts with customers" was issued in May, 2014 (IFRS 15 by the IASB and Topic 606 by the FASB). IFRS 15 is effective for fiscal years beginning after January 1, 2018, and Topic 606 is effective for fiscal years beginning after December 15, 2017. The comprehensive accounting standard for revenue recognition was developed and issued together with the implementation guideline by ASBJ.

From the viewpoint of comparability between financial statements, which is one of the benefits of consistency with IFRS 15, ASBJ decided to establish its accounting standard with the incorporation of the basic principles of IFRS 15 and added alternative treatment for items that have been subjected to accounting practices in Japan to the extent that comparability is not impaired.

**(2) Planned Adoption Date**

The Company and its domestic consolidated companies adopt accounting standard for revenue recognition and implementation guidance on accounting standard for revenue recognition published on March 30, 2018 from the beginning of the fiscal year ending March 31, 2021. The Company and its domestic consolidated companies plan to adopt accounting standard for revenue recognition, implementation guidance on accounting standard for revenue recognition and implementation guidance on disclosures about fair value of financial instruments revised on March 31, 2020 from the beginning of the fiscal year ending March 31, 2022.

**(3) Impact of Adoption**

The Company is in the process of assessing the impact of adopting the accounting standards.

Since U.S. consolidated subsidiaries plan to apply IFRS from the fiscal year ending March 31, 2021 instead of U.S. GAAP, the description of U.S. GAAP issued but not yet adopted is omitted.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

(1) Summary

Under the circumstances that IASB and FASB have similar detailed guidance about fair value measurement IFRS 13– Fair Value Measurement – in IFRS and Topic 820 in the Accounting Standards Codification – Fair Value Measurement – in U.S. GAAP), ASBJ has made efforts to make the Japanese standards consistent with international accounting standards, mainly regarding the guidance and disclosure of the fair value of financial instruments and has published .

From the viewpoint of improving the comparability of financial statements between domestic and overseas companies by using a uniform calculation method as a basic policy for the development of accounting standards for fair value measurement, ASBJ has basically adopted all the provisions of IFRS 13 and has stipulated other treatments for individual items to the extent that comparability between financial statements is not significantly impaired considering the practices that have been conducted in Japan up to now.

(2) Planned Adoption Date

The Company and its consolidated companies plan to adopt the standards from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of Adoption

The impact of the application of the accounting standards on the consolidated financial statements has not yet been determined.

•Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020)

(1) Summary

Regarding the "causes of estimation uncertainty" required to be disclosed in Paragraph 125 of IAS 1 – Presentation of financial statements – published by the IASB in 2003, ASBJ has developed and published an accounting standard for the disclosure of accounting estimates because there were requests for greater disclosure under Japanese standards for information that is highly useful to users of financial statements.

ASBJ's basic policy for the development of the accounting standard was not to expand individual notes but to show the principle (disclosure purpose) and specific disclosure content is determined by the disclosure purpose of each company.

(2) Planned Adoption Date

The Company and its consolidated companies plan to adopt the standards from the year-end of the fiscal year ending March 31, 2021.

•Accounting Standards for Disclosure of Accounting Policies, Changes in Accounting and Correction of Errors (ASBJ Statement No. 24, March 31, 2020)

(1) Summary

In response to a proposal to consider the enhancement of information regarding the "Principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc., are not clear," ASBJ made the necessary revisions and announced accounting standards for the disclosure of accounting policies, changes in accounting and correction of errors.

In pursuing the enhancement of information pertaining to "Principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc., are not clear," if the relevant accounting standards are clear, the provisions of the Note on Corporate Accounting Principles (Note 1-2) will take over so as not to affect the practice so far.

(2) Planned Adoption Date

The Company and its consolidated companies plan to adopt the standards from the year-end of the fiscal year ending March 31, 2021.

3. CASH AND CASH EQUIVALENTS

a) Obtaining Control of Subsidiary

In FY2019, the Company obtained control of TECHNO ASSOCIE Co., Ltd. due to the acquisition of shares.

The breakdown of the assets and liabilities of this company at the time of consolidation in connection with the acquisition cost and proceeds from the acquisition was as follows:

FY2019	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 50,380	\$ 462,924
Non-current assets	16,243	149,251
Current liabilities	(17,747)	(163,071)
Non-current liabilities	(1,484)	(13,636)
Non-controlling interests	(23,894)	(219,553)
Previously held equity interests before obtaining control	(15,902)	(146,118)
Loss on step acquisitions	6,572	60,388
Gain on bargain purchase	(10,395)	(95,516)
Acquisition cost	3,773	34,669
Cash and cash equivalents	(12,255)	(112,607)
Proceeds from acquisition	¥ 8,482	\$ 77,938

b) Reconciliations

The reconciliations between cash and time deposits in the consolidated balance sheet and cash and cash equivalents in the consolidated statement of cash flows as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	As of March 31, 2020	March 31, 2019	March 31, 2020
Cash and time deposits	¥250,600	¥167,225	\$2,302,674
Cash equivalents included in securities	383	2,084	3,519
Deposits placed with banks with a maturity of over three months	(1,972)	(436)	(18,120)
Cash and cash equivalents	¥249,011	¥168,873	\$2,288,073

#### 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 in accordance with 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 and 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. The Company and its consolidated subsidiaries try to reduce and manage the risk according to rules for credit control. Operating receivables denominated in foreign currencies are exposed to foreign exchange risks. 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 strengthen long-term and stable customer relationships and to facilitate business and technical customer partnerships 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.

Payment terms of operating payables such as trade notes and accounts payable are mostly less than one year. Operating payables denominated in foreign currencies are exposed to foreign exchange risks, but it is consistently less than the accounts receivable balance denominated in the same foreign currencies. The main purpose of holding debt and issuing bonds is to secure financing for capital expenditure and working 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 raw 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, 2020 and 2019 are set forth in the table below. 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		
	FY2019			FY2018			FY2019		
	March 31, 2020	March 31, 2020	March 31, 2019	March 31, 2019	March 31, 2019	March 31, 2020	March 31, 2020	March 31, 2020	
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Cash and time deposits	¥ 250,600	¥ 250,600	¥ —	¥ 167,225	¥ 167,225	¥ —	\$ 2,302,674	\$ 2,302,674	\$ —
Trade notes and accounts receivable	670,337	670,337	—	708,617	708,617	—	6,159,487	6,159,487	—
Securities, investments in unconsolidated subsidiaries and affiliates and investment securities	282,084	262,266	(19,818)	351,589	466,752	115,163	2,591,969	2,409,869	(182,100)
<b>Total assets</b>	<b>1,203,021</b>	<b>1,183,203</b>	<b>(19,818)</b>	<b>1,227,431</b>	<b>1,342,594</b>	<b>115,163</b>	<b>11,054,130</b>	<b>10,872,030</b>	<b>(182,100)</b>
Trade notes and accounts payable	361,155	361,155	—	379,844	379,844	—	3,318,524	3,318,524	—
Short-term debt	307,620	307,620	—	248,583	248,583	—	2,826,610	2,826,610	—
Bonds	104,851	105,012	161	74,828	75,966	1,138	963,438	964,918	1,480
Long-term debt	173,554	176,308	2,754	213,330	216,805	3,475	1,594,726	1,620,031	25,305
<b>Total liabilities</b>	<b>947,180</b>	<b>950,095</b>	<b>2,915</b>	<b>916,585</b>	<b>921,198</b>	<b>4,613</b>	<b>8,703,299</b>	<b>8,730,084</b>	<b>26,785</b>
Derivative transactions	222	222	—	1,261	1,261	—	2,040	2,040	—

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

##### Cash and time deposits, trade notes and accounts receivable:

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

##### Short-term debt:

The carrying amount approximates the 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
	FY2019 As of March 31, 2020	FY2018 March 31, 2019	FY2019 March 31, 2020
Unlisted securities (available-for-sale securities)	¥ 6,259	¥ 6,443	\$ 57,512
Unlisted investments in unconsolidated subsidiaries and affiliates	94,004	90,611	863,769

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, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	As of	FY2019 March 31, 2020	FY2018 March 31, 2019
<b>Securities in current assets:</b>			<b>FY2019 March 31, 2020</b>
Available-for-sale securities		¥384	¥2,084
Held-to-maturity debt securities		—	—
		¥384	¥2,084
<b>Investment securities:</b>			<b>FY2019 March 31, 2020</b>
Available-for-sale securities		¥119,407	¥170,302
Held-to-maturity debt securities		—	—
		¥119,407	¥170,302

Available-for-sale securities with fair values or quoted market values included in securities in current assets and investment securities as of March 31, 2020 and 2019 were as follows:

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
<b>FY2019</b>				
Equity securities	¥25,893	¥87,921	¥(666)	¥113,148
Other	384	—	—	384
	¥26,277	¥87,921	¥(666)	¥113,532
	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
<b>FY2018</b>				
Equity securities	¥27,134	¥126,903	¥(313)	¥153,724
Other	12,084	135	—	12,219
	¥39,218	¥127,038	¥(313)	¥165,943
	Thousands of U.S. dollars			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Book value (Fair value)
<b>FY2019</b>				
Equity securities	\$237,922	\$807,875	\$(6,120)	\$1,039,677
Other	3,528	—	—	3,528
	\$241,450	\$807,875	\$(6,120)	\$1,043,205

Proceeds from sales of available-for-sale securities were ¥11,322 million (US\$104,034 thousand) and ¥2,906 million for the years ended March 31, 2020 and 2019, respectively. The net realized gains were ¥9,713 million (US\$89,249 thousand) and ¥493 million, respectively.

Impairment loss on securities during fiscal year 2019 amounted to ¥931 million (US\$8,555 thousand), which consisted of ¥931 million (US\$8,555 thousand) for available-for-sale securities. Impairment loss of securities during fiscal year 2018 amounted to ¥28 million, which consisted of ¥28 million for available-for-sale securities.

## 6. DERIVATIVE TRANSACTIONS

The Company and its consolidated subsidiaries have entered into foreign currency forward exchange contracts, foreign currency option 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 only 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 authority and amounts.

Additional information for derivative transactions as of and for the years ended March 31, 2020 and 2019 is as follows:

	Millions of yen									
	FY2019					FY2018				
	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 and currency option contracts:										
Buy	¥19,411	¥ (118)	¥ (118)	¥ 32,076	¥(183)	¥ 25,394	¥ 35	¥ 35	¥ 36,103	¥ 78
Sell	32,222	490	490	151,968	(458)	82,251	607	607	175,020	463
Interest rate and currency swap contracts	611	11	11	—	—	623	0	0	—	—
Commodity forward contracts (copper, nickel and aluminum):										
Buy	7,439	(65)	(65)	291	(24)	5,715	10	10	1,295	187
Sell	11,849	765	765	2,545	119	10,425	(106)	(106)	4,836	(85)
Commodity swap contracts (copper and silver)	—	—	—	1,521	(315)	—	—	—	1,276	72
	¥71,532	¥1,083	¥1,083	¥188,401	¥(861)	¥124,408	¥546	¥546	¥218,530	¥715

	Thousands of U.S. dollars				
	FY2019				
	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 and currency option contracts:					
Buy	\$178,361	\$(1,084)	\$(1,084)	\$ 294,735	\$(1,682)
Sell	296,076	4,502	4,502	1,396,380	(4,208)
Interest rate and currency swap contracts	5,614	101	101	—	—
Commodity forward contracts (copper, nickel and aluminum):					
Buy	68,354	(597)	(597)	2,674	(221)
Sell	108,876	7,029	7,029	23,385	1,093
Commodity swap contracts (copper and silver)	—	—	—	13,976	(2,894)
	\$657,282	\$ 9,951	\$ 9,951	\$1,731,149	\$(7,911)

\* 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, 2020 and 2019. Certain interest rate swap contracts in the amount of ¥98,068 million (US\$901,112 thousand) and ¥124,620 million for the years ended March 31, 2020 and 2019, respectively, meeting certain hedging criteria are excluded from the table above.

## 7. INVENTORIES

Inventories as of March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	As of March 31, 2020	March 31, 2019	March 31, 2020
Merchandise and finished goods	¥184,580	¥162,318	\$1,696,040
Work in process	173,421	181,055	1,593,504
Raw materials and supplies	195,585	185,416	1,797,161
	¥553,586	¥528,789	\$5,086,704

## 8. INTEREST-BEARING LIABILITIES

### a) Short-Term Debt and Bonds in Current Liabilities

Short-term debt and bonds in current liabilities at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	As of March 31, 2020	March 31, 2019	March 31, 2020
Short-term debt, principally from banks, with a weighted average interest rate of 1.16% at March 31, 2020	¥257,875	¥187,432	\$2,369,521
Current portion of long-term debt, principally from banks and insurance companies, with a weighted average interest rate of 0.79% at March 31, 2020	49,745	61,151	457,089
Current portion of bonds	—	—	—
	¥307,620	¥248,583	\$2,826,610

### b) Bonds and Long-Term Debt

Bonds and long-term debt at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	As of March 31, 2020	March 31, 2019	March 31, 2020
Unsecured bonds, due 2022 to 2031, with an interest rate of 0.08%-0.936%	¥104,851	¥ 74,828	\$ 963,438
Long-term debt, principally from banks and insurance companies, due 2020 to 2029, with a weighted average interest rate of 0.42% at March 31, 2020	223,299	274,481	2,051,815
	328,150	349,309	3,015,253
Current portion of bonds and long-term debt	(49,745)	(61,151)	(457,089)
	¥278,405	¥288,158	\$2,558,164

The aggregate annual maturities of bonds and long-term debt at March 31, 2020 were as follows:

(Bonds)

March 31	Millions of yen	Thousands of U.S. dollars
2021 (= current portion)	—	—
2022	¥10,000	\$91,886
2023	10,000	91,886
2024	—	—
2025	10,000	91,886
2026 and thereafter	75,000	689,148

(Long-term debt)

March 31	Millions of yen	Thousands of U.S. dollars
2021 (= current portion)	¥49,745	\$457,089
2022	49,375	453,689
2023	46,050	423,137
2024	39,827	365,956
2025	7,576	69,613
2026 and thereafter	30,726	282,330

The following assets were pledged as collateral for short-term debt and long-term debt, including the current portion, at March 31, 2020 and 2019.

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	As of March 31, 2020	March 31, 2019	March 31, 2020
Property, plant and equipment, net of accumulated depreciation	¥2,059	¥2,370	\$18,919

## 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 the number of shares issued and outstanding during the years ended March 31, 2020 and 2019 were as follows:

	Thousands of shares	
	FY2019 March 31, 2020	FY2018 March 31, 2019
Common stock outstanding		
For the years ended		
Balance at beginning of year	793,941	793,941
Balance at end of year	793,941	793,941
Treasury stock outstanding		
For the years ended		
Balance at beginning of year	14,047	14,057
Increase due to purchase of shares of common stocks	—	—
Increase due to purchase of odd-lot stocks	2	2
Other, net	(5)	(12)
Balance at end of year	14,044	14,047

### b) Dividend Information

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
Dividends paid in fiscal year 2019				
Shareholders' meeting on June 21, 2019	March 31, 2019	June 24, 2019	¥18,722	\$172,030
Board of Directors on November 1, 2019	September 30, 2019	December 2, 2019	¥18,722	\$172,030

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
Dividends paid after March 31, 2020 with respect to fiscal year 2019				
Shareholders' meeting on June 25, 2020	March 31, 2020	June 26, 2020	¥12,481	\$114,683

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
Dividends paid in fiscal year 2018				
Shareholders' meeting on June 27, 2018	March 31, 2018	June 28, 2018	¥19,502	
Board of Directors on November 1, 2018	September 30, 2018	December 3, 2018	¥18,722	

Resolution	Record date	Effective date	Total amount	
			Millions of yen	Thousands of U.S. dollars
Dividends paid after March 31, 2019 with respect to fiscal year 2018				
Shareholders' meeting on June 21, 2019	March 31, 2019	June 24, 2019	¥18,722	

## 10. AMOUNTS PER SHARE

Basic earnings per share is computed based on the weighted average number of shares of common stock outstanding during each period. Diluted earnings 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 after giving effect to the dilutive potential of shares. The related interest expense, net of income taxes, has been eliminated for the purpose of this calculation.

In the year ended March 31, 2020 and 2019, there were no potentially dilutive common shares.

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

## 11. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Reclassification adjustments and tax effects on other comprehensive income (loss) for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of
	FY2019	FY2018	FY2019
	March 31, 2020	March 31, 2019	March 31, 2020
For the years ended			
<b>Net Unrealized Holding Gains or Losses on Available-for-Sale</b>			
<b>Securities:</b>			
Increase (decrease) during the year	¥(30,679)	¥ 12	\$(281,898)
Reclassification adjustments	(8,857)	(531)	(81,384)
Subtotal, before tax	(39,536)	(519)	(363,282)
Tax effects	12,394	(8)	113,884
Subtotal, net of tax	¥(27,142)	¥(527)	\$(249,398)
<b>Deferred Gains or Losses on Hedges:</b>			
Increase (decrease) during the year	¥ 148	¥307	\$ 1,360
Reclassification adjustments	(546)	(153)	(5,017)
Subtotal, before tax	(398)	154	(3,657)
Tax effects	46	(19)	423
Subtotal, net of tax	¥(352)	¥135	\$(3,234)
<b>Foreign Currency Translation Adjustments:</b>			
Increase (decrease) during the year	¥(31,160)	¥1,123	\$(286,318)
Reclassification adjustments	—	—	—
Subtotal, before tax	(31,160)	1,123	(286,318)
Tax effects	—	—	—
Subtotal, net of tax	¥(31,160)	¥1,123	\$(286,318)
<b>Remeasurements of Defined Benefit Plans</b>			
Increase (decrease) during the year	¥(17,743)	¥(25,906)	\$(163,034)
Reclassification adjustments	(3,402)	(12,113)	(31,260)
Subtotal, before tax	(21,145)	(38,019)	(194,294)
Tax effects	5,526	11,556	50,776
Subtotal, net of tax	¥(15,619)	¥(26,463)	\$(143,517)
<b>Share of Other Comprehensive Income (Loss) of Affiliates</b>			
<b>Accounted for Using Equity Method:</b>			
Increase (decrease) during the year	¥ (2,730)	¥(18,673)	\$ (25,085)
Reclassification adjustments	10	(369)	92
Subtotal, net of tax	¥ (2,720)	¥(19,042)	\$ (24,993)
Total other comprehensive income (loss)	¥(76,993)	¥(44,774)	\$(707,461)

\* Reclassification adjustments of the portion of other comprehensive income (loss) of affiliates accounted for using the equity method include adjustments for the acquisition cost of assets.

## 12. INCOME TAXES

The Company and its domestic consolidated subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 30.6% for the years ended March 31, 2020 and 2019.

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, 2020 and 2019:

	For the years ended	
	FY2019 March 31, 2020	FY2018 March 31, 2019
Statutory tax rate	30.6%	30.6%
Share of profit of investments accounted for using the equity method	(2.7)	(4.2)
Non-deductible expenses	0.3	0.2
Non-taxable dividend income	(0.2)	(0.2)
Tax credits	(1.8)	(2.4)
Effect of lower tax rates for overseas consolidated subsidiaries	(4.8)	(2.1)
Change in valuation allowance	5.3	(0.4)
Intercompany profits	2.0	(0.3)
Change in undistributed earnings of consolidated subsidiaries and affiliates	(1.1)	0.7
Amortization of goodwill	0.2	1.1
Foreign income taxes	4.3	3.3
Other	1.5	1.9
Effective tax rate	33.6%	28.2%

Deferred tax assets and liabilities included in the consolidated balance sheet at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of
	FY2019	FY2018	FY2019
	March 31, 2020	March 31, 2019	March 31, 2020
As of			
Deferred tax assets	¥ 38,162	¥ 33,382	\$ 350,657
Deferred tax liabilities	(31,294)	(36,690)	(287,549)
	¥ 6,868	¥ (3,308)	\$ 63,108

Significant components of deferred tax assets and liabilities at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019 As of March 31, 2020	FY2018 March 31, 2019	FY2019 March 31, 2020
<b>Deferred tax assets:</b>			
Net operating loss carryforwards*	¥ 49,351	¥ 48,608	\$ 453,469
Net defined benefit liabilities	17,921	17,348	164,670
Fixed assets	16,773	17,573	154,121
Accrued expenses	14,223	14,441	130,690
Intercompany profits	12,396	11,476	113,902
Inventories	10,586	10,458	97,271
Foreign tax credits	6,355	7,320	58,394
Investment securities	3,206	3,326	29,459
Allowance for doubtful receivables	725	899	6,662
Other	25,600	24,449	235,229
	<b>157,136</b>	<b>155,898</b>	<b>1,443,867</b>
Valuation allowance regarding net operating loss carryforwards*	(45,063)	(41,524)	(414,068)
Valuation allowance regarding deductible temporary differences	(22,255)	(19,015)	(204,493)
Total valuation allowance	(67,318)	(60,539)	(618,561)
Total deferred tax assets	<b>89,818</b>	<b>95,359</b>	<b>825,306</b>
<b>Deferred tax liabilities:</b>			
Net unrealized holding gains or losses on available-for-sale securities	(26,821)	(38,460)	(246,449)
Undistributed earnings of consolidated subsidiaries and affiliates	(25,343)	(26,645)	(232,868)
Net defined benefit assets	(16,105)	(18,748)	(147,983)
Accelerated depreciation of overseas consolidated subsidiaries	(7,172)	(6,185)	(65,901)
Excess of fair value over the book value of assets and liabilities of consolidated subsidiaries at the acquisition dates	(4,274)	(4,518)	(39,272)
Reserve for tax purpose reduction entry of non-current assets	(864)	(907)	(7,939)
Other	(2,371)	(3,204)	(21,786)
Total deferred tax liabilities	<b>(82,950)</b>	<b>(98,667)</b>	<b>(762,198)</b>
Net deferred tax assets (liabilities)	<b>¥ 6,868</b>	<b>¥ (3,308)</b>	<b>\$ 63,108</b>

\* The expiration of net operating loss carryforwards, the related valuation allowances and the resulting net deferred tax assets as of March 31, 2020 and 2019, was as follows:

	Millions of yen		
	FY2019		
March 31	Net operating loss carryforwards†	Valuation allowance	Deferred tax assets
2021	¥ 987	¥ (439)	¥ 548
2022	2,673	(1,400)	1,273
2023	1,087	(1,076)	11
2024	1,527	(1,388)	139
2025	2,403	(1,241)	1,162
2026 and thereafter	40,674	(39,519)	1,155
	<b>¥49,351</b>	<b>¥(45,063)</b>	<b>¥4,288</b>

	Millions of yen		
	FY2018		
March 31	Net operating loss carryforwards†	Valuation allowance	Deferred tax assets
2020	¥ 1,025	¥ (787)	¥ 238
2021	1,666	(1,275)	391
2022	4,151	(2,166)	1,985
2023	1,327	(1,268)	59
2024	1,976	(1,629)	347
2025 and thereafter	38,463	(34,399)	4,064
	<b>¥48,608</b>	<b>¥(41,524)</b>	<b>¥7,084</b>

	Thousands of U.S. dollars		
	FY2019		
March 31	Net operating loss carryforwards†	Valuation allowance	Deferred tax assets
2021	\$ 9,069	\$ (4,034)	\$ 5,035
2022	24,561	(12,864)	11,697
2023	9,988	(9,887)	101
2024	14,031	(12,754)	1,277
2025	22,080	(11,403)	10,677
2026 and thereafter	373,739	(363,126)	10,613
	<b>\$453,469</b>	<b>\$(414,068)</b>	<b>\$39,401</b>

† This amount is net operating loss carryforwards multiplied by statutory tax rate.

### 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. 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. Some subsidiaries apply the simplified method for the computation of benefit obligations.

#### a) Defined Benefit Plans

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

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	For the years ended March 31, 2020	March 31, 2019	March 31, 2020
Balance at beginning of year	¥334,463	¥317,586	\$3,073,261
Service cost	15,613	14,582	143,462
Interest cost	2,863	4,002	26,307
Actuarial gains and losses	(1,720)	13,460	(15,804)
Benefits paid	(17,798)	(16,484)	(163,539)
Net change as a result of business combinations	3,948	—	36,277
Other	(1,754)	1,317	(16,117)
Balance at end of year	¥335,615	¥334,463	\$3,083,846

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

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	For the years ended March 31, 2020	March 31, 2019	March 31, 2020
Balance at beginning of year	¥368,769	¥399,643	\$3,388,487
Expected return on plan assets	7,161	7,764	65,800
Actuarial gains and losses	(18,396)	(9,494)	(169,034)
Contributions paid by the employer	12,308	12,838	113,094
Benefits paid	(11,433)	(10,857)	(105,054)
Return of assets from retirement benefit trust	(15,000)	(31,674)	(137,830)
Net change as a result of business combinations	4,651	—	42,736
Other	(785)	549	(7,213)
Balance at end of year	¥347,275	¥368,769	\$3,190,986

(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
	FY2019	FY2018	FY2019
	For the years ended March 31, 2020	March 31, 2019	March 31, 2020
Balance at beginning of year	¥2,604	¥2,248	\$23,927
Retirement benefit costs	738	577	6,781
Benefits paid	(175)	(140)	(1,608)
Contributions paid by the employer	(83)	(93)	(763)
Other	318	12	2,922
Balance at end of year	¥3,402	¥2,604	\$31,260

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

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	As of March 31, 2020	March 31, 2019	March 31, 2020
Funded retirement benefit obligations	¥302,693	¥299,985	\$2,781,338
Plan assets	(349,133)	(370,544)	(3,208,058)
	(46,440)	(70,559)	(426,721)
Unfunded retirement benefit obligations	38,182	38,857	350,841
Total net defined benefit liabilities (assets)	¥ (8,258)	¥ (31,702)	\$ (75,880)
Net defined benefit liabilities	¥ 57,976	¥ 55,867	\$ 532,721
Net defined benefit assets	(66,234)	(87,569)	(608,601)
Total net defined benefit liabilities (assets)	¥ (8,258)	¥ (31,702)	\$ (75,880)

(5) Retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	For the years ended March 31, 2020	March 31, 2019	March 31, 2020
Service cost	¥15,151	¥14,116	\$139,217
Interest cost	2,863	4,002	26,307
Expected return on plan assets	(7,161)	(7,764)	(65,800)
Amortization:			
Actuarial gains and losses	(2,262)	(7,043)	(20,785)
Past service cost	731	1,559	6,717
Retirement benefit costs from plans applying the simplified method	738	577	6,781
Gain on return of assets from retirement benefit trust	(2,627)	(8,905)	(24,139)
Other	484	487	4,447
Total retirement benefit costs	¥ 7,917	¥(2,971)	\$ 72,746

1. Employees' contribution to the corporate pension fund is deducted from "Service cost."

2. In addition to the retirement benefit costs listed above, an extra payment of retirement benefits in the amount of ¥1,072 million (US\$9,850 thousand) and ¥465 million were recognized as restructuring expenses in the consolidated statement of income for fiscal years 2019 and 2018, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	For the years ended March 31, 2020	March 31, 2019	March 31, 2020
Past service cost	¥ 466	¥ 457	\$ 4,282
Actuarial gains and losses	(21,611)	(38,476)	(198,576)
Total	¥(21,145)	¥(38,019)	\$ (194,294)

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

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	As of March 31, 2020	March 31, 2019	March 31, 2020
Unrecognized past service cost	¥(1,401)	¥ (1,867)	\$(12,873)
Unrecognized actuarial gains and losses	(1,785)	19,826	(16,402)
Total	¥(3,186)	¥17,959	\$(29,275)

## (8) Plan assets

## 1. Plan assets comprise:

	FY2019	FY2018
Equity securities	44.3%	46.1%
Bonds	28.5	29.0
General account	12.3	11.2
Cash and cash equivalents	2.8	1.9
Other	12.1	11.8
Total	100.0%	100.0%

## 2. Long-term expected rate of return

Current and target asset allocations and 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, 2020 and 2019 (expressed as weighted averages) were as follows:

	FY2019	FY2018
Discount rate	0.8%	0.9%
Long-term expected rate of return	2.0	2.0

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

**b) Defined Contribution Plans and Prepaid Retirement Allowance Plans**

The amount of required contributions to the defined contribution plans and the prepaid retirement allowance plans of the Company and its consolidated subsidiaries was ¥6,737 million (US\$61,904 thousand) and ¥5,783 million for FY2019 and FY2018, respectively.

## 14. CONTINGENT LIABILITIES

Contingent liabilities as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	As of March 31, 2020	March 31, 2019	March 31, 2020
Notes receivable discounted	¥ 30	¥ —	\$ 276
Notes receivable endorsed	403	677	3,703

FY2019	As of March 31, 2020	Millions of yen	Thousands of U.S. dollars
Guarantees: Debt guarantees and similar agreements			
		¥2,278	\$20,932
		1,088	9,997
		789	7,250
		482	4,429
		193	1,773
		365	3,354

FY2018	As of March 31, 2019	Millions of yen
Guarantees: Debt guarantees and similar agreements		
		¥1,895
		857
		236
		296

## 15. GAIN ON RETURN OF ASSETS FROM RETIREMENT BENEFIT TRUST

In fiscal year 2019, gain on return of assets from retirement benefit trust in extraordinary income resulted from amortization of unrecognized actuarial gains and losses related to the return of a portion of retirement benefit trust of the Company.

## 16. LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Loss on disposal of property, plant and equipment for the years ended March 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2019	FY2018	FY2019
	For the years ended March 31, 2020	March 31, 2019	March 31, 2020
Buildings and structures	¥ 678	¥ 762	\$ 6,230
Machinery, equipment and others	1,762	1,805	16,190
Other	333	466	3,060

#### 17. IMPAIRMENT LOSS ON 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 to the recoverable amounts by ¥8,734 million (US\$80,254 thousand) and ¥11,879 million in FY2019 and FY2018, respectively. The recoverable amount is mainly the net selling price.

Impairment loss on fixed assets for each reportable segment is disclosed in Note 20 b) (4), for the years ended March 31, 2020 and 2019.

Impairment loss on fixed assets for the years ended March 31, 2020 and 2019 was as follows:

<b>FY2019</b>	Millions of yen	Thousands of U.S. dollars
Machinery, equipment and others	<b>¥7,282</b>	<b>\$66,912</b>
Buildings and structures	<b>578</b>	<b>5,311</b>
Other	<b>874</b>	<b>8,031</b>
	<b>¥8,734</b>	<b>\$80,254*</b>

\* The amount of ¥1,131 million (US\$10,392 thousand) is included in "Restructuring expenses" (Note 18) in the consolidated statement of income for fiscal year 2019.

<b>FY2018</b>	Millions of yen
Goodwill	¥ 4,537
Machinery, equipment and others	2,615
Land	1,771
Buildings and structures	1,275
Intangible Assets	929
Other	752
	<b>¥11,879*</b>

\* The amount of ¥1,164 million is included in "Restructuring expenses" (Note 18) in the consolidated statement of income for fiscal year 2018.

#### 18. RESTRUCTURING EXPENSES

In fiscal year 2019, restructuring expenses of ¥3,124 million (US\$28,705 thousand) were related to the reorganization of the business locations and the right-sizing of the number of employees in proportion to the scale of business to make an efficient production structure and to strengthen the profitability of the optical devices business, FPC business, sintered parts business, etc.

In fiscal year 2018, restructuring expenses of ¥2,357 million were related to the closure of some products, etc., to improve the efficiency of the optical devices business, etc.

Major expenses for the years ended March 31, 2020 and 2019 were as follows:

<b>FY2019</b>	Millions of yen	Thousands of U.S. dollars
Impairment loss on fixed assets (Note 17)	<b>¥1,131</b>	<b>\$10,392</b>
Extra payment of retirement benefits	<b>1,072</b>	<b>9,850</b>

<b>FY2018</b>	Millions of yen
Impairment loss on fixed assets (Note 17)	¥1,164
Loss on valuation of inventories	578

#### 19. BUSINESS COMBINATIONS

Business combinations resulting from acquisitions during the year ended March 31, 2020

##### a) Outline of business combination

(1) Name and business description of the acquired company

·TECHNO ASSOCIE CO., LTD.

·Sales of fasteners, processed components, raw steel, electrical components, chemical products, industrial instruments, etc., and associated activities

(2) Primary reasons for the business combination

The Company intended to make TECHNO ASSOCIE CO., LTD. a consolidated subsidiary from its then-current status as an equity method affiliate.

(3) Date of business combination

September 27, 2019

(4) Legal form of the business combination

Share acquisition by cash

(5) Name of the company after the business combination

TECHNO ASSOCIE CO., LTD.

(6) Percentage of voting rights acquired

Percentage of voting rights held prior to business combination:	<b>36.25%</b>
Percentage of voting rights acquired on the date of business combination:	<b>14.66%</b>
Percentage of voting rights held after business combination:	<b>50.92%</b>

(7) Grounds for determining acquiring company

The Company is the acquiring company because it has acquired the majority of the voting rights of TECHNO ASSOCIE CO., LTD. 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 July 1, 2019 to March 31, 2020

Profit and loss related to TECHNO ASSOCIE CO., LTD. arising from April 1, 2019 to June 30, 2019 were recorded as share of profit of investments accounted for using the equity method in the consolidated statement of income since the deemed acquisition date is on July 1, 2019.

**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:	¥ 9,330	\$ 85,730
	Market price of common stock of the acquired company additionally acquired on date of business combination:	3,773	34,669
Acquisition cost		¥13,103	\$120,399

**d) Major acquisition related cost**

Omitted due to immateriality

**e) 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
Loss on step acquisitions	¥(6,572)	\$(60,388)

**f) Amount of gain on bargain purchase and its cause**

(1) Amount of gain on bargain purchase

	Millions of yen	Thousands of U.S. dollars
Amount of gain on bargain purchase	¥10,395	\$95,516

(2) Cause

The acquisition cost was less than the fair value of the net assets acquired.

**g) 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	¥50,380	\$462,924
Non-current assets	16,243	149,251
Total assets	¥66,624	\$612,184
Current liabilities	¥17,747	\$163,071
Non-current liabilities	1,484	13,636
Total liabilities	¥19,231	\$176,707

**h) Pro forma impact on consolidated statement of income assuming the business combination was completed at the beginning of the fiscal year**

Omitted due to immateriality. The pro forma impact was not subject to audit certification.

**20. SEGMENT INFORMATION**

**a) Reportable Segments**

The reportable segments of the Company are business areas for which separate financial information is available for the President, the supreme decision maker in the Company, to make decisions regarding resource allocation and to evaluate business results.

The Company has adopted a business unit system based upon similarities in each product category, methods for manufacturing, 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 methods used to account for sales, profit or loss, assets and other items by reportable segment are in accordance with the accounting policies stated in Note 2. Intersegment sales are stated at current market value.

**Automotive:**

Wiring harnesses, anti-vibration rubbers, automotive hoses, and car electronic components

**Infocommunications:**

Optical fiber cables, telecommunication cables and equipment, fusion splicers, optical/wireless devices such as optical transceiver modules/wireless communication devices, and access network equipment (GE-PON/set-top box/CATV-related products, etc.)

**Electronics:**

Electronic wires, electric beam irradiation products, flexible printed circuits, fluorine resin products, fasteners, metal parts, and chemical products

**Environment and Energy:**

Electric conductors, power transmission wires/cables/equipment, magnet wires, air cushions for railroad vehicles, power system equipment such as substation equipment/control system, charged beam equipment and processing, electrical/power supply work and engineering, and porous metals

**Industrial Materials and Others:**

Tensioning materials for prestressed concrete, precision spring steel wires, steel tire cord, cemented carbide tools, diamond and CBN tools, laser optics, sintered powder metal parts, and semiconductors heat-spreader materials

Reportable segment information for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen						
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Consolidated
<b>FY2019</b>							
Sales to customers	¥1,682,219	¥213,767	¥228,447	¥694,237	¥288,357	¥ —	¥3,107,027
Intersegment sales	1,411	3,634	23,723	18,306	42,993	(90,067)	—
Net sales	¥1,683,630	¥217,401	¥252,170	¥712,543	¥331,350	¥ (90,067)	¥3,107,027
Segment profit or loss	¥ 68,213	¥ 17,835	¥ 536	¥ 27,114	¥ 13,425	¥ 93	¥ 127,216
Segment assets	¥1,404,625	¥245,950	¥231,079	¥666,581	¥658,173	¥(121,891)	¥3,084,517
Depreciation and amortization	¥ 86,679	¥ 17,350	¥ 17,685	¥ 18,171	¥ 23,696	¥ —	¥ 163,581
Amortization of goodwill	80	—	—	9	979	—	1,068
Investments in equity method affiliates	194,360	8,233	1,033	6,347	40,062	—	250,035
Amount of increase in tangible and intangible fixed assets	118,387	25,128	18,275	29,935	29,523	—	221,248

	Millions of yen						
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Consolidated
<b>FY2018</b>							
Sales to customers	¥1,706,459	¥205,986	¥209,583	¥740,722	¥315,235	¥ —	¥3,177,985
Intersegment sales	2,967	2,434	19,350	19,064	42,589	(86,404)	—
Net sales	¥1,709,426	¥208,420	¥228,933	¥759,786	¥357,824	¥ (86,404)	¥3,177,985
Segment profit or loss	¥ 84,669	¥ 16,398	¥ 7,016	¥ 30,062	¥ 28,193	¥ (78)	¥ 166,260
Segment assets	¥1,387,003	¥243,908	¥180,258	¥678,351	¥647,964	¥ (84,221)	¥3,053,263
Depreciation and amortization	¥ 77,547	¥ 16,148	¥ 16,966	¥ 16,841	¥ 21,414	¥ —	¥ 148,916
Amortization of goodwill	1,217	—	—	24	899	—	2,140
Investments in equity method affiliates	195,129	8,908	621	6,518	55,449	—	266,625
Amount of increase in tangible and intangible fixed assets	98,510	19,746	20,476	30,715	33,271	—	202,718

	Thousands of U.S. dollars						
	Automotive	Infocommuni- cations	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Consolidated
<b>FY2019</b>							
Sales to customers	\$15,457,310	\$1,964,229	\$2,099,118	\$6,379,096	\$2,649,609	\$ —	\$28,549,361
Intersegment sales	12,965	33,392	217,982	168,207	395,047	(827,593)	—
Net sales	\$15,470,275	\$1,997,620	\$2,317,100	\$6,547,303	\$3,044,657	\$(827,593)	\$28,549,361
Segment profit or loss	\$ 626,785	\$ 163,879	\$ 4,925	\$ 249,141	\$ 123,358	\$ 855	\$ 1,168,942
Segment assets	\$12,906,597	\$2,259,947	\$2,123,302	\$6,124,975	\$6,047,717	\$(1,120,013)	\$28,342,525
Depreciation and amortization	\$ 796,462	\$ 159,423	\$ 162,501	\$ 166,967	\$ 217,734	\$ —	\$ 1,503,087
Amortization of goodwill	735	—	—	83	8,996	—	9,813
Investments in equity method affiliates	1,785,905	75,650	9,492	58,320	368,115	—	2,297,482
Amount of increase in tangible and intangible fixed assets	1,087,816	230,892	167,922	275,062	271,276	—	2,032,969

1. Segment profit or loss included in Adjustments of ¥93 million or US\$855 thousand and ¥(78) million for FY2019 and FY2018, respectively, consists mainly of unrealized profits caused by intersegment transactions.
2. Segment assets included in Adjustments of ¥(121,891) million or US\$(1,120,013) thousand and ¥(84,221) million as of March 31, 2020 and 2019, 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 is reconciled with operating income in the consolidated statement of income.

## b) Related Information

### (1) Information about products and services

	Millions of yen		
	Wiring harnesses	Others	Total
<b>FY2019</b>			
Sales to customers	¥1,232,028	¥1,874,999	¥3,107,027

	Millions of yen		
	Wiring harnesses	Others	Total
<b>FY2018</b>			
Sales to customers	¥1,231,714	¥1,946,271	¥3,177,985

	Thousands of U.S. dollars		
	Wiring harnesses	Others	Total
<b>FY2019</b>			
Sales to customers	\$11,320,665	\$17,228,696	\$28,549,361

### (2) Information about geographical areas

#### Sales to customers

	Millions of yen						
	Japan	Asia		Americas		Europe and Others	Consolidated
		China	Others	U.S.	Others		
<b>FY2019</b>							
Sales to customers	¥1,371,875	¥486,027	¥381,227	¥386,862	¥153,344	¥327,692	¥3,107,027

	Millions of yen						
	Japan	Asia		Americas		Europe and Others	Consolidated
		China	Others	U.S.	Others		
<b>FY2018</b>							
Sales to customers	¥1,319,721	¥516,347	¥442,689	¥409,579	¥139,509	¥350,140	¥3,177,985

	Thousands of U.S. dollars						
	Japan	Asia		Americas		Europe and Others	Consolidated
		China	Others	U.S.	Others		
<b>FY2019</b>							
Sales to customers	\$12,605,669	\$4,465,929	\$3,502,959	\$3,554,737	\$1,409,023	\$3,011,045	\$28,549,361

#### Net property, plant and equipment

	Millions of yen					
	Japan	Asia		Americas	Europe and Others	Consolidated
		China	Others			
<b>FY2019</b>						
Net property, plant and equipment	¥494,484	¥91,476	¥166,144	¥95,134	¥95,216	¥942,454

	Millions of yen					
	Japan	Asia		Americas	Europe and Others	Consolidated
		China	Others			
<b>FY2018</b>						
Net property, plant and equipment	¥461,606	¥85,660	¥162,219	¥91,171	¥85,167	¥885,823

	Thousands of U.S. dollars					
	Japan	Asia		Americas	Europe and Others	Consolidated
		China	Others			
<b>FY2019</b>						
Net property, plant and equipment	\$4,543,637	\$840,540	\$1,526,638	\$874,152	\$874,906	\$8,659,873

### (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 statement of income for FY2019 or FY2018.

## (4) Information about impairment loss on fixed assets by reportable segment

Millions of yen							
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Total
<b>FY2019</b>							
Impairment loss on fixed assets	¥1,945	¥794	¥5,762	¥101	¥132	¥—	¥8,734
<b>FY2018</b>							
Impairment loss on fixed assets	¥7,053	¥1,007	¥1,073	¥2,694	¥52	¥—	¥11,879
Thousands of U.S. dollars							
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others	Adjustments	Total
<b>FY2019</b>							
Impairment loss on fixed assets	\$17,872	\$7,296	\$52,945	\$928	\$1,213	\$—	\$80,254

## (5) Information about goodwill by reportable segment

Millions of yen						
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others	Total
<b>FY2019</b>						
Amortization	¥ 80	¥—	¥—	¥9	¥ 979	¥1,068
Balance at end	¥200	¥—	¥—	¥2	¥2,574	¥2,776
<b>FY2018</b>						
Amortization	¥1,217	¥—	¥—	¥24	¥ 899	¥2,140
Balance at end	¥ 280	¥—	¥—	¥11	¥2,197	¥2,488
Thousands of U.S. dollars						
	Automotive	Infocommunications	Electronics	Environment & Energy	Industrial Materials & Others	Total
<b>FY2019</b>						
Amortization	\$ 735	\$—	\$—	\$83	\$ 8,996	\$ 9,813
Balance at end	\$1,838	\$—	\$—	\$18	\$23,652	\$25,508

## 6) Information about gain on bargain purchase by reportable segment

In FY2019, gain on bargain purchase of ¥10,395 million or US\$95,516 thousand was recognized in the Electronics segment because the Company made TECHNO ASSOCIE CO., LTD. a subsidiary from its then-current status as an equity method affiliate by additional acquisition of its common shares through a public tender offer.

In FY2018, gain on bargain purchase was not recognized.

## 21. RELATED PARTY INFORMATION

## a) Related party transactions

Transactions with the corporate pension for employees

FY2019 (Millions of yen)										
Relationship	Name of company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions	Financial statement line item	Amount outstanding at end of year
Corporate pension	Employee pension trust	—	—	—	—	Pension assets of retirement benefit accounting	Return of assets from retirement benefit trust	15,000	—	—

FY2018 (Thousands of U.S. dollars)										
Relationship	Name of company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions	Financial statement line item	Amount outstanding at end of year
Corporate pension	Employee pension trust	—	—	—	—	Pension assets of retirement benefit accounting	Return of assets from retirement benefit trust	137,830	—	—

Transactions with the corporate pension for employees

FY2018 (Millions of yen)										
Relationship	Name of company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions	Financial statement line item	Amount outstanding at end of year
Corporate pension	Employee pension trust	—	—	—	—	Pension assets of retirement benefit accounting	Return of assets from retirement benefit trust	30,000	—	—

**b) Notes on Significant Affiliates**

Condensed financial information for a significant affiliate, Sumitomo Rubber Industries, Ltd., that has a fiscal year ending December 31, at the end of FY2019 is as follows:

	Millions of yen	Thousands of U.S. dollars
<b>FY2019</b>		
Total current assets	<b>¥460,054</b>	<b>\$4,227,272</b>
Total non-current assets	<b>575,430</b>	<b>5,287,421</b>
Total current liabilities	<b>288,847</b>	<b>2,654,112</b>
Total non-current liabilities	<b>271,100</b>	<b>2,491,041</b>
Total equity	<b>475,537</b>	<b>4,369,540</b>
Sales revenue	<b>893,310</b>	<b>8,208,307</b>
Profit before tax	<b>27,295</b>	<b>250,804</b>
Profit for the year attributable to: Owners of the parent company	<b>12,072</b>	<b>110,925</b>

Condensed financial information for a significant affiliate, Sumitomo Rubber Industries, Ltd., that has a fiscal year ending December 31, at the end of FY2018 is as follows:

	Millions of yen
<b>FY2018</b>	
Total current assets	¥476,890
Total non-current assets	525,493
Total current liabilities	324,126
Total non-current liabilities	205,450
Total equity	472,807
Sales revenue	894,243
Profit before tax	50,349
Profit for the year attributable to: Owners of the parent company	36,246

**22. ADDITIONAL INFORMATION**

Due to the global coronavirus pandemic, demand mainly from automakers has fallen, and the operations of the Company, its consolidated subsidiaries and customers' factories have been suspended or reduced by infection control measures of the national or local governments in each country. Based on external information available as of the end of the fiscal year ended March 31, 2020, such as customers' forecasts, the Company and its consolidated subsidiaries have made accounting estimates for impairment of fixed assets under the assumption that demand will gradually recover while the effects of the new coronavirus infection will continue for a certain period of time in the fiscal year ended March 31, 2021. However, the impact of the spread of the new coronavirus on the future economy and business activities is extremely unclear, so if the above assumptions change, there is a possibility that it will affect the business results for the next consolidated fiscal year.

**23. OTHER**

The Company is in negotiations with some automakers for damages regarding violation of competition law by it in the automotive segment.

