



SUMITOMO RIKO Integrated Report 2019

**Global
Excellent
Manufacturing
Company**



Message from the President & CEO

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Editorial Policy

Period covered in the Report

From April 1, 2018 to March 31, 2019 (fiscal 2018). This Report also refers to certain activities that are being undertaken in fiscal 2019 or were carried out in previous years.

Boundary of the Report

This Report covers Sumitomo Riko and its Group companies.

In this Report, "Sumitomo Riko" and the "Sumitomo Riko Group" are defined as follows.

"Sumitomo Riko" and "the Company": Sumitomo Riko Company Limited

"Sumitomo Riko Group" and the "Group": Sumitomo Riko and Group companies. The term "Group companies" alone does not include Sumitomo Riko. Group companies may be described as associated companies, subsidiaries or affiliated companies.

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Tetsu Matsui
President & CEO

Strive to strengthen competitiveness and achieve consistent growth by turning changes in society into opportunities for dramatic growth

Review of Fiscal 2018

Net sales have reached a record high, driven by expanding demands in the Chinese and other Asian markets. However, business profit decreased because of delays in productivity improvements at the U.S. bases, lower profitability for general industrial products, and other factors. Impairment losses were posted in European anti-vibration rubber and other businesses, resulting in a final deficit.

◆ Fiscal 2018 results

Net sales increased 1% year on year to ¥469.7 billion, buoyed by factors such as higher demands in the automotive and infrastructure fields in the Chinese and other Asian markets.

However, although profitability improved in Europe, business profit decreased 27% year on year to ¥9.4 billion. This was caused by increased material losses and labor costs in the U.S. due to delays in productivity improvements triggered by labor shortages, the deterioration of profit performance of the Brazilian subsidiary due to a contraction in the Argentinian automotive market, and a decline in the profitability for general industrial products primarily because of the reduced demand for functional parts for printers. In addition, an impairment loss of ¥7.2 billion was posted, causing operating profit to decrease 91%

Consolidated Profit/loss of FY2018 [IFRS] (100 millions of yen)

	FY2017 Actual	FY2018 Actual	Change from prev. yr.	
			Amount	Rate
Net sales	4,629	4,697	+68	+1%
Business profit (Profit margin)	129 2.8%	94 2.0%	-35	-27%
Operating profit (Profit margin)	122 2.6%	12 0.2%	-110	-91%
Profit before income taxes	113	7	-106	-94%
Profit for the year	58	(29)	-87	—
Profit attributable to owners of the parent company	35	(50)	-85	—
Exchange Rate				
Yen/USD	110.86	110.92	+0.06	+0%
Yen/EUR	129.71	128.42	-1.30	-1%

(Note) Business profit is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Net sales and adding Equity in earnings/losses of associates.

year on year to ¥1.2 billion. As a result, loss attributable to owners of the parent company was ¥5.0 billion (whereas, profit of ¥3.5 billion in the previous year), resulting in an extremely severe situation of a final deficit, the first in four years since fiscal 2014.

◆ Impairment loss

As shown in the table below, ¥5.8 billion of the ¥7.2 billion impairment loss is for the goodwill and intangible assets of the former Anvis Group.

Former Anvis is a German manufacturer of anti-vibration rubber products with production bases in Europe, Mexico and China. Sumitomo Riko acquired former Anvis in 2013 with the intention of establishing a global supply system in the automotive anti-vibration rubber products business. However, because of the sluggish European automotive market, together with delays in the release of new cars due to the recent introduction of the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), the business plan had to be revised. As a result, we concluded that it would take a long time to recover the full amount of our investment in the former Anvis Group, and accordingly posted an impairment loss.

On the other hand, incorporating former Anvis into the Group has expanded our sales channels to overseas automakers, and enlarged

Impairment Loss

Purpose for acquiring former Anvis	Acquisition in May 2013 To establish a global supply system for anti-vibration rubber products
Reasons for loss on impairment of former Anvis	Compared to expectations upon acquisition (2013), (1) Downturn in the European anti-vibration rubber products business • Lower demand due to the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), etc., and tougher competition (2) Downturn in the Mexican base • Declining productivity, and changes in production locations of automakers
Breakdown of impairment loss	Loss on impairment of goodwill of former Anvis Group ¥4.8 billion Loss on impairment of intangible assets of former Anvis Group ¥1.0 billion Loss on impairment of fixed assets in Mexico and Brazil ¥1.2 billion Other ¥0.2 billion Total ¥7.2 billion
Outcomes of acquisition of former Anvis	(1) Acquisition of customer network for overseas automakers (2) Establishment of a global production system ⇒ Acquisition of major orders for our existing products from overseas automakers

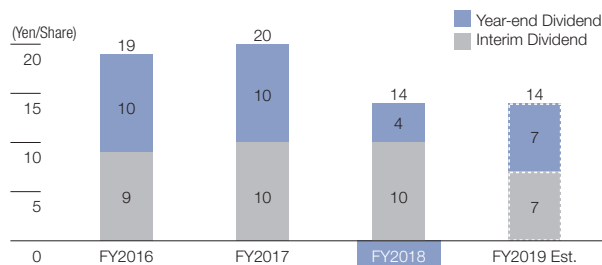
Review of Fiscal 2018

our global production system. Positive results are steadily achieved, such as acquiring major orders from overseas automakers. (See “Global development and expansion of sales of automotive products” on page 4)

◆ Reduction in dividends

Sumitomo Riko positions shareholder returns as one of its important management policies. The Company’s basic policy is to maintain stable dividends over the long term, taking into account the business results and other factors. The yardstick for stable dividends is to maintain a dividend on equity (DOE) ratio (ratio of cash dividends to equity attributable to owners of the parent company) of 1% or higher. The target payout ratio is 30% or higher on average over the medium to long term. However, in consideration of the worsened results in fiscal 2018 due to the posting of an impairment loss, the Company paid annual cash dividends of ¥14 per share, a reduction of ¥6 from the previous year. In order to make clear the management responsibility for the decline in business results and reduced dividends, the remuneration for Directors and Audit & Supervisory Board Members were reduced, and no bonuses were paid to Directors. Going forward, we will work to recover our business results and improve shareholder returns.

Dividend Trends



	FY2016	FY2017	FY2018	FY2019 Est.
Profit attributable to owners of the parent company per share (basic)	50.04 yen	33.98 yen	(48.37 yen)	19.26 yen
Dividends payout ratio	38.0%	58.9%	—	72.7%
Dividend on equity attributable to owners of the parent	1.23%	1.28%	0.90%	0.92%

Column Segment Results

Results by business segment

[Automotive Products]

Anti-vibration rubber products, hoses, sound controlling/insulation products, interior equipment, etc.

- Sales ¥398.2 billion (up 1% year on year)
- Business profit ¥7.8 billion (down 20% year on year)
- Sales: sales in Japan grew due to increased production of Kei cars, and sales grew in the U.S., China, and Thailand as well. However, overseas, from the third quarter onward, the contraction of the previously positive automotive market of China as well as the introduction of the Worldwide Harmonized Light Vehicles Test Procedure (WLTP) in Europe, together with the effect of the slowdown of the European economy, caused the sales volume of the Company to decrease. In addition, a contraction of the Argentinian automotive market caused by the sluggish economy triggered by currency depreciation resulted in a decrease in sales in the second half of fiscal 2018 for the Brazilian base which supplies products to Argentina.
- Business profit: profitability was severely compromised due to the impact of the rising steel price as well as the simultaneous launch of several manufacturing lines in the U.S. in the middle of a tight employment market, which led to delays in productivity improvements due to labor shortages. Furthermore, declining demands in Argentina worsened the profit performance in the Brazilian base, while the increased cost of launching new products in Mexico also caused a fall in profits.

[General Industrial Products]

Precision resin blades and rolls, anti-vibration rubber for railroad trucks, housing, bridges, and electronic equipment; hydraulic hoses and feeder hoses; and rubber sealants, etc.

- Sales ¥71.5 billion (up 3% year on year)
- Business profit ¥1.6 billion (down 48% year on year)
- Sales: sales of hydraulic hoses increased due to an increase in demands for construction and civil engineering machinery in China. On the other hand, sales decreased for functional parts for printers and railroad parts.
- Business profit: profit decreased due to the decrease in sales of functional parts for printers and railroad parts combined with lower productivity, despite the positive contribution of the increased sales of hydraulic hoses.

Results by geographical segment

The size of the deficit increased in Japan due to deteriorating profitability of general industrial products. The Americas posted a loss due to delays in productivity improvements in the U.S. together with the rising steel price and worsening profitability in Mexico and Brazil. Asia posted increased sales and profit due to increased demand in the automotive and infrastructure fields in China. For Europe, the impact of the introduction of the WLTP among other factors drove down sales, but the improved profitability of the Italian subsidiary reduced the size of the deficit.

FY2018 Results by Business Segment

		(100 millions of yen)				
		FY2017 Actual	FY2018 Actual	Change from prev. yr.		
				Amount	Rate	
Automotive Products	Net sales	3,934	3,982	+47	+1%	
	Business profit	98	78	-20	-20%	
General Industrial Products	Net sales	694	715	+21	+3%	
	Business profit	31	16	-15	-48%	
Consolidated Total						
		Net sales	4,629	4,697	+68	+1%
		Business profit	129	94	-35	-27%

FY2018 Results by Geographical Segment

		(100 millions of yen)				
		FY2017 Actual	FY2018 Actual	Change from prev. yr.		
				Amount	Rate	
Japan	Net sales	2,130	2,140	+10	+0%	
	Business profit	(1)	(11)	-10	—	
Americas	Net sales	1,028	1,053	+25	+2%	
	Business profit	23	(9)	-32	—	
Asia	Net sales	1,404	1,446	+42	+3%	
	Business profit	131	134	+3	+3%	
Europe and Others	Net sales	607	593	-14	-2%	
	Business profit	(15)	(10)	+5	—	
Eliminations or Corporate	Net sales	(540)	(535)	+5	—	
	Business profit	(9)	(10)	-1	—	
Consolidated Total						
		Net sales	4,629	4,697	+68	+1%
		Business profit	129	94	-35	-27%

Toward Fiscal 2019 — Performance Forecasts

Achieve rapid recovery of our earning power

We expect consolidated net sales of ¥470.0 billion and business profit of ¥10.0 billion in the fiscal 2019 performance. Committing ourselves to improve productivity through organizational reforms and structural reinforcement to meet the business plan, we will strive to regain our earning power.

◆ Fiscal 2019 performance forecasts

The global economy is becoming increasingly uncertain in fiscal 2019 due to the U.S.-China trade friction and the Brexit issue. Concern is also rising over the economic slowdown mainly in China and Europe. In the automotive industry, in which the Group conducts its main business, there are concerns over a deceleration in automotive sales in the main markets such as the U.S. and China.

The Group fully accepts the reality of the fall in its earning power over the last few years, and commits to a rapid recovery. Specifically, we will work on the improvement of productivity and reduction of costs by effectively managing business through organizational reforms in each automobile-related business; reinforcing management of overseas bases through introduction of area-based business administration systems; and enhancing the material procurement capability via our newly established Global Purchasing Headquarters. At the same time, while expanding and boosting global sales, we will rapidly work to develop next-generation technologies to adapt to the electrification of vehicles and the advancement of autonomous driving technology.

Consolidated Profit/loss of FY2019 Estimate [IFRS] (100 millions of yen)

	FY2018 Actual	FY2019 Estimate	Change from prev. yr.	
			Amount	Rate
Net sales	4,697	4,700	+3	+0%
Business profit (Profit margin)	94	100	+6	+7%
Operating profit (Profit margin)	12	80	+68	×7
	0.2%	1.7%		
Profit before income taxes	7	70	+63	×10
Profit for the year	(29)	40	+69	—
Profit attributable to owners of the parent company	(50)	20	+70	—

Exchange Rate

	FY2018	FY2019	Change from prev. yr.	
	Actual	Estimate	Amount	Rate
Exchange rate (yen/USD)	110.92	110.00	-0.92	-1%
Exchange rate (yen/EUR)	128.42	125.00	-3.42	-3%

(Note) Business profit is calculated by subtracting Cost of sales and Selling, general and administrative expenses from Net sales and adding Equity in earnings/losses of associates.

We project our fiscal 2019 performance to be net sales of ¥470.0 billion, business profit of ¥10.0 billion, operating profit of ¥8.0 billion, and profit attributable to owners of the parent company of ¥2.0 billion. While striving to improve productivity in our overseas bases such as in

the U.S., Mexico and Brazil, the entire Group will progressively engage in measures for strengthening competitiveness, by reducing costs, curbing expenditure, etc.

Column Performance Forecasts by Segment

Performance forecasts by business segment

■ [Automotive Products]

- Sales: in the U.S., we expect higher sales from increased sales of new models. A decrease in sales is projected in China in anticipation of the economic slowdown due to the impact of the U.S.-China trade friction.
- Business profit: we project increased profit in the U.S. since we expect to improve productivity as well as reflect the rise in steel price in fiscal 2018 in the sales price. Furthermore, we will work to improve the productivity in the Mexican and Brazilian bases, and also work as planned to turn the Italian base profitable. On the other hand, in Asia, we expect decreased profit due to lower automobile production in China and Thailand.

■ [General Industrial Products]

- Sales: increased sales is expected for railroad parts, seismic dampers, and logistics-related items. Last year's positive demand for hydraulic hoses in China is expected to peak out due to the economic slowdown. Decreased sales is expected for functional parts for printers due to an ongoing contraction of the market.

- Business profit: increased profit is projected due to greater sales of railroad parts and seismic dampers. However, overall profit is expected to decrease because of the decreased profit associated with a drop in sales of functional parts for printers.

Performance forecasts by geographical segment

In Japan, a slight decrease is projected in the sales plan compared to the previous year, but we expect increased profits through productivity improvements and collection of global administrative costs from overseas subsidiaries. For the Americas, we plan to achieve increased sales and profit through profitability improvements in the U.S., Mexico and Brazil where the profit performance suffered due to a deterioration of productivity in fiscal 2018. For Europe, we plan to increase sales and profit through efforts such as profitability improvements in the Italian subsidiary. On the other hand, for Asia where we achieved positive results last year, we project decreased sales and profit due to the expected fall in demand in the automotive and infrastructure fields in China. As a result of all factors above, we plan either zero business profit or profits in all regions.

FY2019 Estimate by Business Segment

		(100 millions of yen)			
		FY2018 Actual	FY2019 Estimate	Change from prev. yr.	
		Amount	Rate	Amount	Rate
■ Automotive Products	Net sales	3,982	3,960	-22	-1%
	Business profit	78	85	+7	+9%
■ General Industrial Products	Net sales	715	740	+25	+3%
	Business profit	16	15	-1	-7%
Consolidated Total	Net sales	4,697	4,700	+3	+0%
	Business profit	94	100	+6	+7%

FY2019 Estimate by Geographical Segment

		(100 millions of yen)			
		FY2018 Actual	FY2019 Estimate	Change from prev. yr.	
		Amount	Rate	Amount	Rate
Japan	Net sales	2,140	2,130	-10	-0%
	Business profit	(11)	0	+11	—
Americas	Net sales	1,053	1,090	+37	+4%
	Business profit	(9)	5	+14	—
Asia	Net sales	1,446	1,400	-46	-3%
	Business profit	134	106	-28	-21%
Europe and Others	Net sales	593	600	+7	+1%
	Business profit	(10)	0	+10	—
Eliminations or Corporate	Net sales	(535)	(520)	+15	—
	Business profit	(10)	(11)	-1	—
Consolidated Total	Net sales	4,697	4,700	+3	+0%
	Business profit	94	100	+6	+7%

Toward Fiscal 2019 — Facing Current Issues

Strengthening our organization and global procurement capabilities as main focuses to regain global earning power

Our intention is to improve productivity through measures such as reinforcement of our manufacturing foundation through reorganization of the automotive anti-vibration business, and enhancement of our materials procurement capabilities under the lead of the Global Purchasing Headquarters.

◆ Reinforcing the manufacturing foundation through reorganization

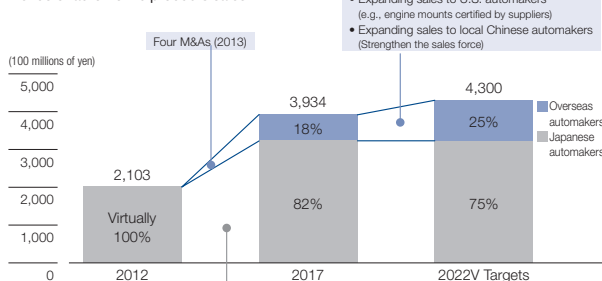
Over the last few years, Sumitomo Riko has grown sales through acquisition of orders, but this has not led to an increase in profit. We believe this to mean that while products we developed meet the needs of society, our system and organization had fallen behind in terms of the manufacturing environment.

To operate our automotive business faster and on a global basis, we established the Automotive Business Headquarters in June 2018. Furthermore, in April 2019, we reorganized our business units in each region in order to realize flexible operations and management on an appropriate scale in the automotive anti-vibration business which we have the global top share. Through this, we will provide effective support from our mother factory in Japan to our global bases, so as to spread best practices cross-organizationally and reinforce the manufacturing foundation of our global bases. For the Americas Business Unit in particular, our priority is to improve productivity in each base within the region, while the Europe Business Unit will promote the expansion of global sales.

Global Sales Expansion of Automotive Products

▶ The 2022V aims to strengthen sales to overseas automakers

Trends of automotive products sales



* Figures for FY2012 and FY2017 do not include sealing materials for wire harness connectors.

Also, in order to accelerate the development and strategic expansion of sales of products for next-generation advanced vehicles, we established the New Energy Vehicle Devices Business Unit in April 2019.

◆ Enhancing procurement functions globally

In April 2019, the Global Purchasing Headquarters was newly established to centralize the procurement functions of each business unit. By leveraging our global network, we will enhance our procurement capabilities for materials such as rubber, resin, and metal parts, progressively reduce costs, in order to regain our earning power.

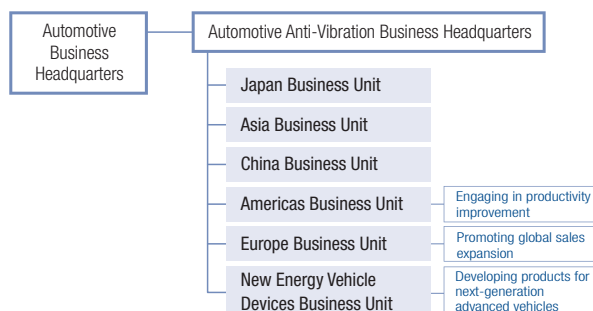
◆ Global development and expansion of sales of automotive products

In terms of development and sales expansion, we will focus on increasing orders by creating products that meet local needs. In China, which has grown into the world's largest automotive market, the Automotive Products China Sales Headquarters established in April 2019 are strengthening sales activities for Japanese, European, U.S. and local automakers in China, together with production and development bases. In China, the new emission standard China 6 came into effect in major cities from 2019, and is scheduled to be applied nationwide from 2020. Leveraging our track record of sales of environmentally friendly hoses in Europe, the U.S. and Japan, we will work on the sales of China 6-compliant hoses to local automakers.

More demand is expected for sound controlling/insulation products as environmentally friendly engines with large vibration will increase go-

Reorganization of Automotive Anti-vibration Business

- ▶ Reorganization of business units by region
- ▶ Establishment of the New Energy Vehicle Devices Business Unit



ing forward. We will focus on the sales expansion of engine covers with excellent heat-resistant and sound insulation properties.

In 1988, we opened our first overseas base, establishing a production system to service the global expansion of Japanese automakers. Furthermore, in 2013, we acquired foreign companies to boost our sales to overseas automakers. Leveraging our global network stretching across 23 countries, we intend to further expand our sales.

◆ Expanding sales of general industrial products and new businesses

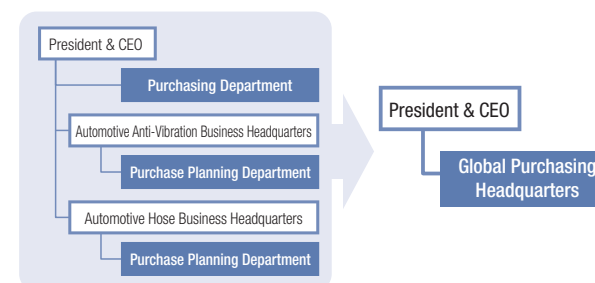
For hydraulic hoses, we aim to not only expand sales in the Chinese and Indian markets where the infrastructure demand is high, but also gain greater recognition in the European market. In addition, efforts will be made to expand sales of anti-vibration rubber products for rolling stock and promote sales of seismic systems for residential applications.

Furthermore, in September 2018, we established the IoT Device Center to speed up the development of sensors and sensor-related products. In March 2019, we developed the diagnostic equipment Vital Sensor which can simultaneously measure vital information such as respiration and heart rate. This marks the world's first practical application of piezoelectric rubber technology in vital sensing equipment. We intend to make even greater contributions to people's lives through provision of products to medical institutions, research and development institutions, nursing facilities, corporations and so on, to further develop new products in the healthcare field.

Enhancement of Procurement Functions

Establishment of the Global Purchasing Headquarters

- ▶ Centralize procurement functions for automotive products, and enhance the global network and procurement activities



2022V — Aiming to Create Social Value

Endeavor to become a corporation that contributes to safety, comfort, and the environment for people, society, and the Earth

Amid a rapid change in the business environment surrounding corporations, the Group aims to achieve consistent growth and strengthen the structure by promoting the 2022V under the following three business strategies: creation of new businesses and new customers, MONOZUKURI Innovation, and strengthening of global business foundations.

◆ What the 2022V aims at

Our mid-term management vision, the 2022 Sumitomo Riko Group Vision (2022V), aims to simultaneously enhance both corporate value and public value to create new social value.

By fully leveraging our core competences of polymer materials technology and comprehensive evaluation technology, we work not only to grow our existing businesses, but also engage in research and development for products and materials with new value. The products and services generated from these efforts will be expanded into the four business fields of automotive (mobility), infrastructure and housing environment, electronics, and healthcare, to create new social value.

◆ Become a global system supplier that continues to provide new value

The Group has established a product development and supply system in five key regions of the world: Japan, the Americas, Europe and Africa, China and South Korea, and other Asian countries. Our aim now is to become a global system supplier capable of proposing optimal systems and modules, combining multiple components and functions to meet the new needs of customers and end users.

◆ Reinforcing manufacturing capabilities

We have a global system that extends to 106 locations across 23 countries, through which we can steadily supply superb quality products to consistently satisfy our customers in every region of the world.

The issue we face now is to reinforce our manufacturing capabilities in our production bases worldwide. By firmly establishing the manufacturing foundation in Japan where our mother factory is based, fully maturing it in Japan and then implementing it overseas, we can further strengthen our manufacturing foundation overseas and create strong workplaces to prevail over competition.

◆ Achieving targets in environmental and social domains

A corporation has a mission to protect safety and environment of the Earth and society through generating sales and profit, and thereby contributing to the people who live there. The Group undertakes several initiatives to attain non-financial targets according to issues addressed by United Nations' Sustainable Development Goals (SDGs), etc., such as reducing CO₂ emissions and waste, coping with water-related risks, eliminating industrial accidents, and complying with laws and regulations.

From the viewpoint of diversity, we aim to create a workplace where diverse human resources can work with vitality. For example, in terms of gender, we set our goals to have a female employment rate of 30% or more and 30 female managers (non-consolidated). Under these goals, we work on our hiring activities, expansions of systems to support childrearing and family care, internal and external networking, and trainings for qualified employees. From a global perspective, with a target of 30% or more of locally hired site managers, we offer leadership training to prospective candidates in order to promote the appointment of promising global human resources.

The Group also works on responsible procurement. One of the examples is our ongoing visits since 2016 to natural rubber plantations and processing manufacturers in Southeast Asia from which we mainly procure rubbers, in order to observe working environments and human rights.

Sumitomo Riko Group Mission

At the Sumitomo Riko Group,

- ▶ Inspired by the Sumitomo Spirit, through technological innovation, we strive to resolve the issues facing society, as embodied in the SDGs and other initiatives.
- ▶ By enhancing corporate value and public value simultaneously, we aim to create social value and achieve sustainable growth together with society.

Creation of Social Value — Global Excellent Manufacturing Company —
A corporation that contributes to safety, comfort, and the environment for people, society, and the Earth

Corporate Value Financial Objectives Definition: Economic value that a company created during a fixed period
KPIs: Net sales, profit, ROE, ROA, rate of return of investment, WACC, etc.

Public Value Non-financial Objectives Definition: SDGS promotion through contribution to the society and local community such as resolving social issues and creating jobs
KPIs: Enhancement of environmental technology, development of environmentally friendly products, zero occupational accidents, business expansion in emerging markets



LINK → Sumitomo Riko Mid-term Business Vision (2022V)
<https://www.sumitomoriko.co.jp/english/ir/vision.html>

2022V Financial Objectives

Indicators	Numerical objectives
Net sales	¥530 billion
Operating profit	¥25 billion
Operating profit ratio	5%
ROA (Operating profit to total assets)	6%
ROE (Return on equity attributable to owners of the parent company)	7%

2022V Non-financial Objectives

*compared with the emission intensity in 2017

	Items	Objectives	FY2018 results
Environment	CO ₂ reduction	8% reduction*	2% reduction
	Waste reduction	5% reduction*	2.4% reduction
	Addressing water risk	Develop wastewater recycling technology	Surveyed water-related risks at all production bases of the Group and confirmed that pressing risks were minor
Society	Frequency rate of all industrial accidents	Zero industrial accident	Frequency rate of all industrial accidents 0.46
	Compliance training	Participation rate of global executive training shall be 100%	Participation rate 92%



LINK → 2022V Non-financial objectives
<https://www.sumitomoriko.co.jp/english/csr/portal/22v/index.html>

2022V — Supporting the Future of Automobiles

Turning a once-in-a-century grand transformation phase into an opportunity for dramatic growth

The automotive products business, which is our primary line of business, is undergoing a grand transformation phase symbolized by CASE. Leveraging our long-cultivated technology, we will offer products that support the transformation of society.

◆ Business opportunities made possible by CASE

Ever since automobiles became a part of our lives from the early 20th century, the industrial world as well as our daily lives have become vastly convenient. Yet at the same time, the automotive industry, which Sumitomo Riko is a part of, is confronted by global issues such as a rising number of traffic accidents due to the rapid increase in the number of vehicles, along with air pollution and destruction of the environment.

Against such background, CASE—standing for Connected (C), Autonomous (A), Sharing (S), Electrification (E)—assigns completely new value standards and roles to automobiles.

In order to seize the opportunities offered by the changes and needs generated by the advances in these four domains, Sumitomo Riko will leverage its vibration and noise control technology refined in the development of anti-vibration rubber products, together with fluid conveyance technology honed through hose development, to respond to the once-in-a-century paradigm shift through contributions to the safety, comfort, and the environment of people, society, and the Earth.

◆ Sumitomo Riko's initiatives aimed at CASE

The Company appraises these changes in the business environment both in terms of business opportunities and risks. In order to turn these into an opportunity for dramatic growth, we engage in creation and development of products which bring new value to automobiles, not to mention working on expanding sales of promising products in our existing business fields.

● Anti-vibration rubber products

In our existing business fields, the electrification of vehicles and the advancement of autonomous driving are expected to spur new demand for highly-functional anti-vibration rubber products to counter motor vibrations and other road noise while driving. The Company supplies a motor mounting system exclusively designed for commercial electric vehicles (EVs).

● Automotive hoses

Though fuel hoses will decrease with the rise of EVs, the demand for cooling systems such as batteries and inverters will increase. In particular, EVs which consume large amounts of electricity require high-efficiency air conditioning systems consuming as little electric power as

possible. Greater use can be expected for air conditioning hoses that achieve highly efficient heat exchange. The Group has commercialized a compact IHX (internal heat exchanger) utilizing modular technology from the former Dytech, and a highly efficient piping layout that reduces the weight and space required, and has supplied them to a wide range of vehicle models.

● Polyurethane and seal products

As EVs develop, the expansion of demand is expected for heat conducting & sound reducing materials to counter the heat and noise generated by motors. Our sound reducing enclosure for EV motors currently under development minimizes noise from the motor through the sound-absorbing property of urethane foam, while lowering the surface temperature of the motor by creating escape paths for heat within the urethane foam. This is already commercially available for small motors, and is now in the process of being upscaled for EV motors.

Sealing materials tightly seal connectors linking wire harnesses of automobiles and protect the wiring inside by preventing ingress of water or dust. Demands for wire harnesses in automobiles are increasing year by year due to the shift to EVs and other factors, and also greater demands for sealing materials is anticipated in the future.

Examples of EV Application Initiatives

Nissan LEAF

- ▶ Motor mounts (first and current models)
- ▶ Stabilizer bush (same as above)
- ▶ Water hose (first model)

Mitsubishi i-MiEV

- ▶ Components of motor mounts



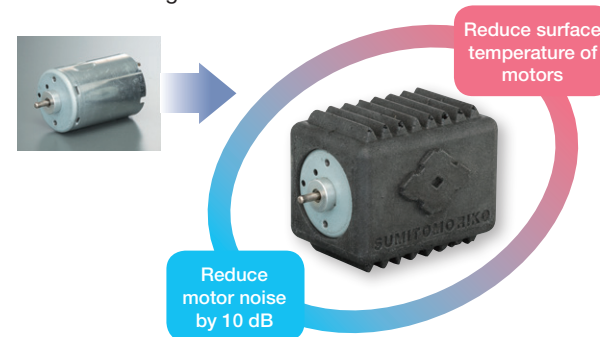
Nissan LEAF



Sumitomo Riko products used in successive models of LEAF

Example of Development for EVs

Sound reducing enclosure for EV motors



A single solution for problems of heat and noise from motors

2022V — Supporting the Future of Automobiles

◆ New fields for automobiles initiated by CASE

The Advanced Automotive Systems R&D Center was launched in 2016 in readiness for changes in forthcoming social needs and the evolution of automobiles. This was followed by the New Energy Vehicle Devices Business Unit, established within the Automotive Anti-Vibration Business Headquarters in 2019 to reinforce product developments for next-generation advanced vehicles and acceleration of strategic sales expansion.

We focus especially on biological sensing, heat management, and sealing as new fields expected to grow under CASE.

● Biological sensing

In biological sensing, a steering touch sensor used in hands off detection steering wheel is considered promising, which utilizes Smart Rubber (SR), a proprietary rubber material of the Company that conducts electricity. This product is embedded in the steering wheel to sense via SR whether the driver is actually gripping the handle or not. In the next generation of autonomous driving, this could, for example, enhance the safety of driving when a driver switches between autonomous driving and manual driving, by accurately sensing the status of the driver. In view of the coming of the age of autonomous driving, it is a product expected to take a role in avoiding dangerous situations.

● Heat management

In heat management, we have successfully developed a high-performance coating which can insulate heat with only a tenth of the thickness of previous products, making a high heat insulation possible with a thin coating. Applying this coating to various base materials works effectively in improving the rate of electric power consumption especially for electric vehicles, and at the same time adds to the spaciousness and comfort inside the vehicle.

We are also developing a cooling system by applying the fluid conveyance technology perfected in our hoses. A key factor in EVs is a need to process the heats generated by batteries and motors. Managing these heats improves the rate of electric power consumption, and is particularly effective in preventing a fall in the cruising distance when the air conditioning is in use. In addition, Sumitomo Riko's heat management products, which make efficient use of the heat generated by batteries and motors, are highly expected for their potential.

● Sealing

In sealing, our efforts are focused on rubber sealing materials for fuel cell vehicles. Since 2014, Sumitomo Riko has supplied a cell gasket, a rubber sealing material that bonds components, for use in fuel cell stacks of Toyota Motor Corporation's fuel cell vehicle MIRAI. The highly functional rubber developed by our proprietary compounding technol-

ogy, combined with our precision processing technology, ensures the performance enhancement, downsizing and lightening, and long-term reliability of fuel cell stacks.

◆ Unearthing value for the future

The seeds of future businesses for the Group are already beginning to take root in business fields outside automobiles. To take healthcare as an example, we have jointly developed with Kyushu University the Active Mattress "Taiatsu Bunsan," which utilizes the aforementioned SR. This mattress constantly measures pressures on the entire body, pinpointing high-pressure areas to help prevent bedsores. It is highly rated by both patients and caregivers for its user-friendliness.

◆ Supporting society through manufacturing

Sumitomo Riko will support the transformation of society heralded by CASE through manufacturing, making full use of present and future technologies. Furthermore, the Company is giving its focus on the development of SR sensors in the healthcare field, looking toward a balance between industry and society that benefits people with better lives.

As such, Sumitomo Riko seeks to contribute to solving social challenges of the SDGs, such as climate change, good health and well-being, and the development of sustainable cities and communities.

New Fields for Automobiles Initiated by CASE

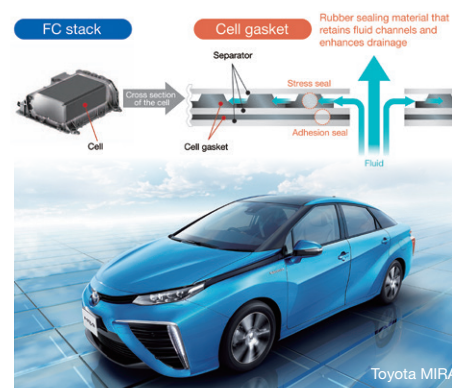
New fields	Examples of initiatives
Biological sensing	<ul style="list-style-type: none"> Steering wheel to detect the switchover to autonomous driving
Heat management	<ul style="list-style-type: none"> High heat insulation materials to improve in-vehicle comfort Cooling systems utilizing fluid conveyance technology for electric vehicles
Sealing	<ul style="list-style-type: none"> Cell gasket, a rubber sealing material for fuel cell vehicles (FCVs)

Steering Touch Sensor Used in Hands Off Detection Steering Wheel



Embedded in a steering wheel, it detects whether a driver is actually gripping the handle or not. It corresponds with levels 2 to 3 of autonomous driving.

Cell Gasket Adopted in MIRAI



SR Active Mattress "Taiatsu Bunsan"



It prevents bedsores by enlarging or compressing air cells inside the mattress according to the user's body frame and sleeping position, making a tailor-made pressure distribution possible.

Our Governance Structure

Forming a sound governance structure as a listed subsidiary

The ideal state of corporate governance has been a significant focus of attention. Sumitomo Riko is ceaselessly working on improvements, aiming for a sound management with consideration to minority shareholders, incorporating opinions from outside the Company through efforts such as increasing the number of Outside Directors.

◆ Election of Outside Directors and measures to strengthen governance

Sumitomo Riko is a subsidiary of Sumitomo Electric Industries, which has a 50.7% equity stake in the Company (including indirect ownership). As a listed company, it is our duty to pay consideration to stakeholders such as our minority shareholders, while engaging in highly transparent management looking outside the Company.

The scandals reported about some other companies over recent years are lessons we should objectively learn from. We have explored the ideal state of a sound corporate governance and given priority to improving our management structure to incorporate the opinions of external stakeholders through efforts such as increasing the number of Outside Directors.

As one of the initiatives, we started to elect two Outside Directors from 2014, increasing the number to three from 2018, with the inclusion of one female Outside Director. In June 2019, we established a Governance Committee as an advisory body to the Board of Directors, appointing an Outside Director to be the chairperson. Outside Directors now make up a third of the total Directors, promptly complying with

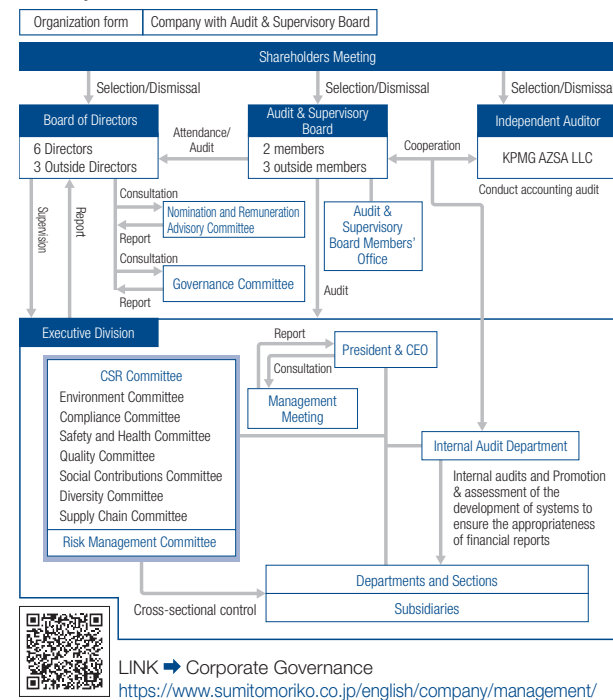
the directive to raise the percentage of Outside Directors, which are discussed by the government at Growth Strategy Council-Investing for the Future, etc.

◆ Ensuring objectivity in officer election and remuneration

In corporate management, a greater objectivity is desirable for both the election of officers and their remuneration. Regarding the election of officers, our stance is to elect persons who are knowledgeable of the Company's management and business and capable of meeting shareholder expectations concerning execution of duties. Moreover, the Company elects persons with a high degree of independence as Outside Directors, taking into consideration the fact that the Company is a listed subsidiary. In order to enhance objectivity in the procedures for the election and/or dismissal of Directors and Audit & Supervisory Board Members as well as remuneration for Directors (monthly remuneration and bonuses), the Nomination and Remuneration Advisory Committee provides opinions on matters to be resolved at the General Meeting of Shareholders. The Board of Directors in turn makes a decision while respecting such opinions.

The Nomination and Remuneration Advisory Committee consists of one Representative Director and three Outside Directors. An Outside Audit & Supervisory Board Member also serves as an observer. Previously, the Nomination and Remuneration Advisory Committee was chaired by the Representative Director. However, from February 2019, the Lead Independent Outside Director has taken the role of the chairperson, in order to realize a structure with greater objectivity.

◆ Corporate Governance Structure



Our Relationship with Sumitomo Electric Industries and its Merits

(1) Relationship

(as of March 31, 2019)

Name	Attribution	Ratio of voting rights held (%)			Financial instruments exchanges, etc. on which shares issued are listed
		Portion directly owned	Portion subject to aggregation	Total	
Sumitomo Electric Industries	Parent company	49.66	1.03	50.69	First Section, Tokyo Stock Exchange, Inc. First Section, Nagoya Stock Exchange, Inc. Securities Membership Corporation, Fukuoka Stock Exchange

(2) Merits

Category	Description
Business foundation	Shared customer base, use of infrastructure, joint purchasing, etc.
Global deployment	Strategic and collaborative cultivation of global markets, etc.
Research and development of next-generation technology	Development of new automotive products through collaboration within the Sumitomo Electric Industries Group

Column Leveraging the merits of a listed subsidiary

As a member of the Sumitomo Electric Industries Group, we aspire to leverage synergy with the parent company in our management. Sumitomo Electric Industries has multiple overseas bases, diverse technologies and customer bases, through which it provides us with supports in many ways for our overseas operations and development of new businesses.

On the other hand, we ensure that our decision making is independent from the parent company, in consideration of the common interests of our shareholders. To ensure our independence, we require regular reporting to the Board of Directors on our trade with the parent company, as well as an approval for such trade from the Board of Directors according to its scale and nature.

Our trade with the Sumitomo Electric Industries Group primarily centers on sales of products (sealing materials for wire harness connectors) for Sumitomo Wiring Systems (a 100% subsidiary of Sumitomo Electric Industries). These transactions make up approximately 1% of our consolidated net sales. Our future policy is to enhance coordination in research and development for next-generation automobiles.

Initiatives to strengthen the governance structure

2005	Executive Officer system introduced
2012	Business Headquarters system introduced
2014	General Managers Meeting (GMM) launched
2015	Group Governance Committee established
2016	Nomination and Remuneration Advisory Committee established
2016	Information Exchange Meeting among Outside Directors/Audit & Supervisory Board Members launched
2016	Area-based (Americas, Europe, China and Asia) GMM launched
2017	Group Company Management Meeting launched
2019	Appointed the Lead Independent Outside Director
2019	Established the Governance Committee (upgraded from the Group Governance Committee)

The Company We Aspire to Be — Thriving on the Sumitomo Spirit and Manufacturing DNA

The manufacturing capabilities rooted on site are the essentials of Sumitomo Riko's competitiveness Our aim is to become a Global Excellent Manufacturing Company

The Group practices business management based on the Sumitomo Spirit, which is to accord "Shinyo-kakujitsu" and "Fusu-furi." We will pass on to the future our manufacturing DNA embedded in our long traditions, while continuing to supply products being trusted worldwide.

◆ To become a company we aspire to be

Since joining the Sumitomo Group in 1937, the Group has practiced business management based on the Sumitomo Spirit, which is to accord "Shinyo-kakujitsu" and "Fusu-furi," as well as on its own management philosophy.

In order to update the management foundations to meet the demands of society, in April 2019 we revised the Corporate Action Charter, which serves to put our management philosophy into practice, and the Compliance Conduct Guidelines, which outline the rules of conduct for officers and employees. This revision of the Charter of Corporate Behavior was based on the commitment to the SDGs and the revision of the Charter of Corporate Behavior of the Japan Business Federation (KEIDANREN). It added items such as sustainable economic growth and resolution of social issues by development of products and services through innovation, responsible procurement, respect for human rights, and diversity & inclusion and work style reform.

The Sumitomo Spirit

Business Principles

Quoted from the Sumitomo Goshi Kaisha Administrative Regulations formulated in 1928

Shinyo-kakujitsu

Article 1. Sumitomo shall achieve prosperity based on a solid foundation by placing prime importance on integrity and sound management in the conduct of its business.

Fusu-furi

Article 2. Sumitomo's business interests must always be in harmony with the public interest. Sumitomo shall adapt to good times and bad times but will not pursue immoral business.



LINK → Business Policy
<https://www.sumitomoriko.co.jp/english/company/message/>

◆ As a responsible member of society

Sumitomo Riko aims to achieve the 2022V vision through its commitment to and practical action for the UN Global Compact and the SDGs. We signed the UN Global Compact in 2014, and since then have practiced responsible corporate activities in line with the ten principles in the four areas of human rights, labor, environment and anti-corruption. In 2018, we also signed the Tokyo Principles for Strengthening Anti-Corruption Initiatives of the Global Compact Network Japan, and reflected them in the revision of our Compliance Conduct Guidelines. Furthermore, by adapting to transformations such as CASE in automobiles, we will contribute through our main business operations to solve the social issues as outlined in the SDGs.



◆ Taking Japanese manufacturing to the world

Since the founding of Sumitomo Riko in 1929, we have accurately assessed the directions of the times and market needs, steadily expanded our business areas from automotive products and general industrial products to new fields, and made available to the world products with high added value.

Sumitomo Riko Group Management Philosophy

In light of the Sumitomo Spirit, all of us at the Sumitomo Riko Group will:

- ① We will provide superior products and services to meet customer needs based on technological innovation.
- ② We will place top priority on safety and work to ensure the safety of people and society.
- ③ We will strive to protect the global environment and to contribute to creating better communities.
- ④ We will maintain a high standard of corporate ethics and observe all laws and regulations to earn public trust and confidence worldwide.
- ⑤ We will foster an invigorating corporate culture that respects our employees' diversity, personal qualities, and individuality.

In 1976, we started Foreman Training* as an initiative to develop human resources through improvement activities on site. This program has continued uninterrupted down to the present day, improving on-site capabilities and developing our human resources. The Foreman Training is part of Sumitomo Riko's DNA shaping our manufacturing capabilities and culture, and also the source of our on-site capabilities. By passing on the manufacturing DNA honed in Japan to the future, while also further refining the manufacturing capabilities of Sumitomo Riko and spreading them worldwide, we intend to secure our place in the future as a manufacturing company.

We will take pride in our identity as a Japanese manufacturing company that places a great value in fine workmanship and superior quality, centered on our long cultivated core competences of polymer materials technology and comprehensive evaluation technology. While faithfully continuing to cherish the Sumitomo Spirit "Shinyo-kakujitsu" and "Fusu-furi," we will continue to evolve toward a dramatic growth to become a Global Excellent Manufacturing Company that is trusted by all our stakeholders.

* Foreman Training is a program for those aspiring to become a supervisor. Started in 1976, it has never ceased operation even for a single day, and is now our longest-running training program in the Company's history. The program has altered its approaches to the most important issues to be dealt with according to the changing times. By identifying facts from confirmation at the actual process with the actual part and through repeating the process of solving the issues identified, the program fosters human resources who are capable of engaging in improvement activities on site independently.



Tetsu Matsui, President & CEO

Messages from Outside Directors

Outside Director

Masaaki Iritani



Specialization

Law

Management

About remuneration for Directors and Audit & Supervisory Board Members

I have taken the positions of chairperson of the Nomination and Remuneration Advisory Committee, and the Lead Independent Outside Director. This Committee acts as a discretionary advisory body established based on resolutions of the Board of Directors, in order to realize transparency and impartiality in the decision-making process. It consists of one Representative Director, three Independent Outside Directors, and one Independent Outside Audit & Supervisory Board Member (observer). It discusses and provides opinions on matters concerning the remuneration and bonuses for Directors, as well as contents of proposals for the election and/or dismissal of Directors and Audit & Supervisory Board Members to be submitted to the General Meeting of Shareholders, based on consultation.

For the nomination and remuneration of officers, while considering factors such as the Company's management strategy, management plan, business results, financial condition, and management environment, it is important to deliberate whether or not the person in question is able to lead the Company for sustainable growth and creation of social value (enhancing corporate value and public value) and capable of contributing to appropriate governance; and whether or not the remuneration serves to raise the sound entrepreneurial spirit while reflecting the Company's medium- to long-term business results and potential risks.

I will continue to fulfill my duties as an Independent Outside Director with integrity so that the Committee can contribute to the greater development of the Company.

LINK → Corporate Governance
<https://www.sumitomoriko.co.jp/english/company/management/>



Outside Director

Shigeru Hanagata



Specialization

Management

International
business

Finance and
accounting

About the Governance Committee

The Governance Committee was established on June 1 this year as an advisory body to the Board of Directors. It consists of Representative Directors, Outside Directors, and Audit & Supervisory Board Members, and I, an Outside Director, was appointed as the chairperson.

As a listed subsidiary of Sumitomo Electric Industries, Ltd., the Company must secure its independence from the controlling shareholders, while striving to appropriately cooperate with the Company's minority shareholders, employees, trading partners, local communities, and other stakeholders.

The independence of the Board of Directors has been enhanced by having a third of its members made up of Independent Outside Directors including myself. In cases where a conflict of interest with the controlling shareholders occurs, the Governance Committee deliberates in full and provides opinions to the Board of Directors. The Board of Directors in turn deliberates while giving sufficient consideration to the Committee's opinions.

The Corporate Governance Code was revised in June last year to adapt to the changing times. Now in its second stage, the next task is to materialize it further from "form" to "substance," seeking to achieve sustainable growth and enhancement of corporate value over the medium to long term. As we make progress in our governance-based initiatives to secure a sound footing and transparency, I hope to contribute to achieving consistent growth and strengthening the structure as outlined in 2022V.

LINK → Corporate Governance
<https://www.sumitomoriko.co.jp/english/company/management/>



Outside Director

Mariko Miyagi



Specialization

Management

Diversity

Human resources
development

Connecting diversity management to corporate growth

The Sustainable Development Goals (SDGs) show us the picture of a future to build better lives, and companies are expected to actively play their roles to achieve those goals. Diversity management is advocated as the management practice of employing a diverse range of human resources and providing opportunities for each person to show their capabilities to the full, which leads to innovation and new value creation. It places value on diversity, in terms of gender, age, nationality, religion, values, etc., and is judged by the degree to which it achieves inclusiveness of diverse human resources while creating workplace environments where people can be motivated to work.

In terms of promotion of gender equality and active participation by women, Sumitomo Riko has lifted its hiring rate of female new recruits in the fiscal year 2019 to 27.5% (up from 20.4% in 2015). However, the percentage of female managers remains at 1.1% (non-consolidated). It is imperative that we enable diverse and flexible work practices for both men and women, to match each life stage such as marriage, childrearing, and family care, and create an organization where employees are motivated and can enjoy working, while making the maximum use of their skills. Based on Sumitomo's credo of "people are our most important asset," I hope to fulfill my role as Outside Director to promote diversity management and empowerment of female employees.

LINK → CSR Information Website (Diversity)
<https://www.sumitomoriko.co.jp/english/csr/portal/?theme=diversity>



Financial Strategy and Policy for Management of Investment in Growth

◆ Financial strategy

2022V financial strategy

In the Sumitomo Riko Group 2022 Vision, the Group is aiming to achieve consolidated net sales of ¥530.0 billion in 2022 and has set the following KPI objectives: operating profit ratio of 5%, ROA of 6%, and ROE of 7%. In order to achieve the ROA and ROE objectives, we will strive to improve the asset turnover through efficient use of working capital on a continuous basis as well as strengthening management of investment in growth.

Cost of equity

The Sumitomo Riko Group formulates its financial strategy based on a cost of equity of little less than 7%, which is calculated as the sum of the 30-year Japanese government bond yield (below 1%) and the equity risk premium (approx. 6%).

◆ Financial discipline

The Sumitomo Riko Group has set guidelines for financial discipline, that is, to maintain equity attributable to owners of the parent ratio of 50% or higher for the medium to long term. By observing the guidelines, financial stability has been secured even while promoting investment in growth to boost operating cash flows.

■ Cost of equity



* The risk-free rate references the 30-year Japanese government bond yield
The equity risk premium is calculated using our beta (approx. 1) and the market risk premium (approx. 6%)

■ Approach to hurdle rate for investment projects



◆ Management of investment in growth

The Sumitomo Riko Group expanded its scale of business globally through vigorous M&A and investment in new facilities. The Group manages investment in growth that underpins an increase in cash flow from operating activities, which is the source of enhancing corporate value, based on the Sumitomo Riko Group Investment Profitability Criteria, a framework for swiftly responding to post-investment change in the business environment, and the Financial Discipline Guidelines.

Sumitomo Riko Group investment profitability criteria

The Sumitomo Riko Group established unified criteria for investment profitability to be applied throughout the Group in 2010 in order to efficiently promote investment for expanding business globally. We check profitability of contemplated investment projects and make decisions that also reflect the business strategy. For examining profitability of investments, in addition to the payback period method, which we have been using for some time, we use net present value (NPV) and internal rate of return (IRR) based on the discounted cash flow (DCF) method. The discount rate we use is the hurdle rate, which is the weighted average cost of capital (WACC) adjusted by country risks and the WACC spread. Using these approaches, we aim to achieve a performance exceeding WACC over the medium to long term.

Framework for responding to change in the business environment

If the business environment is greatly different from the assumption at the time of investment decision-making, risks increase, such as a delay in harvesting returns on investment and deterioration of profitability. In 2014 the Sumitomo Riko Group established a framework for swiftly considering a strategic restructuring plan for any project that has been falling short of the target. This framework enables minimization of risks of profitability deterioration resulting from change in the business environment and reallocation of resources to businesses with higher growth potential to enhance investment efficiency of the entire Group.

◆ Enhancement of corporate value by risk mitigation

The Sumitomo Riko Group is accelerating global business development with the aim of becoming a “Global Excellent Manufacturing Company” and is strengthening risk management to respond to increasing risks in line with the expansion of the scope of the business. By preventing risks materializing, we are seeking to reduce the cost of capital and enhance corporate value so as to realize sustainable growth.

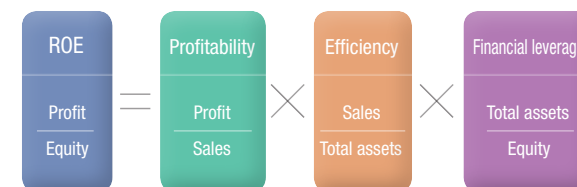
◆ Group financing

The regional management companies in the U.S., China, Thailand, and Europe act as the financial bases, effectively managing funds by ensuring no excess or deficiency of funds at the regional bases, in order to compress external loans. The risk of foreign exchange losses due to currency fluctuations such as depreciation in emerging market currencies is minimized by strengthening the control of the asset and liability positions for each currency.

◆ Efficient use of working capital

We have been promoting the Cash Conversion Cycle (CCC) improvement initiatives since fiscal 2014 throughout the Group. The aim is to secure cash required for running the business by shortening the collection period of accounts receivable, reducing inventories, and extending the payment period of accounts payable, thereby achieving efficient use of working capital.

■ Approach to ROE improvement



* Profit is profit attributable to owners of the parent company.
Equity is equity attributable to owners of the parent company.

• Approach to improve each element

- Profitability : Improve the profit ratio via growth investment management
- Efficiency : Manage funds effectively by improving the cash conversion cycle (CCC) and by introducing group financing
- Financial leverage : Manage leverage based on financial discipline

Long-term Trends in Performance Indicators (Consolidated results)

(FY)

KPI		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018		
	Unit	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	IFRS	IFRS	IFRS	IFRS		
Results of Operations															
Net sales	Millions of yen	311,995	274,392	234,131	272,488	252,008	263,725	369,093	400,930	424,485	422,630	462,885	469,705		
Business profit ¹	Millions of yen	—	—	—	—	—	—	—	—	14,528	14,564	12,860	9,379		
Operating profit	Millions of yen	24,704	6,079	10,799	16,796	12,815	9,204	13,577	10,492	12,867	13,600	12,196	1,153		
Profit attributable to owners of the parent company	Millions of yen	14,241	1,141	3,579	9,940	6,089	3,003	4,076	(4,429)	2,901	5,195	3,528	(5,022)		
Business profit to sales	—	—	—	—	—	—	—	—	—	3.4%	3.4%	2.8%	2.0%		
Operating profit to sales	—	7.9%	2.2%	4.6%	6.2%	5.1%	3.5%	3.7%	2.6%	3.0%	3.2%	2.6%	0.2%		
Profit attributable to owners of the parent company to sales	—	4.6%	0.4%	1.5%	3.6%	2.4%	1.1%	1.1%	(1.1%)	0.7%	1.2%	0.8%	(1.1%)		
Results by business segment ¹	Automotive	Net sales	Millions of yen	251,257	219,056	185,540	217,524	193,728	210,267	312,439	344,023	369,149	362,367	393,440	398,160
	Products	Profit	Millions of yen	20,422	4,828	9,568	13,440	9,056	7,080	9,642	7,924	13,012	13,217	9,766	7,771
	General Industrial	Net sales	Millions of yen	60,738	55,336	48,591	54,964	58,280	53,458	56,654	56,907	55,336	60,263	69,445	71,545
	Products	Profit	Millions of yen	4,282	1,251	1,231	3,356	3,759	2,124	3,935	2,568	1,517	1,347	3,094	1,608
Results by geographical segment ¹ before intersegment elimination	Japan	Net sales	Millions of yen	229,300	193,779	174,666	187,477	188,697	183,131	185,156	183,205	188,911	198,985	213,020	214,033
		Profit	Millions of yen	14,694	(564)	3,887	5,356	5,883	440	4,943	2,390	(267)	(1,206)	(135)	(1,147)
	Americas	Net sales	Millions of yen	65,566	54,248	38,640	53,953	39,102	50,451	83,029	94,650	100,436	96,376	102,804	105,269
		Profit	Millions of yen	3,558	1,251	1,793	3,418	1,954	3,933	4,543	5,069	4,656	3,241	2,311	(894)
	Asia	Net sales	Millions of yen	38,777	42,383	41,119	59,857	52,192	61,690	98,762	113,105	127,752	121,795	140,425	144,645
		Profit	Millions of yen	5,250	4,757	5,210	8,236	4,832	4,902	9,095	9,874	13,131	13,835	13,099	13,447
	Europe and others	Net sales	Millions of yen	13,940	13,217	6,520	5,365	5,517	5,529	46,977	58,230	57,044	54,370	60,688	59,300
		Profit	Millions of yen	1,353	608	(142)	(152)	91	1	(1,804)	(3,293)	(1,604)	(142)	(1,518)	(1,032)
Financial Position															
Total assets	Millions of yen	254,263	218,965	238,951	244,638	260,600	324,134	383,005	406,777	385,371	404,799	414,233	397,279		
Total equity	Millions of yen	155,501	141,175	147,249	154,219	156,932	172,918	189,007	199,225	178,494	179,789	184,459	176,598		
Equity attributable to owners of the parent	Millions of yen	147,275	134,063	138,958	144,874	148,286	159,908	172,230	179,687	159,893	161,293	164,379	158,319		
Cash Flows															
Cash flows from operating activities	Millions of yen	31,367	22,704	34,543	27,997	12,421	19,692	17,756	19,547	29,854	33,161	31,622	31,462		
Cash flows from investing activities	Millions of yen	(27,312)	(29,765)	(11,528)	(13,899)	(23,771)	(36,814)	(51,722)	(17,184)	(33,990)	(32,534)	(27,445)	(28,251)		
Cash flows from financing activities	Millions of yen	(2,343)	10,662	(6,622)	(4,433)	1,883	24,557	13,558	2,692	(1,106)	10,715	(6,127)	(8,368)		
Other Data															
Capital expenditure (based on purchase of property, plant and equipment)	Millions of yen	28,487	27,437	10,277	14,938	20,191	25,295	31,334	29,699	30,538	25,548	24,728	25,180		
Depreciation and amortization	Millions of yen	19,151	20,774	19,638	18,543	12,621	14,672	21,468	23,301	26,215	26,664	28,766	29,781		
R&D expenses	Millions of yen	7,909	8,371	7,617	8,182	8,660	9,698	11,673	12,821	14,215	14,614	14,796	15,002		
Per Share Data															
Net assets per share	Yen	1,418	1,291	1,338	1,395	1,428	1,540	1,659	1,731	—	—	—	—		
Equity attributable to owners of the parent company per share	Yen	—	—	—	—	—	—	—	—	1,540	1,553	1,583	1,525		
Profit attributable to owners of the parent company per share (basic)	Yen	137	11	34	96	59	29	39	(43)	28	50	34	(48)		
Dividends per share	Yen	18	14	13	15	15	16	17	18	18	19	20	14		
Stock and Dividend Data															
Consolidated payout ratio	—	13.1%	127.4%	37.7%	15.7%	25.6%	55.3%	43.3%	—	64.4%	38.0%	58.9%	—		
Dividend on equity attributable to owners of the parent	—	1.3%	1.0%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.3%	0.9%		
Other Key Performance Indicators															
ROA (Business profit to total assets) ²	—	10.1%	2.6%	4.7%	6.9%	5.1%	3.1%	3.8%	2.7%	3.7%	3.7%	3.1%	2.3%		
ROE (Return on equity attributable to owners of the parent company)	—	10.0%	0.8%	2.6%	7.0%	4.2%	1.9%	2.5%	(2.5%)	1.8%	3.2%	2.1%	(3.1%)		
Equity attributable to owners of the parent ratio	—	57.9%	61.2%	58.2%	59.2%	56.9%	49.3%	45.0%	44.2%	41.5%	39.8%	39.7%	39.9%		
Net D/E ratio ³	—	(0.08)	(0.02)	(0.17)	(0.13)	(0.05)	0.05	0.28	0.30	0.38	0.39	0.39	0.40		
Asset turnover	—	1.3	1.2	1.0	1.1	1.0	0.9	1.0	1.0	1.1	1.1	1.1	1.2		
Number of employees	Persons	11,836	12,533	12,910	13,549	13,894	18,035	22,546	23,568	23,790	24,453	25,689	26,156		

¹ Business profit = Operating profit - Other income and expenses

Profit in "Results by business segment" and "Results by geographical segment" is operating income under Japanese GAAP and business profit under IFRS

² ROA is the ratio of operating income to total assets under Japanese GAAP, instead of the ratio of business profit to total assets.³ Net D/E ratio = (Interest-bearing debt - cash and cash equivalents) / equity attributable to owners of the parent

(Note) Presentation of KPIs is based on IFRS and they are referred to as follows based on Japanese GAAP:

[IFRS → Japanese GAAP]

Profit attributable to owners of the parent company → Net income attributable to owners of the parent, Total equity → Net assets,

Equity attributable to owners of the parent → Shareholders' equity, Profit attributable to owners of the parent company per share (basic) → Net income per share,

Dividend on equity attributable to owners of the parent → Dividend on equity, Return on equity attributable to owners of the parent company → Return on equity,

Equity attributable to owners of the parent ratio → Shareholders' equity ratio



SUMITOMO RIKO

Cautionary statement with regard to forward-looking statements

Forward-looking statements such as sales and profits described in this report other than statements of historical or current facts are based on the Sumitomo Riko Group's assumption and judgment on the basis of information that is currently available with regard to economic situation including forecast of the industry trends of the Sumitomo Riko Group's each business, fluctuation in exchange rate, and other factors that affect the group's financial performance. Therefore, please be aware that actual sales and profits may vary materially from those described in this report. The Sumitomo Riko Group does not intend or assume any obligation to update and officially announce these forward-looking statements after the release of this report.

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