



**SUMITOMO RIKO Integrated Report 2020**

**Global**

**Excellent**

**Manufacturing**

**Company**



## Message from the President & CEO

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CSR Information

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## Editorial Policy

### Period covered in the Report

From April 1, 2019 to March 31, 2020 (fiscal 2019). This Report also refers to certain activities that are being undertaken in fiscal 2020 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.

## Contact Information

Edited by Sustainability Project, Corporate Planning Department

Contact : Public Relations and Investor Relations Department

For comments or questions on this report, please contact:

TEL +81-525-71-0200

<https://www.sumitomoriko.co.jp/english/>



Kazushi Shimizu

Representative Director and President & CEO

## We aim to be a company that continues to grow by shifting to a solid business structure

### Message of Sympathy to all those affected by coronavirus disease

I would like to express my sincere condolences to victims of coronavirus disease (COVID-19) and extend my heartfelt sympathies to those affected, their families and all those involved. I would also like to express my profound gratitude and respect to all those working on the frontline of treatment and prevention of the spread of infection, including medical, nursing-care and welfare professionals, as well as administrative agencies and support groups.

### Greetings from the New President & CEO

My name is Kazushi Shimizu. I was appointed as the Representative Director and President & CEO by the Board of Directors following the 132nd Ordinary General Meeting of Shareholders. In this challenging environment, I intend to devote myself to meeting the expectations of our stakeholders.

Due to the global economic slump caused by the impact of COVID-19, the Group experienced a significant decrease in production in the automotive market, its primary line of business. Despite this very challenging environment, I am optimistic that now is the time to transform the Company into a solid business structure with all employees sharing the same sense of urgency. We aim to achieve sustainable growth of the Group by Ensuring Quick Decision-making and Agile Business Operations, while Value Creation through Strategic Collaboration via frequent communication.

### Review of Fiscal 2019

Net sales declined due to the impact of the spread of COVID-19 in China in the fourth quarter. However, the Group achieved increased business profit as the impact of COVID-19 on performance was limited as a result of all-out efforts to strengthen profitability through cost reduction activities from the beginning of the fiscal year. With regard to key results other than net sales, we achieved increases from fiscal 2018, while also living up to estimates.

#### ◆ Fiscal 2019 results

Net sales fell by 5% year on year to ¥445.1 billion due to the suspension of automobile production in various regions, as well as a drop in consumer confidence resulting from anti-infection measures. However, business profit increased by 21% year on year to ¥11.3 billion as the entire Group promoted cost reduction and earnings improvement.

#### Consolidated Profit/Loss of FY2019 [IFRS] (100 millions of yen)

	FY2018 Actual	FY2019 Actual	Change from prev. yr.	
			Amount	Rate
Net sales	4,697	4,451	-246	-5%
Business profit (Profit margin)	94 2.0%	113 2.5%	+19	+21%
Operating profit (Profit margin)	12 0.2%	89 2.0%	+77	+672%
Profit before income taxes	7	74	+67	+962%
Profit for the year	(29)	25	+54	—
Profit attributable to owners of the parent company	(50)	9	+59	—
Exchange Rate				
(Yen/USD)	110.92	108.74	-2.18	-2%
(Yen/EUR)	128.42	120.83	-7.59	-6%

(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.

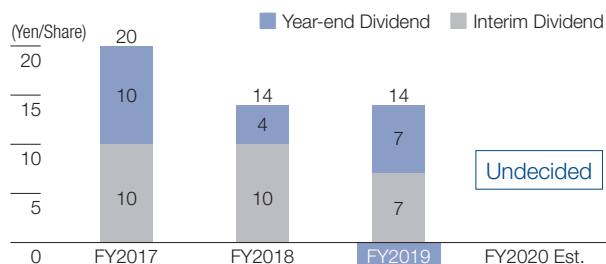
## Review of Fiscal 2019

In addition, operating profit increased by 672% year on year to ¥8.9 billion as an impairment loss of goodwill on investment in an overseas subsidiary was posted in the previous fiscal year. As a result, profit attributable to owners of the parent company was ¥0.9 billion (whereas, loss of ¥5.0 billion in the previous year).

### ◆ 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. We achieved an increased final profit for fiscal 2019 compared to the previous fiscal year. However, in consideration of the growing uncertainty about the future, the Company paid annual cash dividends of ¥14 per share, the same as in fiscal 2018. Going forward, we will work to recover our business results and improve shareholder returns.

### Dividend Trends



	FY2017	FY2018	FY2019	FY2020 Est.
Profit attributable to owners of the parent company per share (basic)	33.98 yen	(48.37 yen)	8.48 yen	(145.43 yen)
Dividends payout ratio	58.9%	—	165.1%	Undecided
Dividend on equity attributable to owners of the parent	1.3%	0.9%	1.0%	Undecided

(Note) Cash dividends for FY2020 are undecided at the time of issuing this report.

## Column Segment Results

### Results by business segment

#### ■ Automotive Products

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

- Sales.....¥377.9 billion (down 5% year on year)
- Business profit.....¥9.5 billion (up 23% year on year)
- Sales: Although sales of hoses in China that comply with the new emission China 6 standard contributed, sales declined due to the impact of the spread of COVID-19 in various regions, from the fourth quarter.
- Business profit: Productivity had been struggling in the Americas and had been addressed as a management task. We provided intensive technical support from Japan which has led to the improvement in productivity and yields. In addition, curbing expenditure and reducing costs in Japan, as well as increased orders for new products and improved profits in countries such as Italy, also contributed to the increase in profit.

#### ■ 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.....¥67.2 billion (down 6% year on year)
- Business profit.....¥1.8 billion (up 10% year on year)
- Sales: Sales of functional parts for printers decreased due to the shrinking of the printer market, while sales of hydraulic hoses also

decreased due to a decline in demand for construction and civil engineering machinery in China and India.

- Business profit: Despite the impact of decreased sales, we achieved an increase in profit as a result of curbing expenditure in response to decreased demand. While lockdowns resulted in sluggish economic activities in some parts of Asia, the impact on the results of general industrial products was limited.

### Results by geographical segment

Sales declined due to the impact of the spread of COVID-19 in various regions, primarily in China.

- Japan: Despite a decline in sales due in part to the impact of the consumption tax hike, profit increased mainly as a result of curbing expenditure and recovering global administrative costs from overseas subsidiaries.
- Americas: Productivity improvement worked effectively in achieving a profit for the full year.
- Asia: Sales and profits declined due to decreased demand in both the automotive and infrastructure fields, although sales of hoses in China that comply with the new emission China 6 standard contributed.
- Europe: We posted a decline in revenue mainly due to a downturn in consumer confidence as a result of measures to prevent the spread of infection. However, the improved profitability of the Italian subsidiary reduced the size of the deficit.

### FY2019 Results by Business Segment

		(100 millions of yen)			
		FY2018 Actual	FY2019 Actual	Change from prev. yr.	
				Amount	Rate
■ Automotive Products	Net sales	3,982	3,779	-203	-5%
	Business profit	78	95	+18	+23%
■ General Industrial Products	Net sales	715	672	-43	-6%
	Business profit	16	18	+2	+10%
■ Consolidated Total	Net sales	4,697	4,451	-246	-5%
	Business profit	94	113	+19	+21%

### FY2019 Results by Geographical Segment

		(100 millions of yen)			
		FY2018 Actual	FY2019 Actual	Change from prev. yr.	
				Amount	Rate
Japan	Net sales	2,140	2,087	-54	-3%
	Business profit	(11)	19	+31	—
Americas	Net sales	1,053	1,017	-36	-3%
	Business profit	(9)	1	+10	—
Asia	Net sales	1,446	1,349	-97	-7%
	Business profit	134	105	-29	-22%
Europe and Others	Net sales	593	532	-61	-10%
	Business profit	(10)	(4)	+6	—
Eliminations or Corporate	Net sales	(535)	(534)	+2	—
	Business profit	(10)	(9)	+1	—
Consolidated Total	Net sales	4,697	4,451	-246	-5%
	Business profit	94	113	+19	+21%

## Toward Fiscal 2020

Based on forward-looking information that is currently available, we expect consolidated net sales of ¥360.0 billion and business loss of ¥7.2 billion in fiscal 2020. Despite the anticipated challenging business environment, the Group aims to further improve management efficiency and profitability in order to transform itself into a solid business structure capable of securing profits even under low operating levels.

### ◆ Consolidated Profit/loss of FY2020 Estimate

We expect the results of our primary line of business, i.e. the automotive products segment in the first half of fiscal 2020, to be significantly lower than those of the first half of the previous fiscal year. This is due to a downturn in consumer confidence as a result of anti-infection

measures, as well as a series of production adjustments in various regions, resulting in decreased production and a decline in productivity. We formulated consolidated profit/loss estimates for the second half of fiscal 2020 on the assumption that the market will recover to around 90% of the second half of the previous fiscal year's results, given regional market trends and other factors based on external sources.

Fully embracing the reality of the fall in earning power over the last few years, the entire Group has made efforts to reduce costs and curb expenditure since fiscal 2019. In this challenging business environment, we will not only continue to improve profits, but also aim to create a solid business structure capable of securing profits even under low operating levels, while promoting profit structure reform during the implementation phase of the plan, including further drastic reductions in fixed costs, business reorganization and the consolidation and elimination of bases.

### Consolidated Profit/loss of FY2020 Estimate [IFRS]

(100 millions of yen)

	FY2019 Actual	FY2020 Estimate	Change from prev. yr.	
			Amount	Rate
Net sales	4,451	3,600	-851	-19%
Business profit (Profit margin)	113 2.5%	(72) (2.0%)	-185	—
Operating profit (Profit margin)	89 2.0%	(129) (3.6%)	-218	—
Profit before income taxes	74	(139)	-213	—
Profit for the year	25	(150)	-175	—
Profit attributable to owners of the parent company	9	(151)	-160	—

#### Exchange Rate

(Yen/USD)	108.74	108.50	-0.24	-0.2%
(Yen/EUR)	120.83	120.00	-0.83	-0.7%

(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 will strive to strengthen our structure by Value Creation through Strategic Collaboration

We will work to strengthen the structure across the entire Group in response to new issues that have emerged as a result of the COVID-19 crisis, in addition to the management issues that have faced us so far, in an attempt to achieve the next stage of growth. We are convinced that the driving force behind this is the promotion of communication.

### ◆ Initiatives toward the next stage of growth

Given the entire Group's declining profitability due to increased expenditures on top of intensifying global competition, we will strive to optimize costs on a consolidated basis by implementing Group-wide initiatives to strengthen our earnings structure. In terms of logistics, for example, we will work to eliminate redundancy in the short-term and streamline logistics in the medium to long-term. In terms of procurement, we will first

strengthen our supply chain and then work to reduce costs over the medium to long term based on lessons learned from the impact of COVID-19. We will also work on other medium- to long-term challenges, such as reviewing personnel systems, streamlining domestic and overseas production bases and creating new businesses, in an attempt to strengthen the structure that will lead to the next stage of growth.

### ● Global sales expansion of automotive products

With a growing momentum for environmental protection, countries are becoming more stringent in their environmental regulatory policies.

Expecting internal combustion engine vehicles, including hybrids, to account for a high proportion of automobile production in 2030, the Group is focusing on developing and expanding sales of high-performance fuel hoses and other products that contribute to reducing gasoline evaporation.

Leveraging our track record of sales of environmentally friendly hoses in Europe, the U.S. and Japan, we will work to expand the sales of compatible hoses of China 6 to local automakers in China, which has grown to become the world's largest automotive market. As demand is expected to increase for sound controlling/insulation products for environmentally friendly engines with large vibration, we will focus on expanding sales of engine covers with excellent heat-resistant and sound insulation properties.

Leveraging the Group's product development and supply system in five key regions in the world, we will promote global sales expansion.

### ● General industrial products business and new businesses

In the general industrial products business, we will minimize the impact of sluggish growth in mature markets and declining demand resulting

## Toward Fiscal 2020

from the economic slowdown, while at the same time aiming to expand our business portfolio through the expansion of global sales of products that the market demands. In the new business segment, we will identify business fields to invest in to respond to the demands of society, given the current limited management resources.

### ◆ Accelerating new product development and sales expansion

In research and development aimed at exploring new trends, the optimal allocation of management resources through selection and concentration is essential. Aside from development systems in each business unit, we established the Advanced Systems R&D Center by consolidating three R&D Centers, each of which belonged to a separate business field. This reorganization will enable quick decisions on the selection and concentration of items for new product development, as well as the flexible shifting and concentration of staff within the Center, thereby aiming to accelerate development and achieve early commercialization.

We will also aggressively incorporate alliances and open innovation to promote collaboration with other companies and research institutions. To create products that meet the needs of customers and end

users, we will strengthen dialogue and information collaboration with other companies to compensate for the Group's weaknesses and further develop its strengths, thereby actively working towards Value Creation through Strategic Collaboration.

### ◆ Improve the operational efficiency of the organization by better communication

In recent years, with the expansion of the Group's scale of business, we have come to work with people from different cultures and backgrounds with diverse values. In the face of fierce competition and severe environmental changes, Quick Decision-making and Agile Business Operations are essential for continued growth. To achieve this, it is important to communicate respectfully from the perspective of others so that employees can work on the business with shared objectives. Furthermore, organic collaboration is created through active communication between divisions and employees with their respective roles, leading to the generation of new ideas. We believe that this will help to cut duplication of work and omissions, leading to a lean and efficient organization with no need for rework. To initiate the promotion of communication within the Company at the outset of my term as President & CEO, I have set up the President's blog to regularly

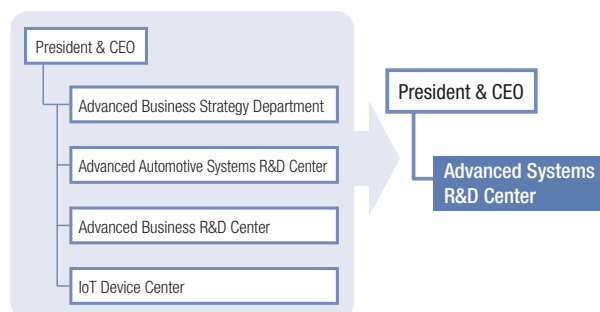
transmit information. The blog is also accessible on our website to make sure that our stakeholders feel closer to Sumitomo Riko.

### ◆ Safe and secure work environment for employees

Given the uncertainty over the containment of COVID-19 and the strong possibility of repeated resurgence in the future, there is a need for business management based on the assumption of coexistence with the virus. The Group gives top priority to the lives, safety and health of its employees, their families and other internal and external parties concerned to minimize the impact of the virus on its business and fulfill its social responsibility by ensuring business continuity. We will also collaborate with local communities to prevent the spread of infection, while aiming to change our workstyle and corporate structure to adapt to the new lifestyle.

### Accelerating development and early commercialization

- ▶ Consolidated R&D Centers to accelerate and strengthen creation of new businesses and new customers



### Promoting communication

#### President's blog

- ▶ LINK → President's blog  
<https://www.sumitomoriko.co.jp/english/president/>



### Response to COVID-19

- ▶ LINK → CSR Information Website >Response to COVID-19 Pandemic  
<https://www.sumitomoriko.co.jp/english/csr/portal/covid19/index.html>



Producing face shields at our Brazilian subsidiary

## Aiming to Create Social Value

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

It is still difficult to identify the impact of the significant decrease in automobile production and the global economic slump caused by the COVID-19 pandemic on the financial objectives in the mid-term business vision (2022V). Amid a rapid change in the business environment surrounding the businesses, the Group aims to achieve sustainable growth and strengthen the management 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.

### ◆ Our aims in the 2022V

Our mid-term business vision, the 2022 Sumitomo Riko Group Vision (2022V), aims to 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 fields of automotive (mobility), infrastructure and housing environment, electronics, and healthcare, to create new social value.

### ◆ Aiming to be a global system supplier needed by people, society, and the earth

The Group currently operates in more than 20 countries across the world, with 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. This network enables us to supply products that consistently satisfy our customers in every region of the world.

To continue to be a company needed by people, society, and the earth, the Group aims to be a global system supplier capable of proposing optimal modules and systems, combining multiple components and functions to meet the new needs of customers and end-users.

We will keep working on the reinforcement of our manufacturing capabilities in our production bases worldwide. By firmly establishing the manufacturing foundation in Japan where our mother factory is based and then rolling it out overseas, we can further strengthen our manufacturing foundation overseas and create strong workplaces to prevail over competition. In addition, we will offer products needed and trusted by people, society, and the earth by advancing cooperation with the parent company Sumitomo Electric Industries, Group companies, etc., combining Sumitomo Riko's technology with theirs, and contributing to resolving social issues under the partnership.

### ◆ Achieving targets in environmental and social domains

To contribute to the enhancement of public value, the Group undertakes several initiatives to attain non-financial objectives by addressing environmental and social issues advocated by the United Nations' Sustainable Development Goals (SDGs), etc., such as reducing CO<sub>2</sub> emissions and waste, coping with water-related risks, eliminating industrial accidents, and complying with laws and regulations.

In fiscal 2019, we made steady progress toward the achievement of the objectives, as shown in the table below. Our initiatives include introduction of renewable energy and promotion of energy saving activities to reduce CO<sub>2</sub> emissions, as well as defect reduction, yield improvement, and recycling of unvulcanized rubber (turning it into valuable materials) to reduce waste. To eliminate occupational accidents, we promoted safety dialogue and patrol within the Company, enhancement of global safety standards, and other measures. Compliance training for leaders and the Group's global compliance training took place in Japan and overseas respectively. All target employees participated in the training.

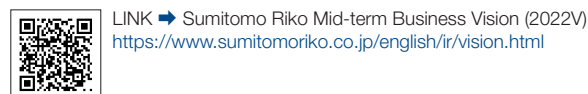
I was appointed Chairperson of the CSR Committee when I took office as President & CEO. I will run the CSR Committee aiming to ensure the steady achievement of non-financial objectives set in the 2022V, with the understanding that the COVID-19 crisis accelerates society's focus on sustainability and in line with SDGs.

## 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.

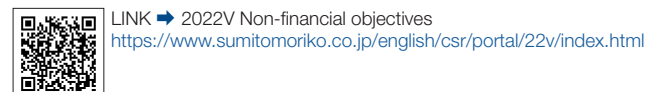
<b>Creation of Social Value</b>	— Global Excellent Manufacturing Company — A corporation that contributes to safety, comfort, and the environment for people, society, and the earth
<b>Corporate Value Financial Objectives</b>	Definition: Economic value that a company created during a fixed period KPIs: Net sales, profit, ROE, ROA, rate of return of investment, WACC, etc.
<b>Public Value Non-financial Objectives</b>	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



## 2022V Non-financial Objectives

\*compared with the emission intensity in 2017

	Items	Objectives	FY2019 results
Environment	CO <sub>2</sub> reduction	8% reduction*	3.2% reduction
	Waste reduction	5% reduction*	4.1% reduction
	Addressing water risk	Develop wastewater recycling technology	Strengthened initiatives against physical (water deficit), regulatory, and reputational risks related to water
Society	Frequency rate of all industrial accidents	Zero industrial accident	Frequency rate of all industrial accidents 0.78
	Compliance training	Participation rate of global executive training shall be 100%	Participation rate 100%



## Infusing New Value into the Future Lives of People

# Supporting a new era for automobiles through the Innovation by Materials and Value Creation through Strategic Collaboration

While we are experiencing a significant decrease in automobile production and a slump in the global economy caused by the COVID-19 pandemic, the challenges faced by the automotive industry remain the same. Leveraging our Innovation by Materials based on long-cultivated polymer materials technology and comprehensive evaluation technology, the automotive products business, which is the Group's primary line of business, will offer products that support the coming MaaS\*1 society.

### ◆ Business opportunities made possible by CASE\*2

With an eye toward the MaaS society, what is asked of the automotive industry is changing significantly. We are confronted by global challenges such as aiming at a world without traffic accidents, as well as tackling air pollution and destruction of the environment.

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

Sumitomo Riko will seize the opportunities offered by the changes and needs generated by the advancement in these four domains.

### ◆ Initiatives that take advantage of the Innovation by Materials

The Group is a manufacturing company that engages in the entire process of design and manufacturing out of raw materials. Our strength

lies in the Innovation by Materials, which enables us to propose products and raw materials that are a step ahead of our customers' requests. This is made possible by implementing the polymer materials technology, which creates highly functional raw materials, and the comprehensive evaluation technology, which feeds product evaluation back to raw materials, by turns.

Taking advantage of the Innovation by Materials, we will contribute to safety, comfort, and the environment for people, society, and the earth through creation of products which infuse new value to future 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, 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, use of heat conducting and sound reducing materials is expected to counter the heat and sound generated by motors. Our heat conducting polyurethane covers for EV motors currently under development minimize sound 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 development to be used for EV motors, by introducing dedicated evaluation equipment and combining thermal analysis and acoustic analysis.

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 are anticipated in the future.

\*1 MaaS is the abbreviation of Mobility as a Service. The concept regards mobility not as a mere means but as a one-stop service for users. For example, optimal means of transportation could be offered seamlessly through a single app to meet the needs of moving from the place of departure to the destination.

\*2 CASE stands for Connected (C), Autonomous (A), Shared & Services (S), and Electric (E).

## 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



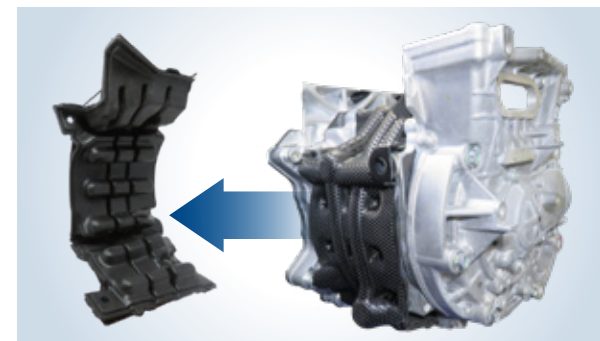
Nissan LEAF



Sumitomo Riko products used in successive models of LEAF

## Example of Development for EVs

### Heat conducting polyurethane covers for EV motors





## Infusing New Value into the Future Lives of People

### ◆ New areas for automobiles initiated by CASE

As a member of the Sumitomo Electric Industries Group, we will promote partnership for value co-creation through close cooperation with Group companies and be ready for changes in social needs and the evolution of automobiles.

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

#### ● Vital signs sensing

In vital signs sensing, we have been accelerating the development of Steering Touch Sensor used in hands off detection steering wheel for a launch in the near future, 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 anticipated era of autonomous driving, it is a product expected to take a role in avoiding dangerous situations. Driver Monitoring System is also under development, which estimates the state of the passenger through a non-wearable SR sensor installed on the seat (the passenger just needs to be seated). In system development, the entire Sumitomo Riko Group joins forces not only for the sensor device but also for the algorithm and software that estimate the state of the passenger, leveraging the expertise held across the Group of companies.

#### ● 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 high heat insulation possible with a thin coating. Applying this coating to various base materials enables installation in complex shapes and works effectively in improving the rate of electric power consumption especially for EVs. At the same time, it adds to the spaciousness and comfort inside the vehicle.

#### ● Sealing

In sealing, our efforts are focused on rubber sealing materials for fuel cell (FC) vehicles. Since 2014, Sumitomo Riko has supplied Cell Gasket, a rubber sealing material that bonds components, for use in FC stacks of Toyota Motor Corporation's fuel cell vehicle - MIRAI. The highly functional rubber developed by our proprietary compounding technology, combined with our precision processing technology, ensures the performance enhancement, downsizing and lightening, and long-term reliability of FC stacks.

### ◆ Bringing new value also to fields outside automobiles

The seeds of future businesses for the Group are already beginning to take root in business fields outside automobiles. A flexible, thin, and high-precision Vital Sensor utilizing aforementioned SR enables constant recording and monitoring of heart rates and the state of respiration, as the patient lies down or sits up. Installation of Body Motion

Sensors to beds of patients with cardiovascular or respiratory diseases who are recuperating at home would make it possible to monitor vitals, such as heart rate and respiration. Based on the data, doctors would be able to detect signs of deterioration of symptoms, and prescribe drugs or recommend a hospital visit. The Sensor can also be used to constantly monitor the state of respiration of COVID-19 patients remotely, which contributes to reducing the aggravation risk after a sudden change in condition, as well as to avoid the risk of healthcare workers being infected.

In addition, we took advantage of our precision rubber molding technology and jointly developed a Microfluidic Device, a tool to manufacture high quality lipid nanoparticles\*, with a startup company originating from Hokkaido University. We will support the development of novel products mainly in the fields of pharmaceuticals and cosmetics.

\*Lipid nanoparticle: A spherical vesicle that can encapsulate materials such as nutrients and pharmaceutical products. It protects nutrients and other materials from degradation and is used as a capsule that delivers them to the affected area, etc.

### ◆ Supporting society through manufacturing

The Sumitomo Riko Group will contribute to the transformation not only to the MaaS society but also to a society coexisting with COVID-19 through manufacturing, making full use of present and future technologies.

Sumitomo Riko also seeks to engage in activities for solving social challenges of the SDGs, such as climate change, good health and well-being, and the development of sustainable cities and communities.

### New Areas for Automobiles Initiated by CASE

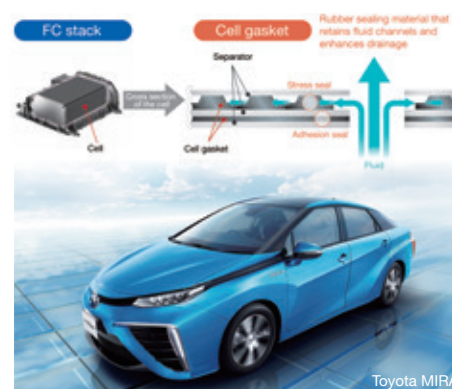
New areas	Examples of initiatives
Vital signs sensing	<ul style="list-style-type: none"> <li>Steering touch sensor to detect the switchover to autonomous driving</li> <li>Driver monitoring system that estimates the state of the passenger</li> </ul>
Heat management	<ul style="list-style-type: none"> <li>High heat insulation materials to improve in-vehicle comfort</li> </ul>
Sealing	<ul style="list-style-type: none"> <li>Rubber sealing material for fuel cell (FC) vehicles [Cell gasket]</li> </ul>

### Steering Touch Sensor Used in Hands Off Detection Steering Wheel



Embedded in a steering wheel and detects whether the driver is actually gripping it or not  
Corresponds with levels 2 to 3 of autonomous driving

### Cell Gasket Adopted in MIRAI



### Body Motion Sensor, which can simultaneously monitor vitals such as heart rate and respiration



Body Motion Sensor is to be used in COVID-19 research by Osaka University

## 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 50.8% 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.

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 elected two Outside Directors in 2014, increasing the number to three from 2018, with the inclusion of one female Outside Director. We elected one female Outside Audit & Supervisory Board Member in 2020. 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

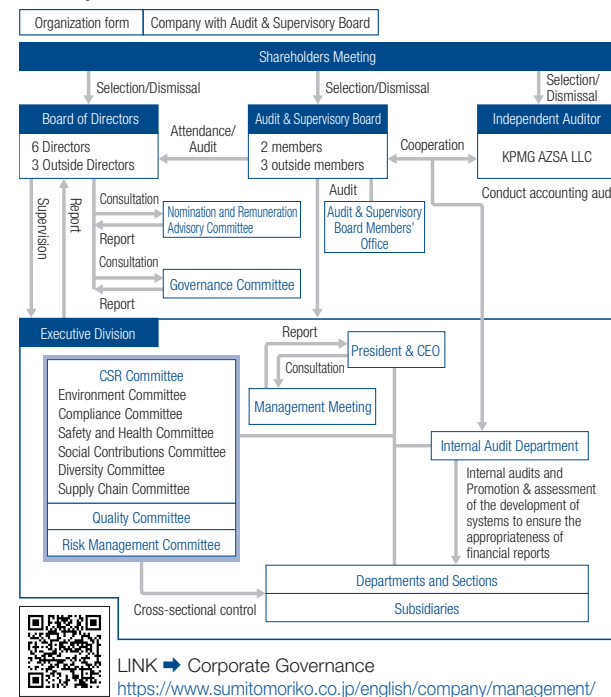
with the directive to raise the percentage of Outside Directors, which are discussed by the Government at Growth Strategy Council-Investing for the Future, etc.

#### ◆ Ensuring objectivity in the election and the remuneration of officers

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 shareholders' 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, three Outside Directors and one Outside Audit & Supervisory Board Member and, 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, 2020)

Name	Attribution	Ratio of voting rights held (%)			Financial instruments exchanges, etc. on which issued shares are listed
		Portion directly owned	Portion subject to aggregation	Total	
Sumitomo Electric Industries	Parent company	49.66	1.14	50.81	First Section, Tokyo Stock Exchange, Inc. First Section, Nagoya Stock Exchange, Inc. Main Board, Securities Membership Corporation, Fukuoka Stock Exchange

##### (2) Merits

Category	Description
Business foundation	Sharing 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 support 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

# Sumitomo Riko's competitiveness comes from its Manufacturing Capabilities and Value Creation through Strategic Collaboration Our aim is to become a Global Excellent Manufacturing Company

Based on the Sumitomo Spirit, which is to accord “Shinyo-kakujitsu\*1” and “Fusu-furi\*2”, the Group aims to become a company that provides products needed by the society by passing on to the future our manufacturing DNA embedded in our long traditions and through collaboration to create value together.

\*1 Place importance on integrity and sound management.

\*2 Do not act rashly or carelessly in pursuit of immoral business.

### ◆ To become a company we aspire to be as a responsible member of society.

Since being placed under the umbrella of the Sumitomo Group in 1937, the Group has practiced business management based on the Sumitomo Spirit, which is to accord “Shinyo-kakujitsu” (integrity and sound management) and “Fusu-furi” (no chasing easy gains) 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.



## The Sumitomo Spirit

### Business Principles

Quoted from the Sumitomo Goshi Kaisha Administrative Regulations formulated in 1928

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

Article 2. Sumitomo's business 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/>

Moreover, we signed the UN Global Compact in 2014, and since then have practiced corporate activities in line with the ten principles in the four areas of human rights, labor, environment and anti-corruption, and we will contribute to solving the social issues as outlined in the SDGs through our main business.

In order to implement CSR management based on these principles, we will operate six committees within the CSR Committee under the policies as shown in the table below. The common goal of these committees is to steadily achieve the 2022V objectives, achieve thorough governance and synergies across the Group and globally, and mutually cooperate to avoid suboptimization for each theme.

How we view social transformation and how we transform the company are the key to determining the long-term shape of the Company, while seeing the COVID-19 crisis as an opportunity to take a fresh look at matters such as the meaning of the Company's existence and the ideal state of the organization. Going forward, we will rethink and present what is the social value that a Global Excellent Manufacturing Company can create, and communicate with our stakeholders to earn their trust, and then would like to mark our 100th Anniversary in 2029.

## 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.

### ◆ Aiming to be a company needed by people, society, and the earth

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, and made available to the world products with high added value.

We will continue to cherish and protect the manufacturing DNA that has been passed down from generation to generation as the source of our competitiveness and relay it to the future. We also aim to become a manufacturing company needed by people, society, and the earth by Value Creation through Strategic Collaboration and responding to the changing needs of the society.

Under the motto, “Banji-nissei” (Do your sincere best, not only in business, but also in every aspect of your life.) in the preamble of the Sumitomo Spirit, I will manage the Group while always being aware of safety, environment, compliance and quality (S.E.C.-Q.).

The automotive industry is in a once-in-a-century transformation phase; however, we must never forget our pride as a Japanese manufacturing company that places great value in fine workmanship and superior quality. We are required to create products that meet the needs of the new era while further refining our long cultivated core competences and responding flexibly to changes in the business environment. While faithfully continuing to cherish the Sumitomo Spirit, which is to accord “Shinyo-kakujitsu\*1” and “Fusu-furi\*2”, we will continue to evolve toward a dramatic growth to become a Global Excellent Manufacturing Company that is needed by people from all the world by turning the challenge of the COVID-19 crisis into an opportunity for transformation.

## Guidelines of the CSR Committee/Six Committees

	Guidelines of each Committee
Environment Committee	Strengthening responses to climate change and circular economy
Compliance Committee	Ensuring the attitude of doing what is expected as expected
Safety and Health Committee	Achieving Zero Industrial Accident by creating an environment where employees can stay safe from the time they leave home and until they return home
Social Contributions Committee	Linking businesses to contributing to the SDGs through partnerships with stakeholders
Diversity Committee	Fostering a culture in which each employee can play an active role by promoting communication
Supply Chain Committee	Giving consideration to human rights, labor and other matters amid the review of global supply chain due to the COVID-19 crisis

Messages from Outside Directors

Outside Director

Masaaki Iritani



Specialization

Law

Management

**About remuneration for Directors and Audit & Supervisory Board Members**

I serve as the chairperson of the Nomination and Remuneration Advisory Committee, and the Lead Independent Outside Director. This Committee is a discretionary advisory body to the Board of Directors established based on its resolution in order to realize transparency and objectivity in the decision-making process. It consists of one Representative Director, three Independent Outside Directors, and one Independent Outside Audit & Supervisory Board Member. It discusses and provides opinions on matters consulted 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.

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 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, 2019 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, serve 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 with sufficient consideration to the Committee's opinions.

The Corporate Governance Code has been revised to adapt to the changing times. 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

**Human resources are human capital in which self-sustained career building is key**

The most important resources in management are human resources (human capital). For this reason, companies need to have a new human resources system that is in tune with major environmental changes of the times, such as the method of selecting and hiring human resources who have high potential and will become an asset to the organization in the future, provision of support for career development and career planning that matches the abilities and aptitudes of each individual, and appropriate placement, education and training to enable each individual to maximize his or her abilities.

In line with workstyle reforms, it is essential for each employee to autonomously reconsider their career development, and further motivate themselves to achieve their future career goals by considering matters such as what they want to do, how they want to be, and how they want to utilize their abilities to contribute to the organization.

What is important here is employees' self-reliance. It's not the company or your superior who will develop you, but you are the one who improves and nurtures yourself. We need to enhance the awareness towards self-sustained career building among employees, and ensure that the growth of individuals leads to the growth of the organization.

Based on Sumitomo's credo of "people are our most important asset," I hope to fulfill my role as an Outside Director to promote the self-sustained career building of employees.

LINK → CSR Information Website  
 (Human Resources Development)  
<https://www.sumitomoriko.co.jp/english/csr/portal/policy/humanresourcesdevelopment.html>



# Financial Strategy and 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.

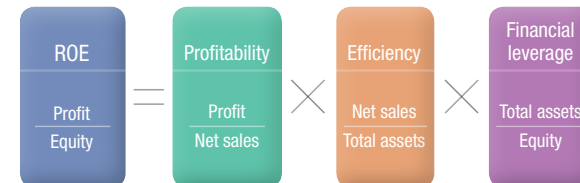
## ◆ Group financing

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)

KPI	Unit	(FY)														
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		
		Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	Japanese GAAP	IFRS	IFRS	IFRS	IFRS	IFRS		
<b>Results of Operations</b>																
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	445,148		
Business profit <sup>*1</sup>	Millions of yen	—	—	—	—	—	—	—	—	14,528	14,564	12,860	9,379	11,321		
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	8,898		
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)	881		
Business profit to sales	—	—	—	—	—	—	—	—	—	3.4%	3.4%	2.8%	2.0%	2.5%		
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%	2.0%		
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%)	0.2%		
Results by business segment <sup>*1</sup>	Automotive Products	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	377,907
		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	9,548
	General Industrial Products	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	67,241
		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	1,773
Results by geographical segment <sup>*1</sup> 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	208,677
		Profit	Millions of yen	14,694	(564)	3,887	5,356	5,883	440	4,943	2,390	(267)	(1,206)	(135)	(1,147)	1,929
	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	101,681
		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)	122
	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	134,936
		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	10,520
	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	53,230
		Profit	Millions of yen	1,353	608	(142)	(152)	91	1	(1,804)	(3,293)	(1,604)	(142)	(1,518)	(1,032)	(395)
	<b>Financial Position</b>															
	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	373,262	
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	167,668		
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	150,625		
<b>Cash Flows</b>																
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	36,302		
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)	(28,645)		
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)	(12,584)		
<b>Other Data</b>																
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	23,736		
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	32,641		
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	14,210		
<b>Per Share Data</b>																
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	1,451		
Profit attributable to owners of the parent company per share (basic)	Yen	137	11	34	96	59	29	39	(43)	28	50	34	(48)	8		
Dividends per share	Yen	18	14	13	15	15	16	17	18	18	19	20	14	14		
<b>Stock and Dividend Data</b>																
Consolidated payout ratio	—	13.1%	127.4%	37.7%	15.7%	25.6%	55.3%	43.3%	—	64.4%	38.0%	58.9%	—	165.1%		
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%	1.0%		
<b>Other Key Performance Indicators</b>																
ROA (Business profit to total assets) <sup>*2</sup>	—	10.1%	2.6%	4.7%	6.9%	5.1%	3.1%	3.8%	2.7%	3.7%	3.7%	3.1%	2.3%	2.9%		
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%)	0.6%		
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%	40.4%		
Net D/E ratio <sup>*3</sup>	—	(0.08)	(0.02)	(0.17)	(0.13)	(0.05)	0.05	0.28	0.30	0.38	0.39	0.39	0.40	0.41		
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	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	26,109		

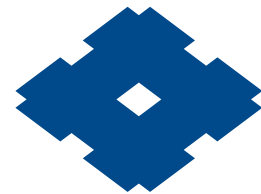
\*1 Business profit = Operating profit - Other income and expenses  
Profit in "Results by business segment" and "Results by geographical segment" is operating income under Japanese GAAP and business profit under IFRS

\*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

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**[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 each of the Sumitomo Riko Group's businesses, 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.