



SUMITOMO RIKO Integrated Report 2021

**Global  
Excellent  
Manufacturing  
Company**

## Message from the President & CEO

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## For details, please see Sumitomo Riko's website



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## Editorial Policy

### Period covered in the Report

From April 1, 2020 to March 31, 2021 (fiscal 2020). This Report also refers to certain activities that are being undertaken in fiscal 2021 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

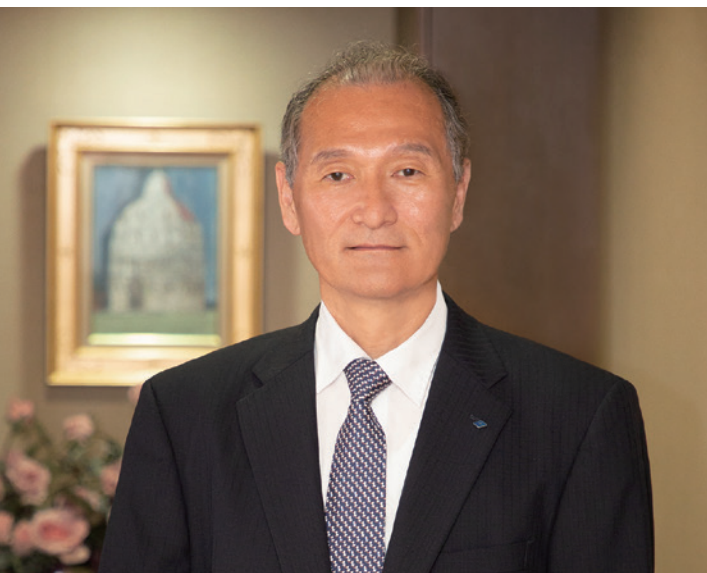
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Kazushi Shimizu  
Representative Director and President & CEO

## We will create an Organizational Culture that responds to changes in the global environment and society, and Grow Sustainably with Society.

### Review of Fiscal 2020

In fiscal year 2020, the new coronavirus raged around the world and our lives have drastically changed. Under these circumstances, the business environment surrounding our company faced severe situations, especially in the first half of the year, due to the suspension of automotive production in various regions and the cooling down of consumer confidence caused by infection prevention measures.

On the other hand, we thought that now is the time to transform ourselves into a more solid management structure in order to become a company that can grow sustainably, because all employees share the same sense of crisis. And we have proceeded the business nature improvement by implementing structural reforms such as consolidation and elimination of business bases, and cost reduction through further activities. As a result, although sales and profits decreased compared to the previous fiscal year, both sales and profits exceeded the full-year forecast announced in October 2020.

#### ◆ Initiatives and Performance under the Corona Pandemic

In order to proceed with business operations based on the premise of coexistence with the new coronavirus, our first priority was to thoroughly implement infection prevention measures to protect the lives and health of our employees, their families, and other people inside and outside the company. And in order to minimize the impact on our business, we focused on maintaining the supply chain in close cooperation with each business unit, head office divisions, and overseas group companies, so we were able to provide a continuous supply of products. In addition, because of this situation, in light of the recent

increase in costs and the decline in profitability due to intensified global competition, we identified which activities were “Activities to Maintain”, “Activities to Accelerate”, or “Activities to Stop”, and promoted KAIZEN activities across the group.

Particular emphasis was placed on “Optimization of Bases and Costs”, “Value Creation through Strategic Collaboration” and “Communication” to strengthen the management base. In the area of “Optimization of Bases”, in response to changes in the market and the times, we sold shares in our French subsidiaries, non-core business, and consolidated factories in Thailand, India, and other parts of Asia to improve efficiency. On the other hand, we decided to establish a new automotive hose company in Vietnam as a preparation for the future. In terms of “Cost Optimization”, we accelerated the review of fixed costs on a consolidated basis globally, which has been underway since fiscal 2019. In the area of logistics and procurement, which has become increasingly important due to the Corona pandemic, we not only reduced costs by eliminating waste in the short term, but also launched a project to streamline our logistics system from a medium- to long-term perspective.

Regarding “Value Creation through Strategic Collaboration”, we promoted collaboration with external parties aiming at creating products that meet the needs of our customers and end users amid rapid changes in the automotive industry such as the shift to electrification, in order to make up for our weak points and further develop our strengths. In October 2020, we have established the “Sumitomo Riko-AIST Advanced Polymer Device Joint Laboratory” in collaboration with the National Institute of Advanced Industrial Science and Technology (hereinafter referred to as AIST). In this laboratory, the advanced technologies we have cultivated and research and development results at AIST will be fused in order to promote research and product development that contributes to the safety, security, and comfort of people in all aspects of their lives. Specifically, we will conduct experimental research that reproduces actual driving conditions using vehicles

### Message of Sympathy

#### to all those affected by the new corona virus infection

I would like to express my deepest condolences to those who lost their lives due to the new coronavirus infection, and my heartfelt sympathy to all those affected, their families, and all those concerned. I would also like to express my heartfelt gratitude and respect to all the essential workers who are working on the front lines of treatment and prevention of the spread of the infection in medical, nursing and welfare facilities, as well as in government agencies and support groups.

## Review of Fiscal 2020

equipped with sensing devices, and verify the extent to which biological information and conditions can be estimated. In this context, we are also working to upgrade our comprehensive evaluation technologies and establish various technologies that are still under development, with the aim of creating high value-added product groups and solutions.

As for “Communication”, I felt the importance more strongly than ever before. In the beginning, when face-to-face communication became difficult due to infection prevention measures, it was sometimes very difficult to communicate the company’s direction and the status of other departments. In order to get through this situation and respond to this crisis as a group-wide team, we have been using the “President’s Blog” that was launched in June 2020, company-wide e-mails, and video messages to communicate our future policies and the status of each department. In addition, at the manufacturing site, remote factory inspections were conducted to gather feedback from the factory floor and link it to KAIZEN activities. Thus, I feel that we were able to unify the will of the employees despite the uncertain future.

### Consolidated Profit/Loss of FY2020 [IFRS] (100 millions of yen)

	FY2019 Actual	FY2020 Actual	Change from prev. yr.	
			Amount	Rate
Net sales	4,451	3,979	-472	-11%
Business profit	113	79	-34	-31%
(Profit margin)	2.5%	2.0%		
Operating profit	89	2	-87	-98%
(Profit margin)	2.0%	0.1%		
Profit before income taxes	74	(6)	-80	—
Profit for the year	25	(34)	-59	—
Profit attributable to owners of the parent company	9	(50)	-59	—

#### Exchange Rate

	FY2019 Actual	FY2020 Actual	Change	Rate
(Yen/USD)	108.74	106.07	-2.67	-2%
(Yen/EUR)	120.83	123.71	+2.88	+2%

(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.

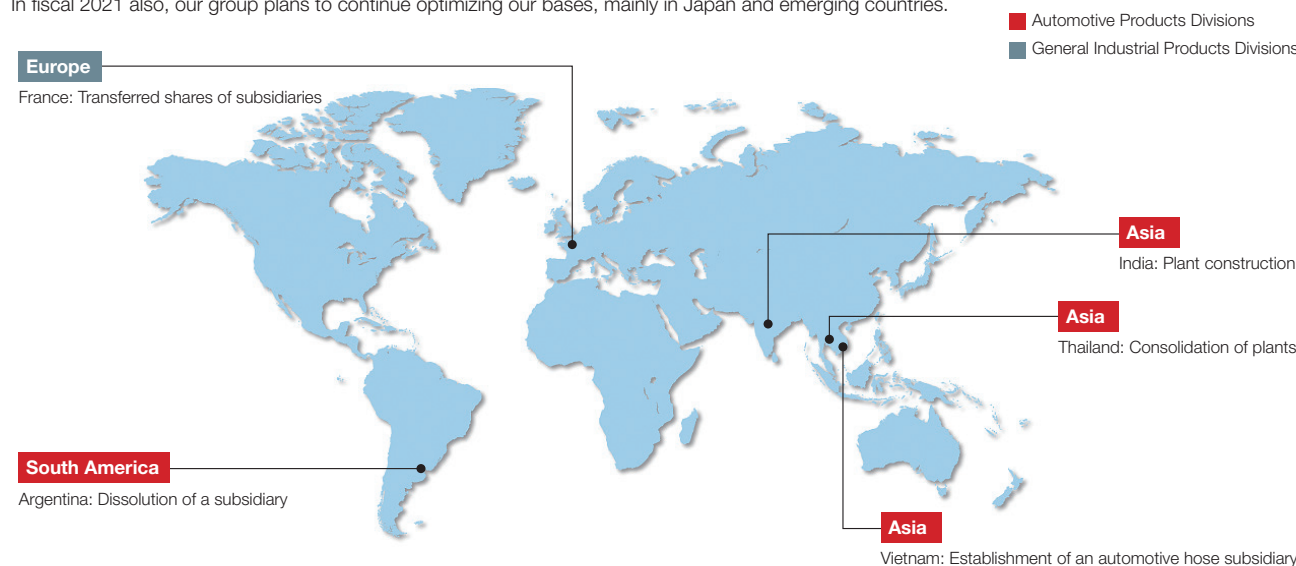
As a result of such steady implementation of the aforementioned initiatives, although sales decreased due to the impact of the new coronavirus spread, the effects of cost reductions were more than offset by the decrease in sales, and with the addition of recovery production by automobile manufacturers in the second half of the fiscal year, we were able to achieve a record high business profit (half year). On the other hand, final profit and loss (full year) was in the red due to the recording of expenses for structural reforms such as consolidation and elimination of bases with an eye to the future.

### ◆ Dividends

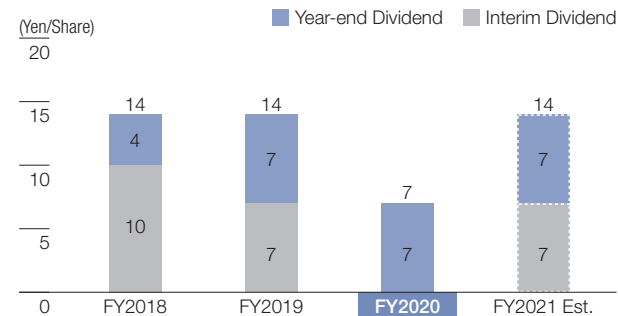
Sumitomo Riko positions shareholder returns as one of its important management policies. The Company’s basic policy is to maintain stable dividends over the long term, taking into account the business results and other factors. Although we posted a loss in final profit for the fiscal year ended March 31, 2020, we have decided to pay an annual dividend of 7 yen per share, taking into account the improvement in business performance in the second half of the fiscal year. Going forward, we will work to recover our business results and improve shareholder returns.

### Fiscal 2020 - Base optimization through structural reform

In fiscal 2021 also, our group plans to continue optimizing our bases, mainly in Japan and emerging countries.



### Dividend Trends



	FY2018	FY2019	FY2020	FY2021 Est.
Profit attributable to owners of the parent company per share (basic)	(48.37yen)	8.48yen	(47.74yen)	33.71yen
Dividends payout ratio	—	165.1%	—	45.1%
Dividend on equity attributable to owners of the parent	0.9%	1.0%	0.5%	1.0%

## Toward Fiscal 2021

For fiscal 2021, we forecast consolidated net sales of 445 billion yen and business profit of 13.5 billion yen. Although there is no sign of the new coronavirus being contained in the current fiscal year, economic activity is beginning to normalize in some areas as personal consumption recovers due to progress in vaccination and economic stimulus measures.

On the other hand, the business environment is still expected to remain severe due to the spread of highly infectious new coronavirus variants, production cutbacks in automobiles due to the shortage of semiconductors, and the impact of soaring raw material prices. With the aim of building a "Solid Business Structure" capable of securing stable profits while responding flexibly and swiftly to rapid changes in the external environment, our group will continue to work on strengthening its profitability through structural reforms such as consolidation and elimination of bases and further cost reduction activities.

### ◆ Fiscal 2021 Focuses and Financial Results Forecast

Although economic activities are on a recovery track, the situation in fiscal 2021 remains uncertain. Therefore, as in the previous fiscal year, the Group will deepen its efforts in each field to build a "Solid Business Structure" based on "Profitability" and "Growth Potential".

In the area of "Research and Product Development", we will select and concentrate on development themes with growth potential in order to speed up development and commercialize products as quickly as possible. Furthermore, in order to improve the tendency for development activities to be domestically focused, we will build a system that allows rapid development by sharing and dividing the work among the four regions of Japan, the United States, Europe, and China. In the area of "Procurement and Logistics", in addition to continuing activities to reduce procurement costs on a global basis, we are promoting a project to streamline our logistics system from a medium- to long-term perspective through a cross-divisional review. As for the area of "Production", it is urgent to rebuild our U.S. bases, which have been performing poorly due to intensifying global competition and labor shortages. In the current fiscal year, we expect to be affected by soaring prices of steel products and natural rubber, but we will rebuild

our profit structure by making steady efforts to reduce losses through training of local human resources and process improvements. In addition, we will reorganize the Fuji-Susono Plant, which is responsible for the Automotive Anti-Vibration Business and Chemical and Plastic Products Business, and promote the consolidation and elimination of bases in emerging countries, etc., in order to optimize the system of local production for local sales. In the area of "Sales", we will promote activities to win orders for the accelerating electrification of automobiles and expand sales of new technologies and products. In the General Industrial Products Division, we are not only pursuing synergies from the integration of each business division, but also promoting the utilization of core technologies of the Automotive Products Division.

In addition, with the rapid changes in the external environment through the Corona pandemic, we must further speed up our response to change. Therefore, in fiscal year 2021, we will make a concerted effort to move forward, especially with regard to carbon neutrality and the use of digital technology in manufacturing. In order to achieve this, we need "Creating a corporate culture that responds

flexibly to change without being bound by past concepts". I believe that by creating an organization and workplace where diverse human resources can maximize their abilities, we will be able to create new value by demonstrating the power of teamwork that transcends the barriers between departments.

The full-year financial results forecast incorporating these initiatives has been formulated based on the assumption, at the time of the announcement, of a reduction in automotive production due to a shortage in the supply of semiconductors, as well as the risk of a sharp rise in prices of steel products and natural rubber. With regard to fixed costs, although the plan anticipates a reactionary increase in costs that were temporarily reduced due to the crisis response at the Corona pandemic and other factors, in the execution phase, we will continue to implement cost reduction activities throughout the Group, such as determining whether the activities are to be "Maintained", "Accelerated", or "Stopped", and firmly re-evaluating the cost-effectiveness of our business activities.

### Consolidated Profit/loss of FY2021 Estimate [IFRS]

	FY2020 Actual	FY2021 Estimate	Change from prev. yr.	
			(100 millions of yen)	
			Amount	Rate
Net sales	3,979	4,450	+471	+12%
Business profit	79	135	+56	+71%
(Profit margin)	2.0%	3.0%		
Operating profit	2	110	+108	x55
(Profit margin)	0.1%	2.5%		
Profit before income taxes	(6)	100	+106	—
Profit for the year	(34)	55	+89	—
Profit attributable to owners of the parent company	(50)	35	+85	—
Exchange Rate				
(Yen/USD)	106.07	105.00	-1.07	-1%
(Yen/EUR)	123.71	126.00	+2.29	+2%

(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.

### Capital Expenditures, Depreciation and R&D Expenses

	(100 million of yen)		
	FY2019	FY2020	FY2021 Estimate
Automotive Products	204	172	196
General Industrial Products	46	30	34
Capital Expenditures	250	202	230
Depreciation	268	241	230
R&D Expenses	142	131	145
Ratio of R&D Expenses to Net Sales	3.2%	3.3%	3.3%

(Note) Capital Expenditure/Depreciation does not include investment/amortization of development assets and amortization of licensed assets under IFRS 16.

## Mid-Term Strategy

# Toward the Achievement of the Mid-Term Business Vision

Under the theme of “Aim for Constant Growth and Organizational Reinforcement”, our group is working hard to enhance its corporate value and public value with “Creation of New Business and New Customers”, “MONOZUKURI Innovation” and “Reinforcement of our Global Business Foundation” as our major management strategies based on our mid-term vision “Sumitomo Riko Group Vision (2022V)”, which was announced in May 2018.

### ◆ 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.

### ◆ Creation of Social Value

One of the Group’s missions to create social value is to contribute to the resolution of social issues, such as the SDGs, through technological innovation. In recent years, our products and technologies are not only incorporated into our customers’ products and used in the market, but are also increasingly used directly by end users. Under these circumstances, I am really feeling that there is an increasing demand for manufacturing products that will help realize a more sustainable society as a result of the COVID-19 pandemic.

That’s why we always keep in mind that we must capture the needs of our customers by proactively proposing solutions to social issues, add unique value through technological innovation in manufacturing based on strong partnerships with our customers, and maximize positive impacts while minimizing negative impacts on society. And the compass for this is the SDGs. The following is a case study of our products and initiatives in new businesses, starting from social issues (SDGs). Based on this approach, we will create social value over the medium to long term.

### 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 contributions 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>

### Creation of New Businesses with Social Issues as the Starting Point

Social Issues	SDGs	Customer Needs	Our Advantage	Examples of our Products and Initiatives
A safe and secure Mobility Society		<ul style="list-style-type: none"> <li>• Safe and secure Automated Driving</li> <li>• Driver Watchdog</li> </ul>	Smart Rubber	<ul style="list-style-type: none"> <li>• Steering Touch Sensors</li> <li>• Driver Monitoring Systems</li> </ul>
		Optimizing mobility to be human-centered and expanding life space for all people	Establishment of the "Sumitomo Riko-AIST Advanced Polymer Device Joint Laboratory"	
Climate change (carbon neutral)		Improving EV power costs	High heat insulation material	Finesulight
		Ensuring the safety of EV batteries		Heat insulation material between battery cells
		Safety improvement and highly efficient power generation of FCEVs	Sealing materials	<ul style="list-style-type: none"> <li>• Cell Gaskets</li> <li>• Hydrogen hoses</li> </ul>
New coronavirus infections (COVID-19)		Temperature-controlled storage of new coronavirus vaccines	High heat insulation material	Finesulight
		Improving the quality of food delivery, which is in increasing demand due to the Corona pandemic		
		Remote monitoring of patients' condition	Smart Rubber	Body Motion Sensors (MONILIFE Wellness)
Super-aging society		Monitoring of nursing care, prevention of frailty, prevention of lifestyle-related diseases		

## Mid-Term Strategy

### ◆ Pursuit of Public Value

The public values that we have set in 2022V include not only contributing to the resolution of social issues through our business itself, but also activities to reduce the negative impact on society and the global environment caused by our production and business activities as much as possible. In order to promote these activities, we have been working hard by setting specific KPIs for reduction of CO<sub>2</sub> emission and industrial waste, zero occupational accidents, and thorough compliance training as 2022V non-financial targets.

As shown in the table below, we have made steady progress toward each target. In fiscal 2020, the total amount of CO<sub>2</sub> emission and industrial waste decreased significantly due to the impact of production cutbacks caused by the spread of the new coronavirus. On the other hand, in terms of emissions per unit of sales, we were able to exceed our target by reducing waste discharge by 7.1%, but actual CO<sub>2</sub> emissions increased by 0.2%. This was due to the deterioration of production efficiency caused by the operation of facilities and equipment that are not directly involved in production, such as offices and development departments, and production cutbacks. In

fiscal 2021, we aim to achieve the target by thoroughly reducing the fixed energy generated regardless of production. In addition, we are considering whether we can promote the reduction of CO<sub>2</sub> emissions at our and our customers' production sites by using our own product "Finesulight" as a heat insulator for factory facilities. Regarding occupational accidents, I myself have been deepening communication with employees through safety dialogues, and promoting the creation of safe personnel and facilities through safety patrols by managers and supervisors, and the enhancement of global safety standards. With regard to compliance, we held a Compliance Review Day and a Compliance Leaders' Meeting in Japan, and Group Global Compliance Training was held overseas, in which all the subject employees participated.

In July 2021, we reviewed the CSR Committee, which I chair, and renamed it the CSR/Sustainability Committee. By abolishing the previous system of subordinate committees, the committee will focus on speed and will work on CSR activities that are integrated with business activities throughout the Group. In addition to "Safety and Health", "Environment", "Social Contribution", "Diversity", and "Supply

Chain", the new committee will also deal with themes such as "Human Rights" to steadily achieve the 2022V goals and consider CSR/sustainability strategies that match the rapidly advancing trends in the world, thereby increasing the value of public interest.



Safety Dialogue with an Employee

### CSR Management Policy

With the UN Sustainable Development Goals (SDGs), the Global Compact, and other global initiatives in mind, we have categorized aspects of CSR management into the following three perspectives for the establishment of our CSR Management Policy.

- 1 Take action that does not harm society and the global environment (minimization of negative impact)
  - Appropriate responses to risk in areas such as human rights, labor, the environment, and anti-corruption
- 2 Contribute to solving social and global environmental challenges (maximization of positive impact)
  - Businesses and social contribution activities that provide solutions to social challenges
  - Human diversity that contributes to the emergence of innovation
- 3 Improve engagement with stakeholders through communication and raise corporate value with a long-term view
  - Information disclosure, dialogue, collaboration

LINK ➔ CSR Management  
<https://www.sumitomoriko.co.jp/english/csr/portal/policy/system.html>



### 2022V Non-financial Objectives and Progress

	Items	Objectives	Results		
			FY2018	FY2019	FY2020
Environment	CO <sub>2</sub> reduction	8% reduction (*1)	2.0% reduction	3.2% reduction	0.2% increase
	Waste reduction	5% reduction(*1)	2.4% reduction	4.1% reduction	7.1% reduction
Society	Frequency rate of all industrial accidents	Zero industrial accident	0.46	0.78	0.61
	Compliance training	Participation rate 100% (*2)	92%	100%	100%

(\*1) Compared with the emission intensity in fiscal 2017

(\*2) For both domestic and overseas subject trainees



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

## Challenge to solve Social Issues by Accelerating the “Strategic Collaboration” that respond Flexibly to Change

### ◆ Challenge Social Issues under the Corona pandemic with our Colleagues and Partners

As a result of the spread of the new coronavirus infection, our business activities were restricted worldwide in emergencies, and our group was required to make many decisions. In the midst of this situation, we once again strongly recognized the importance of the Sumitomo Spirit and the Sumitomo Riko Group Management Philosophy, which serves as our management guideline. From now on, we will continue to work to prevent the spread of infection while steadily advancing our business, and at the same time, we will work with our many colleagues and partners to provide products and services that meet the needs of society based on technological innovation.

### ◆ Business Reforms implemented under the Corona Pandemic

Due to the impact of the spread of the new coronavirus, our group also made production adjustments and temporary closures due to a decrease in demand, but we took this emergency situation as a positive opportunity and worked on KAIZEN activities at our production sites. We started with a review of the entire operation, including a re-organization of business issues and objectives, identified waste in transportation and operation in the plant, reviewed the layout of equipment, re-established work standards, and conducted compatibility training so that one person can be in charge of multiple manufacturing processes.

### ◆ Our technology to Fight the New Coronavirus

Our group entered the healthcare field in 2013, and has been working to improve people's lives and health through the development of technologies and products. The demands of society in response to the new coronavirus require a speed and high level of technological challenge that is unthinkable in conventional development. Our group is not bound by conventional common sense and is promoting new initiatives that transcend the boundaries of internal and external organizations.

### ◆ Adoption of "Body Motion Sensors" for research related to the new coronavirus

Utilizing our brainchild, the sensing technology of special rubber material “Smart Rubber (SR)” which conducts electricity, our group has been providing “SR Soft Vision”, a body pressure distribution sensor

for use in nursing and care facilities, and “Taiatsu Bunsan”, an anti-bedsore mattress. By upgrading this SR, we have developed the “Body Motion Sensors”, a diagnostic device that can simultaneously measure biometric information (vital data) such as heartbeat and respiration, which we have been supplying to medical institutions and companies since 2019.

In August 2020, the National Institute for Medical Research and Development (AMED) of Japan invited applications for the “Project for the Development of Technology for Countermeasures against Infectious Diseases including Viruses”. And Osaka University’s “Research and development of a severity index for COVID-19 patients using Respiratory Stability Time (RST),” in which we participate by supplying Body Motion Sensors, was selected.

In this research, we are developing a system that uses our Body Motion Sensor to detect early signs of respiratory failure in patients without contact. In the case of new coronaviruses as well as other infectious diseases where contact must be avoided as much as possible, we believe that constant online monitoring will not only reduce the severity of the conditions through early intervention, but will also contribute greatly to avoiding the risk of infection among healthcare workers.

### ◆ Adoption of "Finesulight" for Insulated Boxes for Vaccine Transportation

In May 2021, our thin-film high heat insulating material Finesulight

was adopted by Sugiyama-Gen Co., Ltd. for their dry ice compatible ultra-high-performance heat insulating box “BioBox Freezer”.

BioBox Freezer has improved its thermal insulation performance by about 20% by using additional Finesulight in the vacuum insulation material used in conventional temperature-controlled transport boxes. It is expected to contribute to the long-term temperature-controlled storage and management required for new coronavirus vaccines.

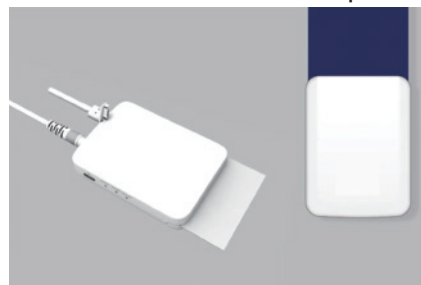
Originally, we had been developing Finesulight as a heat insulator for automobiles, but we were able to commercialize it in an unprecedentedly short period of time in response to the needs of the Corona pandemic. Actually, in April 2020, we merged two development centers, one for the automotive field and the other for other fields, with the aim of accelerating the speed of development. We believe this resulted in greater technological fluidity and quicker decision-making, which made this project successful.

### ◆ Towards a New Normal

From now on, our society, values, and behaviors will change, and a new set of values, the “New Normal,” will be created. We need to accept this change and change our own behavior.

With an eye on the new normal, and under the slogan of “Creating a corporate culture that responds flexibly to change without being bound by past concepts”, our group will continue to contribute to the creation of new social values with our many colleagues through technological innovation.

Body Motion Sensors (MONILIFE Wellness) that can measure biometric information such as heartbeat and respiration



Currently under sales monitoring for research and development. In addition to medical applications, it can be applied to health management, sleep monitoring, and biometric sensing for drivers.

Finesulight can be used for a variety of purposes.



A highly insulating filler (silica aerogel) with nano-sized pores has been converted into a coating material. Coating of nonwoven fabric, molded resin, and other base materials to create a thin, flexible heat insulator with higher heat insulation properties than still air.

Finesulight used in vaccine transport boxes



Silver-colored part. Built into the exterior on the five sides excluding the top.



## Mid-Term Strategy

### ◆ Think about Future Mobility & Society with Colleagues and Partners

Currently, many countries are accelerating their efforts to realize a carbon-neutral world in which greenhouse gas emissions are virtually zero. In automobiles, the shift from conventional engine vehicles to hybrid electric vehicles (HEV/PHEV), electric vehicles (EV), and fuel cell electric vehicles (FCEV) is becoming essential. Since our founding, we have been creating new value by steadily expanding our business domain while accurately grasping the direction of the times and market needs.

The automotive industry is undergoing a once-in-a-century period of great change. In order to survive in a drastically changing market environment, such as the entry of new giant platform companies, even higher competitiveness is essential. "CASE" is considered to be the key for the survival. High-quality materials and products are indispensable to bring CASE to the level of practical use and to spread it throughout the world.

As a MONOZUKURI company that handles materials, parts, products, and systems from upstream to downstream, we will use our advanced technologies backed by our strength in materials and create products that will bring new value to future automobiles with colleagues and partners who can be co-creative by leveraging our different strengths.

### ◆ Advance the goal of "Zero Accidents" through the development of Sensors that are the Key to the Evolution of Automated Driving and Safety

By integrating the aforementioned SR sensor into the steering wheel, we have developed the "Steering Touch Sensors," a product that can detect touch on the steering wheel no matter where it is held. Due to its high flexibility, it can be installed without changing the design and feeling of the conventional steering wheel, allowing for a comfortable driving experience.

In addition, SR sensors are installed in the seat to measure the pressure on the seat surface to detect heartbeat and breathing. We are aiming to build a "Driver Monitoring System (DMS)" that will prevent accidents by estimating the driver's condition and activating the driver assistance system when it detects signs of falling asleep or changes in physical condition. In order to commercialize the product, we plan to conduct experimental research at the "Sumitomo Riko-AIST Advanced Polymer Device Joint Laboratory", a cooperative research laboratory with AIST, using AIST's automobile test road (hereinafter referred to as "test road") to reproduce actual driving, and to estimate and verify the biometric information and state.

At the same time, in order to accelerate our entry into advanced development with automobile manufacturers, we will take advantage of the driving evaluation environment of this trial road to advance development methods such as virtual development and model-based development in the future.

### ◆ Control Heat to make Cars more Comfortable and Eco-friendly

Compared to metal, rubber and plastic pipes have the advantage of transporting waste heat energy with less loss. Therefore, by minimizing waste heat loss as much as possible, we can contribute to improving the cruising range of EVs. We are also proposing the installation of products that use "Finesulight", a thin-film high heat insulating material, on the doors and ceilings of automobiles, and the direct application of the material to the ducts of air conditioners to save power and improve the power costs of air conditioners, thereby reducing battery costs.

### ◆ Sealing Technology to Safely Promote Clean Vehicles

We developed hydrogen hoses that transport hydrogen at high pressure, where leakage is not allowed, using the material compounding technology we have cultivated. For the joints, which had been an issue, we also developed sealing with a barrier design that prevents hydrogen from leaking, contributing to the manufacture of FCEVs with highly reliable and durable parts. We have also developed and provided "Cell Gaskets" for FC stacks, which are power generation devices, to form hydrogen flow paths. Our Cell Gaskets continue to be used in the new "Mirai" launched by Toyota Motor Corporation in December 2020. We are creating ideal materials with our advanced and precise technology and boosting the spread of eco-friendly cars in the next generation.

Applications for these technologies will be strengthened not only for mobility, but also for other fields, and we will continue to seek our teammates for commercialization.

#### Steering Touch Sensors



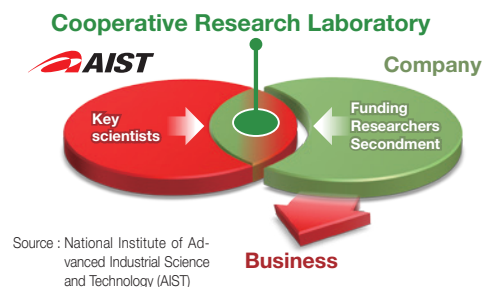
Built into the steering wheel to detect whether or not the driver is holding it. Compatible with automatic driving level 2 to 3.

#### Driver Monitoring Systems (DMS) prototype



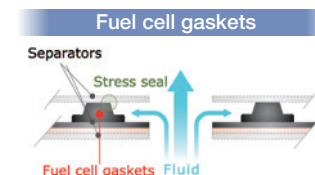
The system detects weak vibrations transmitted from the human body to the driver's seat, and uses a unique algorithm to estimate heart rate, respiration rate, and body movement information.

#### Collaborative Research Laboratory with AIST



Established the Collaborative Research Laboratory with the aim of contributing to the safety, security, and comfort of people in all aspects of their lives by combining the advanced technologies cultivated by our Group with the results of AIST research and development.

#### FCEV (Fuel Cell Electric Vehicle) Cell Gaskets



Our Cell Gaskets continue to be adopted in the new Mirai following the first-generation Mirai launched in 2014.

## The Company We Aspire to Be in the Long-Term

# Global Excellent Manufacturing Company

## Aiming to be a Corporation that contributes to Safety, Comfort, and the Environment for people, society, and the earth

With the Sumitomo Spirit as our guiding principle, the Sumitomo Riko Group will pursue its ideal of becoming a "Global Excellent Manufacturing Company" and grow sustainably with society as a "Company Indispensable to the World".

### ◆ Cornerstones as a Responsible Company

Our Group operates its business based on "the Sumitomo Spirit," which upholds "Shinyo-kakujitsu" and "Fusu-furi", and the "Sumitomo Riko Group Management Philosophy" shown below. Further, in order to specifically implement these principles, we have the "Sumitomo Riko Group Corporate Action Charter", and the "Sumitomo Riko Group Global Compliance Action Guidelines" as a code of conduct for officers and employees. Both of these are the cornerstones of a responsible company. In addition, I always tell my employees to approach their work with the Sumitomo Spirit of "Banji-nissei" (First of all, be a person who is sincere in all things as a human being.), which is my personal motto.

We also signed the United Nations Global Compact (UNGC) in

### 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.sumitomorko.co.jp/english/company/message/>

2014, committing to practice corporate activities in accordance with the ten principles in the four areas of "Human Rights", "Labour", "Environment", and "Anti-Corruption", and to contribute to solving the social issues raised by the SDGs through our core business. In September 2020, the UNGC issued "A Statement from Business Leaders for the Renewed Global Cooperation" and asked signatory companies to endorse it. This is a statement of determination to realize a sustainable future by uniting all sectors to eliminate social fragmentation, respect human rights, demonstrate ethical leadership, and strengthen governance as social issues become more apparent due to the Corona pandemic. Our company, along with about 1,300 other companies, agreed with this statement and renewed our commitment to be a responsible company.

### ◆ Sustainable Growth with Society

Since its establishment in 1929, Sumitomo Riko has steadily expanded its business domain while accurately grasping the direction of the times and market needs, and has delivered products that meet the expectations of society. This is due to our manufacturing DNA that

### Sumitomo Riko Group Management Philosophy

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

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

has been passed down from generation to generation. As the source of our competitiveness, we will continue to carefully protect it and pass it down to future generations.

While there are some things that should be cherished for a long time, there are also some things that should be flexibly adapted to the changes in the world without being bound by the concepts of the past. It means there are times when we do not realize that the way of working and the way of thinking that we used to take for granted have already become a thing of the past in the current world. Therefore, it is necessary to change such corporate culture and we have to obtain a resilient organizational culture.

The big change is the move towards carbon neutrality. This can never be realized by the accumulation of the conventional ideas. Therefore, we will use unprecedented ideas to reform production sites, expand the use of renewable energy, and develop new technologies. And our group aims to achieve business growth and strengthen our business structure by targeting 30% reduction compared to fiscal 2018 in CO2 emissions by 2030 and carbon neutrality by 2050.

More than a year and a half has passed since the Corona pandemic started, and the outlook for the future is uncertain. That's why I think it is precisely essential for us to create new values for long-term oriented management. Co-creation of values with various business partners, with this as our power source, we will grow sustainably with society. And we will strive to become a "Global Excellent Manufacturing Company" that is strongly sought after all over the world.

### The Ten Principles of the UNGC

Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
Labour	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labour; Principle 5: the effective abolition of child labour; and Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

## 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 as viewed from 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. Currently, outside directors account for

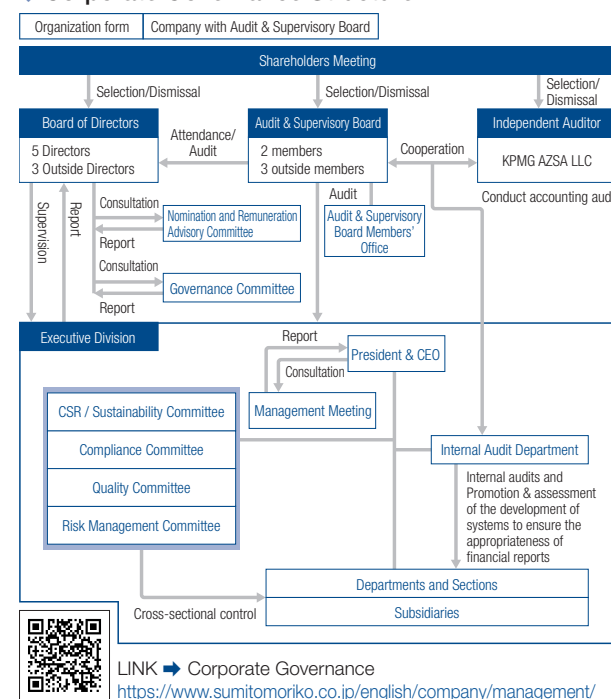
more than one-third of the company's board of directors, and we are responding to the government's consideration of increasing the ratio of Outside Directors at the Growth Strategy Council-Investing for the Future, etc. We will also strive to respond in a timely and appropriate manner to the establishment of systems and disclosure required by the Corporate Governance Code, which was revised in June 2021.

### ◆ Ensuring Objectivity in the Election and the Remuneration of Officers

In corporate management, 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 decisions 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, 2021)

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 2% 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
2015	Group Governance Committee established
2016	Nomination and Remuneration Advisory Committee established
2016	Information Exchange Meeting among Outside Directors/Audit & Supervisory Board Members launched
2019	Appointed the Lead Independent Outside Director
2019	Established the Governance Committee (upgraded from the Group Governance Committee)

Messages from Outside Directors and Auditors

Outside Director  
**Masaaki Iritani**  
 Specialization  
 Legal & Risk Management  
 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.

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.

Outside Director  
**Shigeru Hanagata**  
 Specialization  
 Legal & Risk Management  
 Management



**About the Governance Committee**

I serve as the Chairperson of the Governance Committee, an advisory body to the Board of Directors.

Since our company is a listed subsidiary of Sumitomo Electric Industries, Ltd., we have increased the independence of the Board of Directors by having one-third or more outside directors, including myself, and in situations where conflicts of interest with the controlling shareholder arise, the Governance Committee conducts sufficient deliberations and reports to the Board of Directors, and the Board of Directors deliberates after fully considering the report.

I hope that we can contribute to the realization of "Constant Growth and Organizational Reinforcement" as stated in 2022V by promoting initiatives in terms of governance that ensure soundness and transparency.

Outside Director  
**Mariko Miyagi**  
 Specialization  
 Human Resources, Diversity and Inclusion  
 Management



**Human Resources are Human Capital in which self-sustained career building is key.**

The most important resources in management are absolutely human resources (human capital).

With the reform of work styles, it is essential for each employee to autonomously re-examine their own career development and further motivate themselves to achieve their future career goals.

What is important here is employees' self-reliance. We need to reinforce the awareness of "career autonomy" and ensure that the development of the individual leads to the development 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.

Outside Audit & Supervisory Board Member  
**Hiroshi Nagayasu**  
 Specialization  
 Legal & Risk Management  
 Management



**Business Management for With Corona and After Corona**

As the business environment has become increasingly severe in the wake of the Corona disaster last year, we have adopted more efficient and effective methods, such as conducting audits by auditors remotely. We also have an appropriate understanding of the company's situation through reports on auditing activities by full-time corporate auditors at the Board of Corporate Auditors meetings and quarterly review reports by auditing firms.

In addition to the SDGs, ESG, CASE in the automotive industry, and other issues that have been conventionally addressed, for the time being we will also keep a close eye on the business operations for With Corona and After Corona and implement effective auditing activities through the use of communication tools.

Outside Audit & Supervisory Board Member  
**Aiko Sekine**  
 Specialization  
 Finance & Accounting  
 Management



**Audit Services based on "Genchi-Genbutsu"**

Today, the corporate environment is undergoing major changes. In order to transform the company into a management structure capable of sustainable growth, I believe it is important for the entire company, even each workplace and individual to be aware of continuing to exert his or her abilities. Therefore, as a corporate auditor, I think it is necessary for me to provide opinions and suggestions based on my understanding of the situation at the actual sites and with the actual items.

It has been one year since I became an Outside Audit & Supervisory Board Member, and it is still difficult for me to visit the actual sites because of the Corona pandemic. However, I would like to contribute to the governance of the company by obtaining information in various ways and taking advantage of the knowledge I have gained as a certified public accountant from various corporate frontlines and information I have gained from many people by participating in conferences in Japan and overseas.

Outside Audit & Supervisory Board Member  
**Hakaru Hyakushima**  
 Specialization  
 Legal & Risk Management  
 Management



**Establishment and Operation of a high quality internal control system**

As an Outside Audit & Supervisory Board Member, I would like to fulfill my responsibilities with a constant awareness of whether a high-quality internal control system has been established within the Company and whether it is being properly operated. I will work hard to further improve the quality of auditing so that our company can continue to develop through a good corporate governance system and increase its corporate value to meet the demands of the times.

Based on my organizational management experience in the public service sector where I worked for many years and education research at universities, I would like to express my opinions actively from an independent standpoint while maintaining active communication with directors and others.

# Financial Strategy and Management of Investment in Growth

## ◆ Financial Strategy

### 2022V Financial Strategy

In the Sumitomo Riko Group 2022 Vision (2022V), 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 a 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 at the 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.

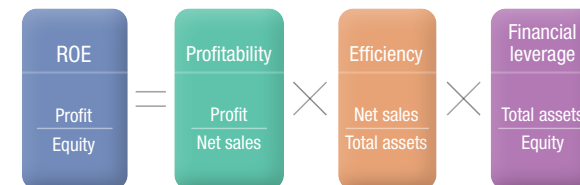
## ◆ Group Financing

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)												
		2010 Japanese GAAP	2011 Japanese GAAP	2012 Japanese GAAP	2013 Japanese GAAP	2014 Japanese GAAP	2015 IFRS	2016 IFRS	2017 IFRS	2018 IFRS	2019 IFRS	2020 IFRS		
<b>Results of Operations</b>														
Net sales	Millions of yen	272,488	252,008	263,725	369,093	400,930	424,485	422,630	462,885	469,705	445,148	397,940		
Business profit <sup>1</sup>	Millions of yen	—	—	—	—	—	14,528	14,564	12,860	9,379	11,321	7,862		
Operating profit	Millions of yen	16,796	12,815	9,204	13,577	10,492	12,867	13,600	12,196	1,153	8,898	227		
Profit attributable to owners of the parent company	Millions of yen	9,940	6,089	3,003	4,076	(4,429)	2,901	5,195	3,528	(5,022)	881	(4,957)		
Business profit to sales	—	—	—	—	—	—	3.4%	3.4%	2.8%	2.0%	2.5%	2.0%		
Operating profit to sales	—	6.2%	5.1%	3.5%	3.7%	2.6%	3.0%	3.2%	2.6%	0.2%	2.0%	0.1%		
Profit attributable to owners of the parent company to sales	—	3.6%	2.4%	1.1%	1.1%	(1.1%)	0.7%	1.2%	0.8%	(1.1%)	0.2%	(1.2%)		
Results by business segment <sup>1</sup>	Automotive Products	Net sales	Millions of yen	217,524	193,728	210,267	312,439	344,023	369,149	362,367	393,440	398,160	377,907	344,204
		Profit	Millions of yen	13,440	9,056	7,080	9,642	7,924	13,012	13,217	9,766	7,771	9,548	4,977
	General Industrial Products	Net sales	Millions of yen	54,964	58,280	53,458	56,654	56,907	55,336	60,263	69,445	71,545	67,241	53,736
		Profit	Millions of yen	3,356	3,759	2,124	3,935	2,568	1,517	1,347	3,094	1,608	1,773	2,885
Results by geographical segment <sup>1</sup> before intersegment elimination	Japan	Net sales	Millions of yen	187,477	188,697	183,131	185,156	183,205	188,911	198,985	213,020	214,033	208,677	175,977
		Profit	Millions of yen	5,356	5,883	440	4,943	2,390	(267)	(1,206)	(135)	(1,147)	1,929	(981)
	Americas	Net sales	Millions of yen	53,953	39,102	50,451	83,029	94,650	100,436	96,376	102,804	105,269	101,681	80,078
		Profit	Millions of yen	3,418	1,954	3,933	4,543	5,069	4,656	3,241	2,311	(894)	122	(4,068)
	Asia	Net sales	Millions of yen	59,857	52,192	61,690	98,762	113,105	127,752	121,795	140,425	144,645	134,936	143,197
		Profit	Millions of yen	8,236	4,832	4,902	9,095	9,874	13,131	13,835	13,099	13,447	10,520	14,906
	Europe and Others	Net sales	Millions of yen	5,365	5,517	5,529	46,977	58,230	57,044	54,370	60,688	59,300	53,230	46,049
		Profit	Millions of yen	(152)	91	1	(1,804)	(3,293)	(1,604)	(142)	(1,518)	(1,032)	(395)	(1,271)
	<b>Financial Position</b>													
	Total assets	Millions of yen	244,638	260,600	324,134	383,005	406,777	385,371	404,799	414,233	397,279	373,262	379,502	
	Total equity	Millions of yen	154,219	156,932	172,918	189,007	199,225	178,494	179,789	184,459	176,598	167,668	171,471	
	Equity attributable to owners of the parent	Millions of yen	144,874	148,286	159,908	172,230	179,687	159,893	161,293	164,379	158,319	150,625	152,636	
<b>Cash Flows</b>														
Cash flows from operating activities	Millions of yen	27,997	12,421	19,692	17,756	19,547	29,854	33,161	31,622	31,462	36,302	29,830		
Cash flows from investing activities	Millions of yen	(13,899)	(23,771)	(36,814)	(51,722)	(17,184)	(33,990)	(32,534)	(27,445)	(28,251)	(28,645)	(26,126)		
Cash flows from financing activities	Millions of yen	(4,433)	1,883	24,557	13,558	2,692	(1,106)	10,715	(6,127)	(8,368)	(12,584)	(6,032)		
<b>Other Data</b>														
Capital expenditure (based on purchase of property, plant and equipment)	Millions of yen	14,938	20,191	25,295	31,334	29,699	30,538	25,548	24,728	25,180	23,736	19,483		
Depreciation and amortization	Millions of yen	18,543	12,621	14,672	21,468	23,301	26,215	26,664	28,766	29,781	32,641	31,977		
R&D expenses	Millions of yen	8,182	8,660	9,698	11,673	12,821	14,215	14,614	14,796	15,002	14,210	13,050		
<b>Per Share Data</b>														
Net assets per share	Yen	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	1,470		
Profit attributable to owners of the parent company per share (basic)	Yen	96	59	29	39	(43)	28	50	34	(48)	8	(47.74)		
Dividends per share	Yen	15	15	16	17	18	18	19	20	14	14	7		
<b>Stock and Dividend Data</b>														
Consolidated payout ratio	—	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	—	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.3%	0.9%	1.0%	0.5%		
<b>Other Key Performance Indicators</b>														
ROA (Business profit to total assets) <sup>2</sup>	—	6.9%	5.1%	3.1%	3.8%	2.7%	3.7%	3.7%	3.1%	2.3%	2.9%	2.1%		
ROE (Return on equity attributable to owners of the parent company)	—	7.0%	4.2%	1.9%	2.5%	(2.5%)	1.8%	3.2%	2.1%	(3.1%)	0.6%	(3.3%)		
Equity attributable to owners of the parent ratio	—	59.2%	56.9%	49.3%	45.0%	44.2%	41.5%	39.8%	39.7%	39.9%	40.4%	40.2%		
Net D/E ratio <sup>3</sup>	—	(0.13)	(0.05)	0.05	0.28	0.30	0.38	0.39	0.39	0.40	0.41	0.41		
Asset turnover	—	1.1	1.0	0.9	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.1		
Number of employees	Persons	13,549	13,894	18,035	22,546	23,568	23,790	24,453	25,689	26,156	26,109	25,796		

<sup>1</sup> 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

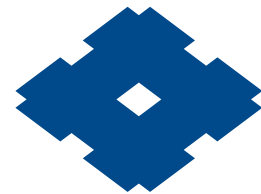
<sup>2</sup> ROA is the ratio of operating income to total assets under Japanese GAAP, instead of the ratio of business profit to total assets.

<sup>3</sup> 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.