

SUMITOMO RIKO Integrated Report 2022

Global
Excellent
Manufacturing
Company

Corporate Philosophy..... P. 1	CSR/Sustainability Management Structure ...P. 12
Value Creation Model..... P. 2	Environment P. 13
Medium-term Management Plan..... P. 3	Society..... P. 14
Core Competencies P. 4	Our Governance Structure..... P. 15
Our Business P. 6	Enhancement of Board of Directors' Functions ... P. 16
	Messages from Outside Directors and Auditors ... P. 17
	Risk Management P. 18
	Internal Control System P. 19
	Endorsement of External Initiatives P. 20
	Financial Information P. 21
	Company Profile and Stock Information ... P. 22

Message from the President & CEO

Review of Fiscal 2021 P. 7

Toward Fiscal 2022..... P. 9

Correspond to the change in “CASE” ... P.10

Financial Strategy P. 11

For details, please see Sumitomo Riko’s website



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

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

Our Company
<https://www.sumitomoriko.co.jp/english/company/>

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Investor Relations (IR)
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CSR Information
<https://www.sumitomoriko.co.jp/english/csr/portal/>

Editorial Policy

Period covered in the Report

From April 1, 2021 to March 31, 2022 (fiscal 2021). This Report also refers to certain activities that are being undertaken in fiscal 2022 or were carried out in previous years.

Boundary of the Report

This Report covers Sumitomo Riko and its Group companies.

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

“Sumitomo Riko” and “the Company”: Sumitomo Riko Company Limited

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

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The Sumitomo Spirit

The Sumitomo Spirit has been refined through the generations for 400 years based on the Founder's Precepts "Monjuin Shiigaki," which Masatomo Sumitomo, the founder of the Sumitomo family, wrote and handed on to describe how a merchant should conduct business. The basic points of the Sumitomo Spirit have been passed on in the form of the two articles of the Business Principles as management guidelines of Sumitomo companies.

Business Principles

- 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.

*Quoted from the Sumitomo Goshi Kaisha Administrative Regulations formulated in 1928

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.

Sumitomo Riko Group Expands into the World, Carrying on the 400-year Old Sumitomo Business Spirit

From Foundation to Expansion of the Business Scope

- 1929 Established in Yokkaichi-shi, Mie as Showa Kogyo Co., Ltd.
- 1930 Company name changed to Kabata Chotai (Belt) Co., Ltd. Started production of conveyor belts
- 1937 Joined the Sumitomo Group. Company name changed to Tokai Rubber Industries, Ltd. (using Kanji for Rubber in the Japanese name)
- 1949 Listed on the Nagoya Stock Exchange (NSE)
- 1954 Started the automotive anti-vibration rubber products business
- 1959 Commercialized radiator hoses; full-scale launch of the automotive hose business
- Started production of hydraulic hoses

- 1961 Company name changed to Tokai Rubber Industries, Ltd. (Changed Kanji for Rubber to Katakana, different Japanese character)
- 1964 Moved the head office from Yokkaichi-shi to Komaki-shi, Aichi
- 1968 Entered automobile interior business
- 1976 Foreman Training (F-Ken) started as part of efforts to develop human resources as part of the general improvement activities at workplaces
- 1984 Started the office equipment precision components business

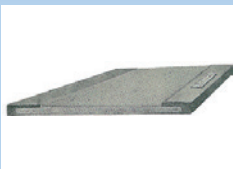
First Expansion Overseas

- 1988 Established DTR Industries, Inc. (current SumiRiko Ohio, Inc.), the Company's first overseas production base in the U.S.
- 1994 Listed on the second section of the Tokyo Stock Exchange (TSE)
- 1995 Established subsidiaries in Thailand and China, the Company's first bases in Asia
- 1996 Listed on TSE and NSE changed to first section
- 1999 Established a subsidiary in Poland, the Company's first base in Europe
- 2001 Developed damping devices for housings and entered the housing market
- 2002 Established TRI Technical Center USA, Inc. (current SumiRiko Technical Center America, Inc.), the Company's first overseas development base in the U.S.

Enhancing Our Global Reach Through Mergers and Acquisitions

- 2013 Acquired Dytech-Dynamic Fluid Technologies S.p.A. (current SumiRiko Italy S.p.A.), an Italian automotive hose manufacturer, and Anvis Group GmbH (current SumiRiko AVS Holding Germany GmbH), a German automotive anti-vibration rubber manufacturer, and made them into consolidated subsidiaries
- 2014 Company name changed to Sumitomo Riko Company Limited
- 2016 Established Global Headquarters (Nakamura-ku, Nagoya-shi) Established Advanced Automotive Systems R&D Center (current Advanced Systems R&D Center) (Komaki-shi, Aichi)
- 2020 Established the "Sumitomo Riko-AIST Advanced Devices of Polymer Materials Cooperative Research Laboratory" with the National Institute of Advanced Industrial Science and Technology (Tsukuba-shi, Ibaraki)
- 2022 Transferred to TSE Prime Market and NSE Premier Market due to restructuring into new market segments

1929 "First Founding"



1930 Company name changed to Kabata Chotai (Belt) Co., Ltd. Started production of conveyor belts



1954 Started the automotive anti-vibration rubber products business



1959 Commercialized radiator hoses; full-scale launch of the automotive hose business



1984 Started the office equipment precision components business

1988 "Second Founding"



1988 Established DTR Industries, Inc. (current SumiRiko Ohio, Inc.), the Company's first overseas production base in the U.S.

2013 "Third Founding"



2001 Developed damping devices for housings and entered the housing market



2013 Entered health and nursing business

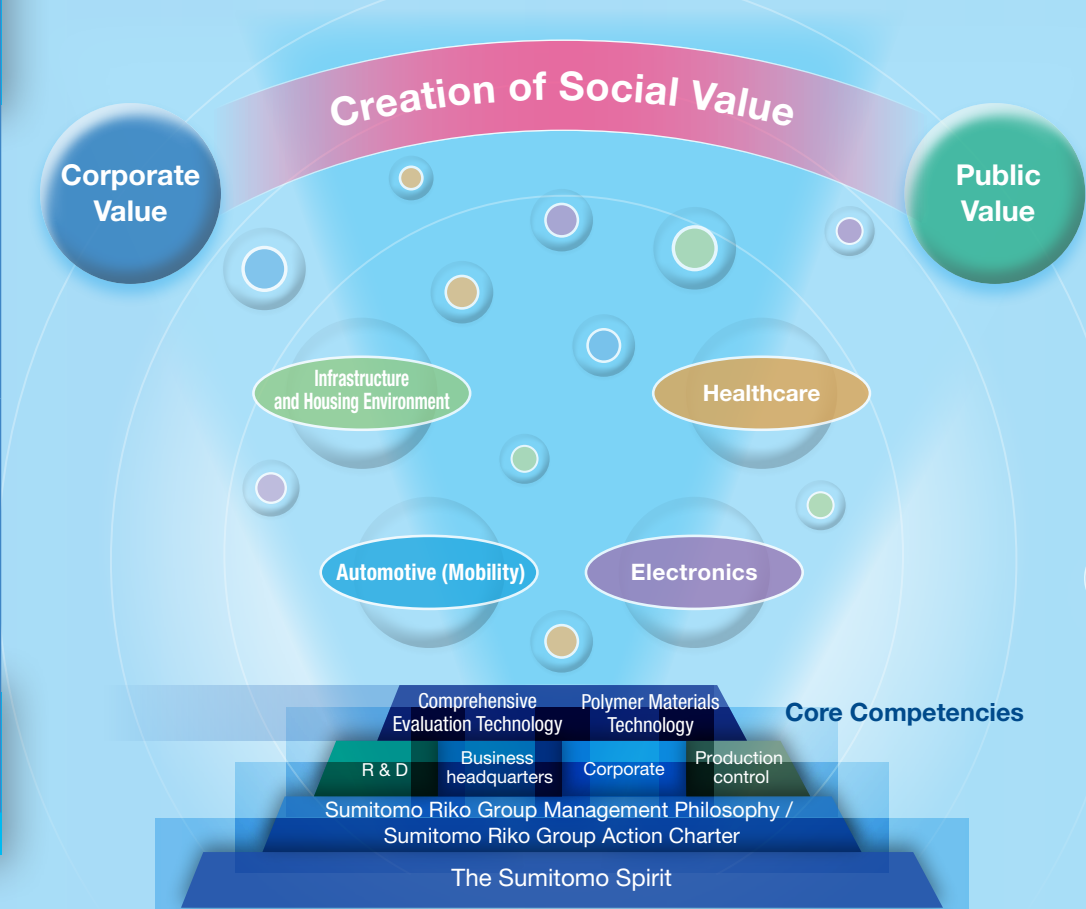
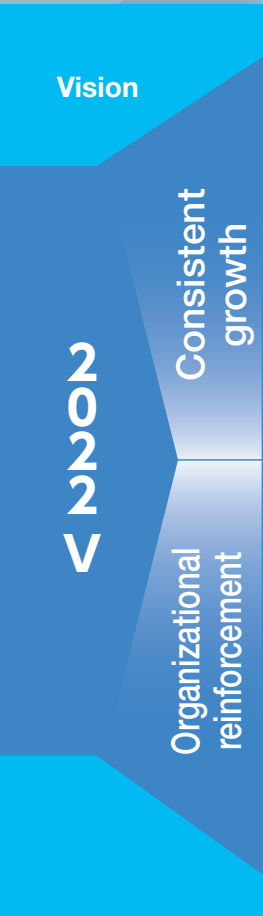


2020 Entered the autonomous driving field

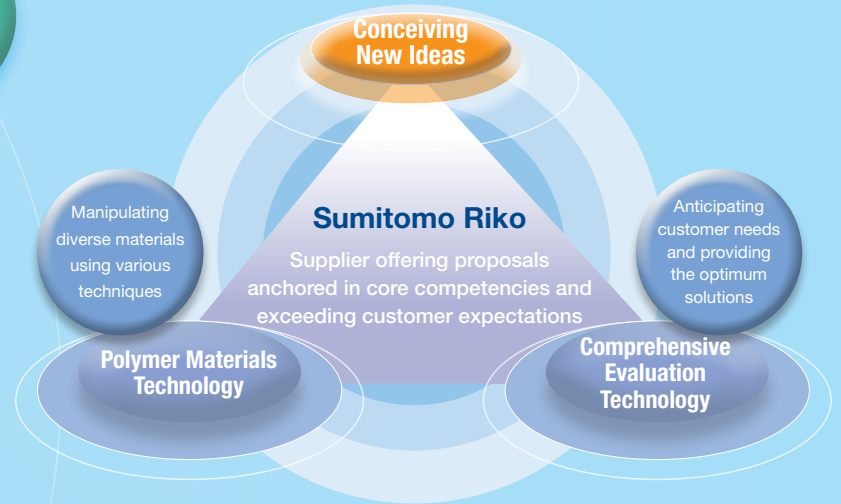
We pursue the possibility of value creation with our core competence as the starting point

Based on the technologies of compounding, synthesizing, and modifying, our "Polymer Materials Technology" gives form to superior functional materials and creates products with exceptionally high added value. On top of this is our "Comprehensive Evaluation Technology" that enables us to evaluate and verify the required performance and reliability by ourselves. With these strengths supporting research and development at Sumitomo Riko as our core competencies, we are reaching out to new markets and regions, as well as aggressively expanding our existing business. We continue our challenge to create value that plays a vital role for people, society, and the earth's environment.

Global Excellent Manufacturing Company



Sumitomo Riko's Core Competencies



We persistently strive to meet customer needs by reiteration of the cycle of new materials creation and feedback from product evaluation to new materials.

*Public value: Sumitomo Riko's unique objective. It includes enhancement of environmental technology, development of environmentally friendly products, zero occupational accidents, and business expansion in emerging-market countries.

2018

2022

2029

What the Company
aspired to be

Global Excellent Manufacturing Company

A corporation that contributes to safety, comfort, and the environment for people, society, and the earth

Theme

2022 Vision
Aim For consistent growth and organizational reinforcement amid major changes in the business environment

Business strategies

- Creation of new businesses and new customers
- MONOZUKURI Innovation
- Reinforcement of global business foundations

100th anniversary

2029

Net sales of
1 trillion yen

Dramatic growth

Consistent growth

What we
aspire to be
in 2029

Global
system supplier

What we
should be in
2022

FY2022 targets

Corporate value (Financial objectives)		Public value (Non-financial objectives)	
Net sales	530 billion yen	CO ₂ reduction	8% reduction*
Operating profit	25 billion yen	Waste reduction	5% reduction*
Operating profit ratio	5%	Frequency rate of all industrial accidents	Zero industrial accident
ROA (Operating profit to total assets)	6%	Compliance training	Participation rate of global executive training shall be 100%
ROE (Return on equity attributable to owners of the parent company)	7%		

*ratio compared with discharge rate in 2017

- To achieve the vision of becoming a global system supplier, all our businesses are expected to join the global top tier* in terms of global market share and the outlook for necessary technology development is clear.
- Themes for all the new businesses are clarified to create new businesses by 2029.

*Global top tier: one of the top three companies in terms of global market share

Pursue product development possibilities by linking two core competencies

Polymer Materials Technology

Creation of new materials

POINT 1 Generate a variety of functions

Polymer materials technology enables higher performance of products based on complex technologies of synthesis, modification, and compound. Since its foundation, by continually enhancing polymer materials technology, Sumitomo Riko has responded to customer needs with its accumulated expertise in the manipulation of diverse materials.

Elements constituting polymer materials technology

<p><Synthesis> Molecular design</p> <p>Design of molecular structures and structural arrangement of rubber, resins, and additives</p> 	<p><Modification> Surface reforming</p> <p>Chemical processing of the surface of additives to enhance bonding with rubber and resins</p> 	<p><Compound> Compounding design</p> <p>Determination of the optimum composition ratio of rubber, resins, and additives</p> 	<p><Compound> Distribution control</p> <p>Control of distribution (mixing) of rubber, resins, and additives</p> 
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Creation of materials whose characteristics are controlled

- Vibration properties
- Acoustic properties
- Barrier properties
- Electrical properties
- Oil resistance
- Thermal properties
- Workability

Linkage

Comprehensive Evaluation Technology

Thorough evaluation

POINT 2 Enhance quality by evaluation from micro to macro perspectives

Deploying comprehensive evaluation technology, Sumitomo Riko performs all the evaluation processes in house from nanoscale and molecular-level analysis in the materials development phase to performance evaluation, incorporating the components in final products, in the product development phase. Comprehensive evaluation technology enables us to anticipate customer needs and propose solutions that are a step ahead.

POINT 3 A step ahead of customers' expectations Conceiving New Ideas

We conceive new products that are a step ahead of customers' requirements through repetition of a process of creation of high performance materials, product evaluation, and feedback to materials development.

Evaluation in each phase through to product shipment

<p><Analysis and observation></p> <p>Analysis of the internal structure of materials, such as the molecular structure</p> 	<p><Material properties evaluation></p> <p>Evaluation of material properties, such as mechanical properties and conductivity</p> 	<p><Product evaluation></p> <p>Evaluation of product performance, such as vibration damping performance and durability</p> 	<p><In-vehicle testing></p> <p>Performance evaluation by incorporating our products in final products</p> 
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Refine the power of materials and aim to go beyond.

Create the bases for product development that satisfies customer needs, which is the core competence of Sumitomo Riko. These are "polymer material technology," which creates highly functional materials based on compound, synthesis, and modification, and "comprehensive evaluation technology," which evaluates and verifies the performance and reliability required for products on our own. Armed with these two strengths, we are not only expanding our existing businesses, but are also actively pursuing business development in new markets and areas.



Seismic Control Systems



Hydraulic Hoses



Connector Seals for automobiles



Hydrogen Hoses



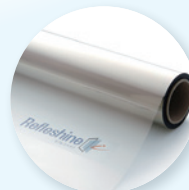
Automotive Hoses



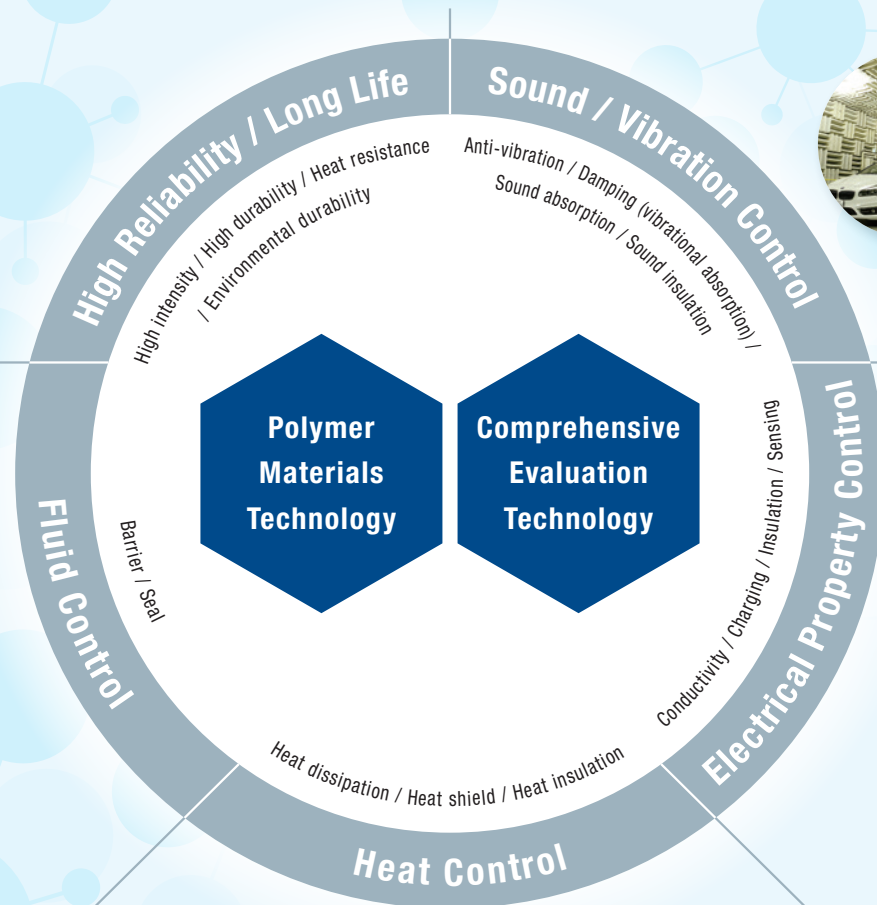
Thin-film High-heat Insulation Materials



Heat Conducting & Sound Reducing Materials



Window Films with high transparency, reflecting and insulating against heat



In-vehicle Evaluation



Automotive Anti-vibration Rubber Products



CAE



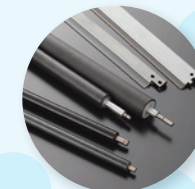
Steering Touch Sensors



Driver Monitoring Systems



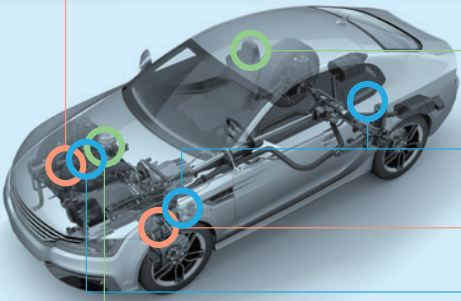
Body Pressure Sensors



Charging Rollers

Automotive Products

Safety, comfort, and environmental friendliness
Our technologies support the progress of automobiles



Seal Products

Connector seals made of silicone ensure that connectors, which connect wire harnesses with various types of equipment, are protected from water and dust. And our precision metal molding and liquid silicone molding technologies ensure Sumitomo Riko Group's connector seals are highly waterproof.



Connector seals



Electrical Active Control Mount (E-ACM)



Suspension products



Fuel Hoses



Air Control Hoses



Headrests



Engine Covers

Anti-vibration Rubber

Boasting flexibility, damping, and reliability, efficiently absorbing the vibrations from the engine and road surface to help contribute to a comfortable vehicle space.

Hoses

Sumitomo Riko automotive hoses are used in many parts of the vehicle from around the engine to around the fuel tank due to their superior heat resistance, impact and vibration absorption, and light weight properties.

Sound Controlling & Insulation Products / Interior Equipment

There are many sources of noise in an automobile, including the engine. Sumitomo Riko's sound controlling, and insulation products shut out these noises and keep the inside of the cabin quiet. We manufacture interior parts such as headrests and armrests that have a pleasant texture but also have excellent shock resistance.

General Industrial Products

Used in the home, at offices, for infrastructure...
in every sphere of society

Electronics

Components for Office Automation Equipment

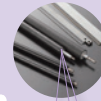
Chemical and Plastic Products Business

Sumitomo Riko has developed a great variety of functional parts, beginning with the charging rollers, by making the most of its innovative formulation design technology, compounding technology to bring together different materials, and precision processing technology, contributing to the improvements in performance in office equipment.

Charging rollers, Developer rollers, Cleaning blades



Printers/Copiers



Toner cartridge

Flexographic Printing Plates

Flexographics Business

Sumitomo Riko used its compounding knowhow to develop a rubber plate that was compatible with flexographic printing. While image quality remains high, water based inks can be used meaning that the plates can be developed with just water, so they are kinder to the environment.



AquaGreen water-developable flexo printing plate

Healthcare

Health and Nursing Care Products

Health and Nursing Care Products Business

We developed our unique Smart Rubber (SR) Sensor, a body pressure detection sensor made of rubber that visualizes pressure. Sumitomo Riko continues to develop products and technologies that are useful in keeping us healthy while we live our lives.



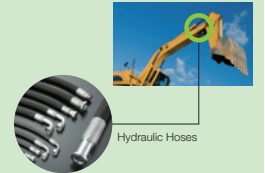
Health and nursing care products

Infrastructure and Housing Environment

Hydraulic Hoses

Industrial Hose Business

These are used in heavy construction equipment and forklifts, with compact piping achievable due to their flexibility.



Hydraulic Hoses

Anti-vibration Rubber for Rolling Stock

Industrial Products and Materials Business

These rubber products are used in the truck parts of trains to significantly reduce vibration generated from the track.



Anti-vibration Rubber for rolling stock

Seismic Dampers

Industrial Products and Materials Business

Seismic control system to reduce damage to wooden houses during earthquakes. The energy from earthquakes is instantly converted to thermal energy to reduce shaking.



TRC Damper (for wooden houses)

Highly Functional Window Films

Industrial Products and Materials Business

This window film keeps heat from sunshine out in summer (heat shielding) and stops indoor heat from escaping in winter (heat insulation). Improving comfort year-round near the windows and contributing to savings in air-conditioning power.



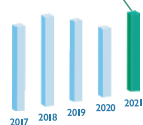
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History December, 1929

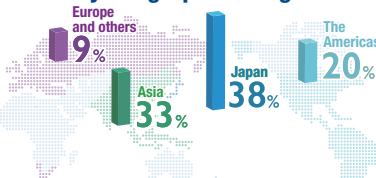


92th
Anniversary

Annual Sales 446.0 billion yen



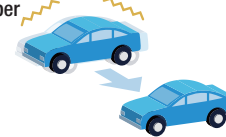
Sales by Geographical Segment



Sumitomo Riko Holds Largest Market Share

Global Share for Anti-vibration Rubber for Automotive

26%
(Top Global Share)*



Global Share for Automotive Hoses

19%
(Top Domestic Share)*



*Shares are both estimates by Sumitomo Riko

Global Network 84 companies in 23 countries



Number of Employees 25,519



Breakdown of Employees by Region



Anti-vibration Rubber Products per Vehicle



30~40
types used
per one vehicle



Kazushi Shimizu

Representative Director and President & CEO

◆ **Overview of Fiscal Year 2021**

In FY2021, we expected our customers to recover production as economic activities recovered from the coronavirus (COVID-19) pandemic, but we were forced to make significant changes from the business environment we had initially anticipated due to the spread of new coronavirus mutant strains and production cuts caused by supply chain disruptions.

Furthermore, our company's earnings environment became even more challenging due to soaring raw material prices, ocean container freight rates, and other logistics costs caused by the tight supply and demand situation.

Although the industrial hose business in the general industrial products division grew and supported overall performance, the Company recorded a net loss on a consolidated basis mainly due to the postponement of reflecting the surging raw material and logistics costs in the automotive products division into the selling prices until the following fiscal year or later.

We take our recent business performance seriously and will continue to improve our management structure more steadily in

The entire Group will continue to work together to "Create a Corporate Culture that Responds Flexibly to Change without being bound by past concepts."

order to respond to the support and cooperation of our stakeholders.

◆ **Initiatives for "Steady Growth"**

In order to leverage our core competencies and create products with high market value, it is essential not only to develop products in-house, but also to collaborate with external parties that can complement our Group's weak areas and domains and further develop our strengths.

In FY2021, as CASE accelerates, our new products for electric vehicles were adopted.

In addition, we established a test course (Tsukuba City, Ibaraki Prefecture) in collaboration with the National Institute of Advanced Industrial Science and Technology (AIST) and launched initiatives to deepen the "Comfort (sound and vibration control, thermal control, etc.)" and "Sensing" technology domains by upgrading "Comprehensive Evaluation Technologies."

The data and knowledge gained through this initiative will be used not only for new products, but also for the development of our main businesses such as automotive anti-vibration rubber, hoses, and sound insulation and interior products, to further enhance our competitive edge.

In addition, the thin-film high thermal insulation material "Finesulight" is already being used in thermal sheets exclusively for food delivery and constant-temperature transportation boxes for the Corona Vaccine, ahead of the original intention for automotive application such as electric vehicles, and it has been adopted by several companies for further applications in factories and facilities.

The introduction of the product in factories and facilities is expected to improve the employment environment by lowering the temperature of workspaces, in addition to improving thermal efficiency and saving energy for air conditioning and other purposes. In this way, our new products are beginning to be used in new areas to realize a "Carbon neutral," and "Improved comfort in the work environment.

In addition, we have developed "MONILIFE" which can measure vital data by applying our proprietary "SR sensor" technology made of flexible rubber, and are collaborating with other companies to conduct verification tests to visualize sleep conditions.

In order to fully utilize our strength in materials, we will further accelerate research and development to create products that meet the needs of our customers and end users, while proactively adopting all forms of partnerships, alliances, open innovation, etc.

◆ **Initiatives for "Organizational Reinforcement"**

The first issue that our group must address in order to strengthen our organizational structure is how to respond to soaring raw material and logistics costs. In response to the prolonged sharp rises in raw material and logistics costs, the entire company is not only working together to reduce costs and curb expenses, but is also aggressively negotiating to reflect the cost increases in selling prices.

Our North American bases continue to face a difficult situation due to a decline in profitability caused by excessive competition, personnel shortages, and other factors, as well as the impact of the recent sharp rises in raw material and transportation costs.

However, they are working hard to improve productivity by increasing capacity utilization through automation, Yosedomo (consolidation of operations or processes to more closely match actual demand), and other measures, while at the same time making strong efforts to reflect cost increases in the selling prices of our products.

In addition, they have begun activities to rebuild an optimal base structure and improve profit margins by transferring production to other bases, thoroughly managing costs on a global basis, and negotiating pricing in conjunction with model changes.

As for our European bases, they are also in the process of reinforcing the activities to improve their business structure, focusing on sales expansion of products mainly for electric vehicles and cost control.

Review of Fiscal 2021

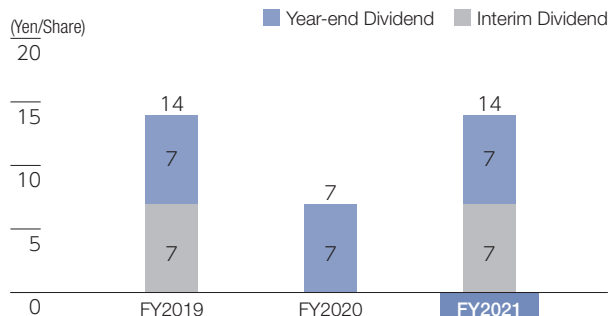
Following the consolidation and reorganization of overseas subsidiaries (France, Argentina, Thailand, etc.) in FY2020, we tackled reorganizing one of our domestic bases, Fuji Susono Plant (Anti-vibration rubber / Chemical and Plastic Products Business).

The Chemical and Plastic Products Business, which handles parts for office equipment, is being reorganized as a new development and sales base for this business and new business fields by reducing the scale of production at the plant in order to strengthen the earnings structure of the business amid the continuing contraction of the office equipment market.

Production of mainstay products is being consolidated at domestic and overseas subsidiary bases to maintain production capacity. Going forward, we will continue to review the roles of bases across the group in response to changes in the external environment, and optimize the allocation and utilization of management resources based on the premise of establishing a multidimensional supply chain.

◆ Dividends

Dividend Trends



	FY2019	FY2020	FY2021
Profit attributable to owners of the parent company per share (basic)	8.48yen	(47.74yen)	(61.23yen)
Dividends payout ratio	165.1%	—	—
Dividend on equity attributable to owners of the parent	1.0%	0.5%	0.9%

Consolidated Profit/Loss of FY2021 [IFRS]

(100 millions of yen)

	FY2020 Actual	FY2021 Actual	Change from prev. yr.		FY2021 Estimate	vs. Previous forecast	
	①	②	② vs ①			③ Announced on Nov 2021	② vs ③
			Amount	Rate		Amount	Rate
Net sales	3,979	4,460	+481	+12%	4,550	-90	-2%
Business profit	79	65	-14	-18%	60	+5	+8%
(Profit margin)	2.0%	1.5%			1.3%		
Other income and expenses	(76)	(54)	+22	—	(25)	-29	—
Operating profit	2	11	+9	x4.9	35	-24	-68%
(Profit margin)	0.1%	0.2%			0.8%		
Profit before income taxes	(6)	4	+10	—	25	-21	-85%
Profit for the year	(34)	(42)	-8	—	(21)	-21	—
Profit attributable to owners of the parent company	(50)	(64)	-14	—	(43)	-21	—

(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.

Results by Business Segment of FY2021

(100 millions of yen)

		FY2020 Actual	FY2021 Actual	Change from prev. yr.		FY2021 Estimate	vs. Previous forecast	
		①	②	② vs ①			③ Announced on Nov 2021	② vs ③
				Amount	Rate		Amount	Rate
Automotive Products	Net sales	3,442	3,868	+426	+12%	3,960	-92	-2%
	Business profit	50	20	-30	-60%	20	+0	+0%
	(Profit margin)	1.4%	0.5%			0.5%		
General Industrial Products	Net sales	537	591	+54	+10%	590	+1	+0%
	Business profit	29	45	+16	+54%	40	+5	+12%
	(Profit margin)	5.4%	7.5%			6.7%		
Consolidated Total	Net sales	3,979	4,460	+481	+12%	4,550	-90	-2%
	Business profit	79	65	-14	-18%	60	+5	+8%
	(Profit margin)	2.0%	1.5%			1.3%		

Results by Geographical Segment of FY2021

(100 millions of yen)

		FY2020 Actual	FY2021 Actual	Change from prev. yr.		FY2021 Estimate	vs. Previous forecast	
		①	②	② vs ①			③ Announced on Nov 2021	② vs ③
				Amount	Rate		Amount	Rate
Japan	Net sales	1,760	1,915	+155	+9%	1,980	-65	-3%
	Business profit	(10)	16	+26	—	10	+6	+58%
	(Profit margin)	(0.6%)	0.8%			0.5%		
Americas	Net sales	801	989	+188	+23%	1,020	-31	-3%
	Business profit	(41)	(76)	-35	—	(65)	-11	—
	(Profit margin)	(5.1%)	(7.6%)			(6.4%)		
Asia	Net sales	1,432	1,677	+245	+17%	1,580	+97	+6%
	Business profit	149	149	+0	+0%	130	+19	+15%
	(Profit margin)	10.4%	8.9%			8.2%		
Europe and Others	Net sales	461	480	+19	+4%	530	-50	-9%
	Business profit	(13)	(18)	-6	—	(10)	-8	—
	(Profit margin)	(2.8%)	(3.8%)			(2.0%)		
Eliminations or Corporate	Net sales	(475)	(600)	-125	—	(560)	-40	—
	Business profit	(6)	(7)	-1	—	(5)	-2	—
Consolidated Total	Net sales	3,979	4,460	+481	+12%	4,550	-90	-2%
	Business profit	79	65	-14	-18%	60	+5	+8%
	(Profit margin)	2.0%	1.5%			1.3%		

Achieve Growth with the Solid Management Structure built up in 2022V

Amid a business environment that is more uncertain than ever before, including the pandemic, climate change, and resource and geopolitical risks, we will work to enhance our corporate value by steadily implementing the management strategies of the "2022 Sumitomo Riko Group Vision (2022V)," which concludes this fiscal year, and by promoting "Consistent Growth" and "Organizational Reinforcement."

◆ Fiscal 2022 Earning Forecast, 2022V Outlook

In August, we revised the earnings forecast disclosed at the beginning of this fiscal year. This is mainly due to the impact of the China lockdown and supply chain disruptions in the first quarter, as well as a review of the assumed exchange rate, which is the premise for the earnings forecast. Although the outlook remains uncertain at this point, we will continue our efforts to reduce and eliminate the time lag in the reflection of selling prices in response to price hikes in raw materials and other items, while making maximum efforts to reduce costs and curb expenses in order to improve profitability.

As for net sales, which is our main financial target for 2022V, we expect to be able to achieve our current plan (as of the August announcement).

Although we do not expect to reach the global automobile production volume projected in the plan, we believe that this is the result of our continued stable provision of products in response to customer needs and our ability to steadily increase our global market share in the automotive anti-vibration rubber and hose business.

On the other hand, the profit target is expected to be achieved in FY2023 or later, due to the impact of higher-than-expected raw material prices and the time lag before sales prices are reflected. Looking toward post-2022V, we will steadily implement various measures to improve our structure, while reviewing our past efforts and considering a new vision and strategy to continue to be a sustainable company from both financial and non-financial perspectives.

◆ Initiatives for "Steady Growth"

In FY2022, strategic investments for sustainable growth such as

Carbon Neutralization (CN) and Digital Transformation (DX) the main investment items.

In addition, we will continue to invest in areas where growth is expected, such as electrification and other new business areas, but we will also consider using existing facilities for investments in increased production and initial products, and promote investment activities within depreciation costs. At the execution stage, we will carefully consider current business performance, investment profitability, and timing.

◆ Initiatives for "Organizational Reinforcement"

The outlook for the business environment remains uncertain. In order to respond flexibly to this rapidly changing environment, we believe it is important to proceed with business operations based on short-term measures and medium- to long-term strategies.

On the current bases, we continue to shorten the time lag in reflecting selling prices in response to soaring prices of raw materials, and we are also making group-wide efforts to reduce costs and curb expenses in response to rising energy costs and other cost increases.

Consolidated Profit/loss of FY2022 Estimate [IFRS] (100 millions of yen)

	Revised forecast for FY2022 (Announced on May 2022) ①	Revised forecast for FY2022 (Announced on August 2022) ②	vs. Previous forecast (Announced on May 2022) YoY ② vs ①	
			Amount	Rate
Net sales	5,400	5,400	+0	+0%
Business profit	150	120	-30	-20%
(Profit margin)	2.8%	2.2%		
Other income and expenses	(25)	(20)	+5	-20%
Operating profit	125	100	-25	-20%
(Profit margin)	2.3%	1.9%		
Profit before income taxes	110	90	-20	-18%
Profit for the year	45	27	-18	-40%
Profit attributable to owners of the parent company	22	10	-12	-55%

(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.

Although it takes time for new prices to be reflected in the Automotive Products Division due to the cycle leading up to model changes, we will continue to negotiate pricing based on sufficient Kaizen activities, and we have also begun leveling various costs on a consolidated basis and to implement global tax management.

In the mid-to long-term, we are taking measures to reduce the impact of price fluctuations by negotiating with customers to review rules and reexamining procurement items in order to minimize the impact of raw materials and other factors.

In promoting global cost control and rationalization, we will establish a system for overall optimization in line with our management vision and strategies by our business, research, and corporate divisions coming together.

We will also create resources for future growth by ensuring the timely and appropriate allocation of investment resources to growth areas based on business strategies and investment profitability standards.

In response to changes in the external environment, we will continue to consolidate and eliminate our network of bases, while at the same time, in order to prepare for the risk of supply chain disruptions, which became more serious with the pandemic, we will further maintain and strengthen the base system we have established to ensure a stable and timely supply of products to our customers.

Capital Expenditures, Depreciation and R&D Expenses (100 millions of yen)

	FY2018	FY2019	FY2020	FY2021	FY2022 Estimate
Capital Expenditures	265	250	202	236	290
Depreciation	261	268	241	240	240
R&D Expenses	150	142	131	143	150
Ratio of R&D Expenses to Net Sales	3.2%	3.2%	3.3%	3.2%	2.8%

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

2022V(Financial objectives) (100 millions of yen)

Net sales	5,300
Operating profit	250
Operating profit to sales	5%
ROA (Operating profit to total assets)	6%
ROE (Return on equity attributable to owners of the parent company)	7%

Correspond to the change in "CASE"

Accelerate "CASE" by leveraging the power of "materials"

◆ Accelerating shift to Electric Vehicles

The automotive industry is undergoing a once-in-a-century transformation, and a megatrend known as "CASE" is emerging. In particular, as a countermeasure to climate change, the shift to "E: electrification," which contributes to the reduction of greenhouse gas emissions, is accelerating worldwide. While emission regulations are progressing in many countries, the shift to electrified vehicles is gaining momentum, with leading automakers in Europe, the U.S., and China, as well as some Japanese automakers, having announced policies to gradually convert to zero-emission vehicles (ZEVs).

◆ Our Group's Response to Electrification

In the automotive components business, the Group's core business, demand for some products is expected to decline due to the electrification of automobiles, but on the other hand, the Group has been promoting the development of products in the electrification area with a view to new powertrains and drive systems.

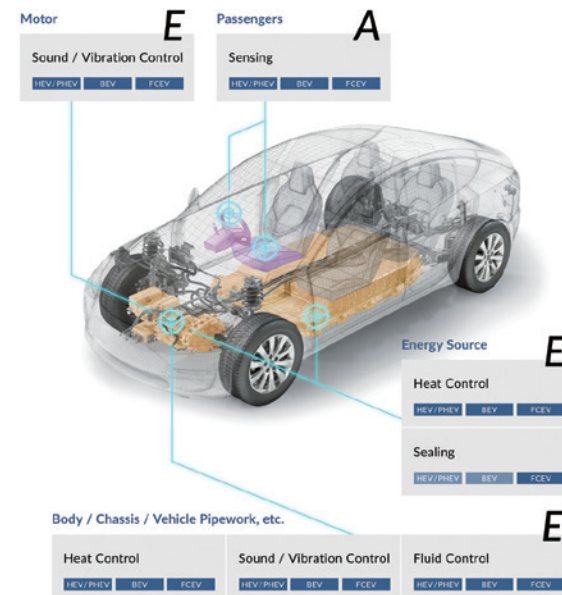
A number of our products have been adopted by Toyota Motor Corporation's Battery Electric Vehicle (BEV) "bZ4X" launched in May 2022. We consider it a great achievement that our next-generation technologies and products, such as our product line for

the electric drive module "eAxle," for which development competition is intensifying as electric vehicles expand, and cooling hoses essential for cooling the battery and other electrical systems, have been incorporated into Toyota's dedicated BEV platform. We believe that this is a great achievement.

Our products have already been adopted by the European manufacturers for their BEVs, and we have been continuing to expand sales globally. In addition, our rubber sealing materials for FC stacks, such as "Fuel Cell Gaskets" and hydrogen hoses, have been continuously used in Toyota's fuel cell electric vehicle (FCEV) "Mirai" from the first generation to the current model. In response to a wide range of customer needs, our group will continue to promote support for electric vehicles in all directions, not only hybrid electric vehicles (HEV), which are our current mainstay, but also plug-in hybrid electric vehicles (PHEV), BEV, and FCEV.

◆ Advancement to the Autonomous Driving Domain with Sensing Technology

We are also focusing on the area of autonomous driving. We have already commercialized Steering Touch Sensors that support safe switching from person to vehicle and from vehicle to person in autonomous driving by applying the "Smart Rubber (SR) Sensor," a flexible sensor developed in the healthcare field.



Sumitomo Riko and the National Institute of Advanced Industrial Science and Technology (AIST) established the "Sumitomo Riko - AIST Advanced Polymer Device Collaboration Laboratory." Using a special road surface set up on AIST's test course, we will not only propose ride comfort and comfortable cabin space, but also make use of this facility in the development of technologies that contribute to autonomous driving.

Our Technologies and Products for Realizing "Electrification" and "Autonomous Driving"

E. Electrification

(Sound and Vibration Control Technology)

eAxle Mounts [Toyota "bZ4X"]

It contributes to improved cabin comfort and the responsive driving performance unique to BEVs.



E. Electrification

(Heat Control Technology)

Electric System Cooling Hoses (water hoses)

Cooling water in the hose effectively cools various heat-generating components in electric vehicles and maintains them at the appropriate temperature. This contributes to reducing power consumption, energy loss, and battery deterioration.



A. Autonomous Driving

(Sensing Technology)

Steering Touch Sensors

SR sensor is made of a special flexible material that conducts electricity is built into the steering wheel. Detects steering grip and positioning to support safe switching from autonomous to manual operation.



Further Evolution of Our Technologies

AIST×Sumitomo Riko×CASE

AIST and Sumitomo Riko develop a new test course in anticipation of the CASE era

In October 2021, as part of our joint research, we renovated part of the test track for vehicle experiments (test course) at the AIST Tsukuba North Site and installed six new special surfaces, which we began using.

In order to further advance the research, the test course has been newly developed. Using vehicles equipped with sensing devices, actual driving will be reproduced on the test course. Experimental research for device evaluation will be conducted in addition to ergonomic evaluations of ride comfort and amenity.

◆ 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 continuously 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 the profitability of contemplated investment projects and make decisions that also reflect the business strategy. For examining the 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 changes 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.

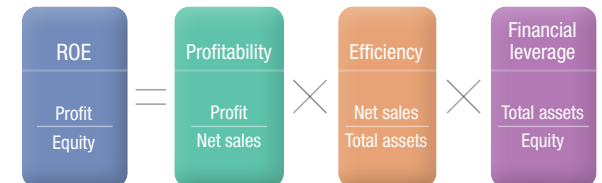
◆ Group Financing

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 the 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 the 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

Basic Approach

Sumitomo Riko Group categorizes management aspects into the following three perspectives, keeping in mind the United Nations Sustainable Development Goals (SDGs) and the Global Compact, and defines them as our basic policy.

CSR / Sustainability

(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)

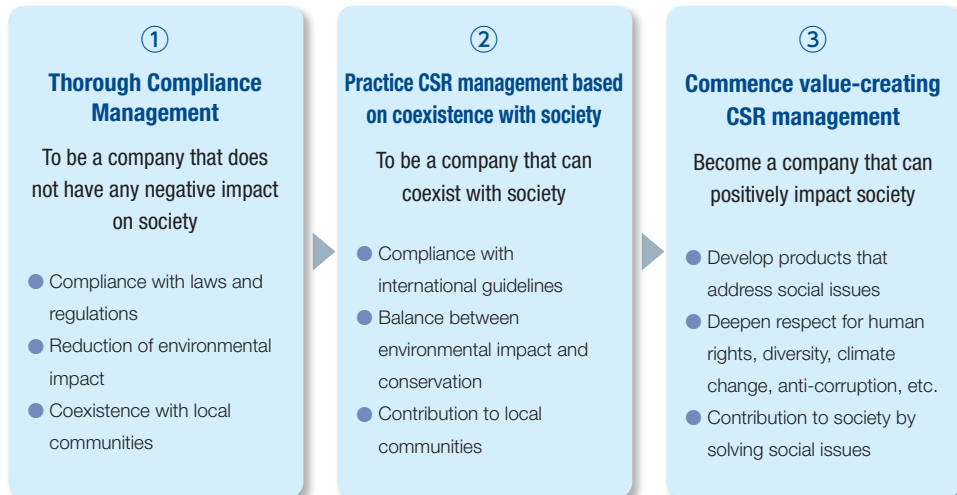
- Businesses and social contribution activities that provide solutions to social challenges
- Human diversity that contributes to the emergence of innovation

(3) Improve engagement with stakeholders through communication and raise corporate value with a long-term view

- Information disclosure, dialogue, collaboration

◆ Steps Toward Value-creating CSR

Sumitomo Riko Group aims to realize "Global Excellent Manufacturing Company" which we define as a company that contributes to safety, comfort and the environment of human beings, society, and the Earth. We are working to deepen our CSR activities as we embark on the three steps that we consider important in promoting "Value-Creating" CSR that meets the expectations of society and contributes to our own growth.



◆ CSR / Sustainability Promotion Structure

To promote CSR and sustainability management, the CSR Sustainability Committee, chaired by the President, has been established as an executive division and meets three times a year.

The committee currently checks and follows up on the progress of activities under the themes of "Environment," "Safety and Health," "Diversity and Human Rights," "Corporate Citizenship," and "Supply Chain," and also follows up on non-financial targets and monitoring items set out under the 2022V. In addition, we are also discussing the realization of a sustainable society, including Carbon Neutrality (a decarbonized society), and how to deal with human rights issues.

◆ Activities in FY2021 and FY2022

Environment + Carbon Neutral	<ul style="list-style-type: none"> • Launched the Carbon Neutral Promotion Office • Created Roadmap for 2030 • Endorsed TCFD
Safety and Health	<ul style="list-style-type: none"> • Analyze the occurrence of industrial accidents and follow-up on machine safety • Developed VR educational materials and educational posters to reduce traffic accidents
Diversity + Human Rights	<ul style="list-style-type: none"> • Started a "mentoring system" for career-track employees, aiming at human resource development and retention • Promote employment of people with disabilities
Supply Chain	<ul style="list-style-type: none"> • Revised the basic transaction agreement for CSR procurement and concluded it with each supplier • Became a member of GPSNR and expressed support for the use of environmentally friendly natural rubber
Corporate Citizenship	<ul style="list-style-type: none"> • Coordination of internal and external collaborations, such as Komaki City Frailty Check, donation of transparent masks to support people with hearing disabilities, etc • Strengthened cooperation with external intermediary support organizations (Dream, Town, and Human Development Grants, etc.)
Human Rights Issues	<ul style="list-style-type: none"> • Conduct human rights due diligence in cooperation with the Sumitomo Electric Group (conducted fact-finding surveys at each Group company in the second half of FY2021) • Formulated "The Sumitomo Riko Group Policy on Human Rights" (July 2022)

◆ Materiality

Aiming to be a company that is loved, trusted and respected by local communities around the world, in promoting CSR management, we base our actions on the CSR materiality, underpinned by our two fundamental principles of respect for human rights and compliance, while emphasizing four priority themes: safety, environment, quality, and corporate citizenship.



Approach to Environmental Activities

As stipulated in the Sumitomo Riko Group Corporate Action Charter, " Recognizing that global environmental issues pose challenges to all humankind, and that it is an integral part of our existence and activities, we shall proactively tackle these issues. ", we contribute to global environmental conservation in the spirit of implementing activities that contribute to society and aim to build a sustainable society. To realize this, we have established policies and guidelines, set targets, and are working toward these goals.

◆ Basic policy

The Sumitomo Riko Group intends to do business always with natural environment preservation in mind sticking to social expectation and rules, and carry out all the activities from product development, design, procurement, sales to waste disposal under the principles of "MOTTAINAI" and "OMOIYARI." Sumitomo Riko also aims to formulate sustainable society contributing to global environment preservation under the spirit of social contribution.

◆ Action guideline

- 1 Make the environmental preservation deep rooted activities in corporate culture and encourage all employees to participate.
- 2 Encourage the entire Sumitomo Riko group to be involved in the preservation activities.
- 3 Develop Sumitomo Riko's own improvement plan besides complying with environment related regulations imposed by national and municipal governments to lower environmental load.
- 4 Establish target and goals for environmental protection and carry them out systematically and continuously.
- 5 Make efforts to develop products and a production system with low environmental loads and push forward with more active environmental protection activities.
- 6 Disclose environment related information and promote opinion exchange in local community and society.

◆ Initiatives to Reduce Greenhouse Gases Emissions at Our Business Sites

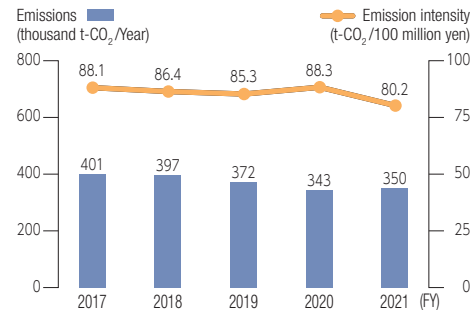
The Sumitomo Riko Group is working to reduce greenhouse gases emissions and energy consumption through introduction of high-efficiency production facilities, maintenance to prevent steam leakage, consolidation of production lines, and wider use of photovoltaic power generation as well as undergoing energy-saving diagnostics and making proposals for reduction of energy consumption.

◆ Mid term Environmental Targets (2022V) and Targets and Progress in FY2021

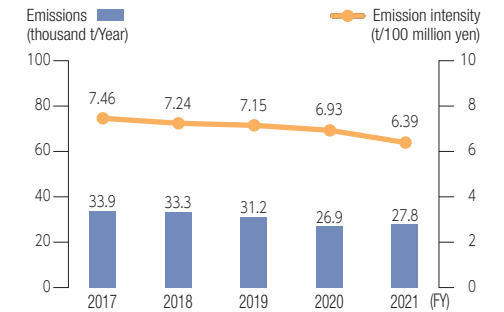
Items	Target (2022V)	Progress (FY2021)
Reduction of greenhouse gas emissions reduction	8%reduction*	8.9% reduction
Waste reduction	5%reduction*	14.4% reduction

* Compared with the emission intensity in fiscal 2017

Greenhouse gas emissions (Sumitomo Riko Group)

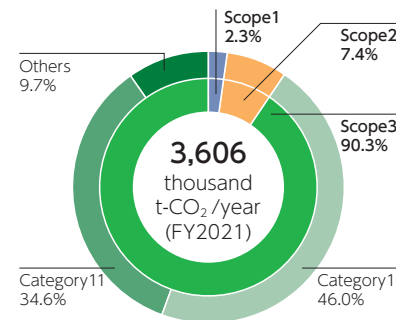


Waste emissions (excluding valuable resources) (Sumitomo Riko Group)



◆ Greenhouse Gas Emissions in the Supply Chain

To become carbon neutral by 2050, we recognize the importance of understanding not only "Scope 1" and "Scope 2" emissions from our own business activities, but also "Scope 3" indirect emissions from the entire supply chain, and working to reduce Greenhouse gas emissions. In the future, we will work to reduce emissions, starting with items that are expected to have a large reduction effect.



Breakdown of CO₂ Emissions

- Scope 1: 82 thousand t-CO₂/year
- Scope 2: 268 thousand t-CO₂/year
- Scope 3: 3,256 thousand t-CO₂/year

* Category 1 = Purchased products and services
 Category 11 = Product use
 Other = Categories 2-10, 12-15

◆ Environmentally Friendly Products



Thin-film High-heat Insulation Materials "Finesulight"

We have succeeded in the development of high-insulation filler coatings by applying polymer material technology. In addition to in-vehicle applications, the product is expected to be used in various fields such as home appliances, housing, and food delivery.



Water-washable flexographic printing plates "AquaGreen"

Flexographic printing is a printing method using soft rubber letterpress. AquaGreen is a flexographic plate that can be developed with water, and is an environmentally friendly printing plate that is good for the global environment and the working environment.

◆ Basic Policy

In accordance with the CSR and Sustainable Management Policies, the Sumitomo Riko Group will strive to appropriately address risks related to human rights, labor, the environment, anti-corruption, and other issues. We also will enhance our corporate value with a long-term perspective through business and corporate citizenship activities that contribute to solving social issues, human diversity that contributes to innovation, and information disclosure and dialogue with stakeholders.

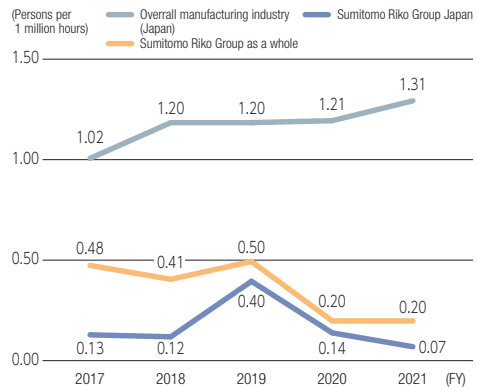
◆ Occupational safety and health

We are further strengthening our global safety activities to achieve "Zero Accidents". We cannot achieve the goal of zero accident without both safe human resource development and safe facility development. We are working to build a safety culture so that each and every one of our employees can become self-reliance and always act with safety in mind.

Priority Items and Achievements in FY2021

Creation of Safe Organizations	Creation of Safe Workplaces
<ul style="list-style-type: none"> Safety patrols: Detection and improvement of unsafe behaviors and conditions Work Observation: Establishment and standardization of safe procedures Pursuit of the true cause of accidents, horizontal development and continuation of countermeasures 	<ul style="list-style-type: none"> Organizing: Elimination of unsafe conditions Segregation of people and vehicles Fire prevention activities: Equipment inspection, maintenance, and cleaning Improvement of workplace environment in terms of chemical substances, heat, noise, etc.
Fostering Safe People	Traffic Safety
<ul style="list-style-type: none"> Safety Dialogue: Improvement of safety awareness and knowledge Deterrence of unsafe behavior in each business unit Establishment, implementation, and auditing of GSS Hazard prediction training: Improvement of sensitivity to hazards Education and training on abnormal procedures 	<ul style="list-style-type: none"> Analysis of causes of traffic accidents Notification of hazardous areas to employees Traffic safety training Traffic hazard prediction training

Changes in the Frequency Rate of Lost worktime due to Occupational Accidents



◆ Sumitomo Riko Group's Health and Productivity Management Statement

The Sumitomo Riko Group places importance on managing the health of our employees and promotes initiatives to achieve "Health and Productivity Management Statement." Based on this Health and Productivity Management Statement, we will increase health awareness among our workforce by actively supporting employees engaged in health improvement activities and implementing organizational measures for health improvement, as we aim to become "a corporate group that is highly regarded and trusted by society and whose employees work healthily and energetically".

April 1, 2017

Initiatives for three priority measures

- Health promotion activities**
 - Health exercises at the start of work
 - Introduction of a health point system (from 2020)
 - Implementation of educational training
 - Distribution of training videos with audio via intranet
- Mental health measures**
 - In-house training on mental health
 - Individual consultation with a psychiatrist
 - Workplace-based improvement activities using stress checks
- Lifestyle measures**
 - Group weight loss and lifestyle improvement activities (Smart Club activities)
 - Holding seminars for women on cancer prevention and menopausal disorders
 - Measures against passive smoking and smoking cessation through "Swan Swan Day (no smoking day)" on the 22nd of every month and anti-smoking classes

Health Policy Indicators

	FY2020 Performance	FY2021 Performance	FY2022 Target
Rate of regular health checkups taken	100%	100%	100%
Percentage of employees who smoke	30.9%	29.9%	Less than 25%
Percentage of employees who exercise regularly (Note 1)	21.8%	22.5%	30% or more
Number of participants in walking events/time	449	880	1,000 people or more
Number of participants in health promotion training	1,375	2,968	2,000 people or more

(Note 1) Exercise habits are defined as exercising lightly for 30 minutes or more at a time, twice a week or more, and continuing exercise under these conditions for 1 year or more.



◆ Diversity Management

The Sumitomo Riko Group Management Philosophy proclaims, "We will foster an invigorating corporate culture that respects our employees' diversity, personal qualities, and individuality." The Group engages in diversity & inclusion promotion activities to create an environment in which people from diverse backgrounds can work with vigor and enthusiasm.

Priority Implementation Items and Achievements in FY2021

FY2021 Priority Implementation Items	FY2021 Performance
Promote activities of diverse human resources Hiring ratio of women: 30% Promotion of employment of persons with disabilities (the legally mandated employment rate is 2.30%)	•23.8% (March 2022) •2.51% (March 2022, Application of Special Subsidiary for 3 companies):Target achieved •Started accepting 4 employees on secondment from "SumiRiko Joyful," a special subsidiary
Workplace Reforms Grasping and analyzing the actual conditions for a comfortable work environment Current Consideration of System Reforms and Improvements Strengthen support systems for "Balancing Work and Nursing care" and "Balancing Work and Childcare"	•Conducted line care training four times to promote workplace improvement activities utilizing the results of group analysis of the Company's stress check "Iki Iki Diagnosis". 170 managers participated. •Conduct periodical observation of various internal systems Nursing Care •Establishment of a free consultation service directly accessible to outside specialists (2 cases per year) •Video distribution of seminars on balancing work and nursing care Childcare •Online childcare center tours for employees on childcare leave •Video tour of in-house childcare center "Koara-Pokke" available to the public
Raising Awareness and Fostering a Corporate Culture Strengthening of information distribution and transmission Conducted diversity training in various awareness-raising Utilization of Certification System	•Disseminated information in the in-house newsletter "Mitsukumi", 3times •Issued diversity information 8 times in HRNews •Updating the latest information on the in-house website "G.Portal" •Rank-based training programs •Held Sumitomo Electric Group Women's Forum "SWING" for career-track employees for the first time, with 50 participants •Nursing Care Support "Tomonin" •"Nadeshiko Brand" Challenge

◆ Human Resources Development Program

Sumitomo Riko Group is promoting various human resource-related initiatives based on the policy of improving employee motivation and maximizing their abilities through free and open communication. For career-track employees, we have implemented a new education program based on "logical thinking" that focuses more on "communication skills." In addition, we will provide training opportunities and regular follow-up to a wide range of personnel, including management executives, career-track employees, clerical staff, and technical staff.

Number of participants in human resources development programs in FY2021 (persons)

Program name	Basic and periodic training	Position specific training	Needs based training	Total
Number of participants	19	1,136	97	1,252

* Target: Sumitomo Riko and domestic group companies

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

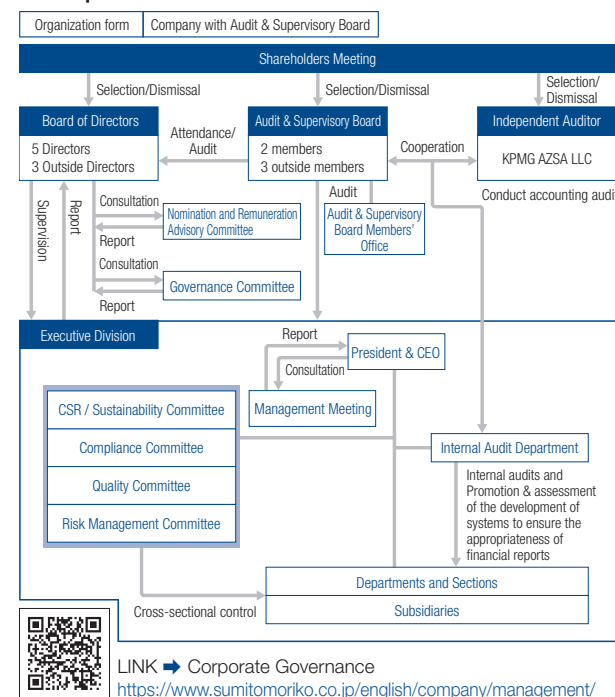
more than one-third of the company's board of directors, and we are responding to the government's consideration of increasing the ratio of Outside Directors at the Growth Strategy Council-Investing for the Future, etc. We will also strive to respond in a timely and appropriate manner to the establishment 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, 2022)

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.

Approach to the Structure of the Board of Directors

The composition of the Board of Directors is determined from the perspective of whether it can appropriately fulfill its management monitoring and supervisory functions based on the Company's business fields, business environment and size.

From the viewpoint of expertise, based on the Company's management strategy, management plans, etc., personnel with a wealth of experience and high-level insight in the fields of management, technology and development, manufacturing and Monozukuri, finance and accounting, legal affairs and risk management, human resources, diversity and inclusion, etc. are selected.

In terms of independence, we have appointed several Outside Directors and Outside Audit & Supervisory Board Members who meet the requirements of independent directors and corporate auditors and who possess a high level of expertise and insight, respectively.

In order to facilitate the Outside Directors' dialogue with management and with shareholders and other stakeholders, we select its Lead Independent Outside Director from among its Outside Directors.

In terms of gender and internationality, we have appointed 3 female Outside Directors. Although we have not appointed any non-Japanese Directors or Audit & Supervisory Board Member at this time, we are taking various measures in the CSR and Sustainability Committee to promote diversity among our executives as a basis for future appointments from within the company. In addition, one non-Japanese has been appointed as an Executive Officer.

The current Board of Directors consists of 8 directors (including 3 outside directors) and 5 Audit & Supervisory Board Members (including 3 outside Audit & Supervisory Board Members), and is of an appropriate size to enable substantive discussions while ensuring a balance between the necessary expertise across business areas and the number of internal and external officers. The expertise and experience of each Director and Audit & Supervisory Board Member are as follows.

◆ Operation of the Board of Directors /For invigorating discussion

The Board of Directors consists of regular Board of Directors meetings held 15 times a year and extraordinary Board of Directors meetings held as necessary.

In fiscal 2021, the attendance rate at Board of Directors meetings was 93% for Outside Director Mariko Miyagi and Outside

Audit & Supervisory Board Members Aiko Sekine and Hakaru Hyakushima, respectively, and 100% for each of the other Directors and Audit & Supervisory Board Members.

In order to stimulate discussion at the Board of Directors meetings, the Company's Board of Directors provides Outside Directors and Outside Audit & Supervisory Board Members with agenda materials at an early stage and provides them with extensive explanations in advance of the meeting. Thus, we are working to reduce the time spent on explanations of proposals on the day of the Board of Directors meetings by completing fact-checking, etc. in advance, and to focus on discussion on the day of the meetings.

In addition, we will introduce measures to encourage Internal Directors to speak more actively from the perspective of the overall management of the Group and to participate more actively in discussions than before, to further reduce the information gap between Internal and Outside Directors, and to hold more in-depth discussions with a strong awareness of the linkage with the medium-term management vision, etc.

The Company's Board of Directors will continue to address the issues raised in the results of this evaluation in order to further im-

prove the effectiveness of the Board of Directors.

◆ Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board meets at least 12 times a year to discuss matters including the audit plan and its results. The system for ensuring effective audits by Audit & Supervisory Board Members is designed and operated based on the "Basic Policy on Development of Internal Control Systems" (basic policy for internal control) decided by the Board of Directors.

Full-time staff members of the Audit & Supervisory Board Members' Office, which is independent from the executive divisions, assist with the duties of the Audit & Supervisory Board Members. Audit & Supervisory Board Members regularly exchange opinions with Representative Directors and from time to time exchange information with the accounting auditor. Senior Audit & Supervisory Board Members attend Board of Managing Officers' Meetings, CSR sustainability Committee meetings, and other important meetings and periodically directly interview the heads of divisions about the state of business.

Position • Name		Expertise and Experience					
		Management	Technology development	Manufacturing/ MONOZUKURI	Finance/ Accounting	Legal/ Risk management	Human resources/ Diversity & Inclusion
Chairperson of the Board	Tetsu Matsui	✓	✓	✓			✓
Representative Director, President and Chief Executive Officer	Kazushi Shimizu	✓	✓				✓
Director, Senior Managing Executive Officer	Tsukasa Oshima	✓	✓	✓			
Director, Managing Executive Officer	Shinichi Waku	✓	✓	✓			
Director, Managing Executive Officer	Hideo Yamane	✓			✓	✓	
Outside Director	Masaaki Iritani	✓				✓	
Outside Director	Shigeru Hanagata	✓				✓	
Outside Director	Mariko Miyagi	✓					✓
Audit & Supervisory Board Member (full-time)	Takehiro Ohashi	✓	✓	✓			
Audit & Supervisory Board Member (full-time)	Hirohisa Maeda	✓			✓	✓	
Audit & Supervisory Board Member (outside)	Aiko Sekine	✓			✓		✓
Audit & Supervisory Board Member (outside)	Hakaru Hyakushima	✓			✓	✓	
Audit & Supervisory Board Member (outside)	Tatsuko Koike	✓				✓	✓

Outside Director

Masaaki Iritani

Specialization
Legal & Risk Management
Management



Compensation of Directors and Officers

I am the chairman of the Nominating and Compensation Committee and the Lead Independent Outside Director.

With respect to the nomination and compensation of directors and officers, it is important to deliberate from the perspectives of whether or not the compensation is capable of leading the Company toward sustainable growth and the creation of social value and contributing to proper governance, and whether or not the compensation contributes to the exercise of sound entrepreneurial spirit while reflecting the Company's medium- to long-term business performance and potential risks, while taking into consideration our company's management strategy, management plan, business performance, financial condition, and business environment.

In order for the Committee to contribute to the further development of the Company, I intend to faithfully fulfill my duties as an Independent Outside Director.

Outside Director

Shigeru Hanagata

Specialization
Legal & Risk Management
Management



About the Governance Committee

I chair the Governance Committee, an advisory body to the Board of Directors.

As a listed subsidiary of Sumitomo Electric Industries, Ltd., our Board of Directors is highly independent by having at least 1/3 of its members, including myself, as Outside Directors. In situations where there is a possibility of a conflict of interest with the controlling shareholder, the Governance Committee and a special committee composed solely of Outside Directors and Executive Officers fully deliberate and report back to the Board of Directors, which then deliberates the matter based on the results.

I hope to contribute to the realization of "Steady Growth and Strengthening of the Company's Structure" by promoting initiatives on the governance aspect that ensure soundness and transparency.

Outside Director

Mariko Miyagi

Specialization
Human Resources, Diversity and Inclusion
Management



Human Resources are Human Assets; How to Give Them Career Autonomy

The most important management resource is, above all, human resources (human assets). In line with the reform of work styles, it is essential for each and every employee to autonomously re-examine his or her own career development and further motivate themselves to achieve their future career goals.

What is important here is "Employee Autonomy". We need to strengthen the awareness of "Career Autonomy" and ensure that "Individual development leads to Organizational development".

I would like to fulfill my role as an Outside Director to promote career autonomy for employees based on Sumitomo's "People are our most Important Asset." principle.

Outside Audit & Supervisory Board Member

Aiko Sekine

Specialization
Finance & Accounting
Management



Contribution as an Audit & Supervisory Board Member based on the situation at the actual workplaces

In today's greatly changing corporate environment, I believe it is important for the entire company to be aware of the situation down to each frontline and for each individual to continue to demonstrate his or her capabilities in order to transform the management structure to enable sustainable growth.

For this reason, I believe it is necessary for an Outside Audit & Supervisory Board Member to provide opinions and proposals based on an understanding of the situation at the actual workplaces.

With the ongoing Corona pandemic, it is still difficult to visit many work sites. However, I hope to obtain information in various ways and contribute to the improvement of our company's governance based on the knowledge I have gained from many people at various corporate workplaces and conferences in Japan and abroad through the audit work I have conducted as a certified public accountant.

Outside Audit & Supervisory Board Member

Hakaru Hyakushima

Specialization
Legal & Risk Management
Management



Establishment and Operation of High-Quality Internal Control Systems

As an Outside Audit & Supervisory Board Member, I will fulfill my responsibilities while always being aware of whether a high-quality internal control system has been established and is being properly operated, especially within the Company.

I will continue our efforts to further improve the quality of our audits so that our company can continue to develop through a high-quality corporate governance system, and so that our corporate value can be further enhanced in response to the demands of the times.

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

Outside Audit & Supervisory Board Member

Tatsuko Koike

Specialization
Legal & Risk Management
Management



Accumulate "Corporate Strength"

Changes in the business environment, such as pandemics, the situation in Ukraine, and exchange rate fluctuations, have made it difficult for corporate management to foresee the future. Under such circumstances, I believe that companies should work with sincerity and care to build up their "Corporate Strength" through more thorough compliance, quality improvement, and honest efforts in technological development.

As an Outside Audit & Supervisory Board Member, I would like to contribute to the enhancement of "Corporate Strength" through my auditing activities by obtaining a lot of useful information on various aspects of the business, exchanging opinions with related persons and directors, and utilizing my knowledge as a lawyer.

Basic Approach

With the globalization of the business environment and the expansion of our operations into new business fields, the risks associated with our business operations have become more diverse and more difficult to manage. In this environment, we have established a system to collect information from each internal department and group company, and are striving to identify risks across the entire group. We analyze and evaluate the risk information we obtain, select the risks that need to be addressed, choose the appropriate response method, and work to minimize the impact on our business operations, aiming to maintain and improve our foundation for sustainable growth, reduce capital costs, and increase corporate value.

Promotion of Business Continuity Management (BCM)

◆ Risk Management Structure

Risk Management Committee

In the execution of risk management, we have established the Risk Management Committee, chaired by the President, and the Risk Management Center, an organization dedicated to risk management, which serves as the secretariat of the Committee. The committee oversees and promotes risk management activities, including periodic risk surveys, in accordance with the "Risk Management Basic Regulations".

◆ Framework of Risk Management and Risk Survey

As the Company's operations extend to 24 countries, in order to deal with all the potential risks to which the Company is exposed, Sumitomo Riko has identified 13 risk categories, which are classified into 55 subcategories. Organizations responsible for individual risk items are determined to deal with each risk. Having assessed these risks based on the "probability of an event taking place" and the "impact of an event", we have created a risk map to visualize the degree of impact on business operations. We also review whether responsible departments are implementing effective risk management.

In these surveys, based on risk items extracted by Sumitomo Riko, risks identified by each site and the site's response to such risks are assessed. Major risks recognized as a result of the assessment are shared throughout the Group, and in order to strengthen global risk management, we implement measures that prevent risks from materializing. The Risk Management Committee



is taking the initiative in establishing a system for implementing a PDCA cycle for continuous improvement of risk management throughout the Sumitomo Riko Group.

Risk Management

◆ Business Continuity Risk

Large-Scale Disaster

We have formulated a Business Continuity Plan (BCP) to ensure a quick return to normal business activities in the event of an earthquake or other large-scale disaster. We started with the Automotive Anti-Vibration Business Divisions in 2010, and have now completed the formulation of BCPs for all domestic bases, including all the group companies. Currently, we are confirming the effectiveness of the BCPs, evaluating the linkage of each BCP, and conducting drills for further spiral improvement.

Infectious Diseases

In response to the outbreak of the novel coronavirus, our company has established a system to respond quickly by setting our own phase-specific countermeasures linked to the regulations and restrictions issued by the national and prefectural governments. By expanding remote-work by promoting online operations, reviewing infection control measures including manufacturing process and cafeteria facilities, we are committed to thorough infection prevention measures. We will continue to operate with the safety and health of our employees as our top priority. Based on the knowledge gained from these infectious disease countermeasures, we have formulated the "Sumitomo Riko Group Action Plan for Countermeasures Against New Infectious Diseases", which is a complete revision of the "Sumitomo Riko Group Action Plan for Countermeasures against Highly Virulent New Influenza" created in 2011, and are working to expand our crisis management system.

◆ Risks of Information Leakage

Protection of Personal Information

In accordance with the "Personal Data Protection Policy" and "Basic Rules for the Protection of Personal Information," we handle the personal information of our customers, business partners, and employees in an appropriate manner while complying with the laws and other regulations regarding the protection of personal information. In addition, in response to the EU General Data Protection Regulation (GDPR)

and other global trends toward tighter regulations, we are working to respond to revisions of the legal systems in each country and region, and the entire Group is strengthening its personal information management system and addressing the risk of information leaks.

Information Security Measures

As a basic policy for information security, we have formulated and are operating the "Information Security Rules" and related standards. Although the state of information security has been improving year by year, we will further strengthen the information management of domestic and overseas group companies to cope with new laws and regulations and risk threats, and strive to improve the level of information security on a global basis. In addition, in response to the increasing risk of information security incidents such as data corruption and information leaks due to cyber-attacks around the world, we established and operated the Computer Security Incident Response Team (CSIRT) in 2017, a system to promote organizational measures throughout the Group. In the midst of the demand for IT environment reforms such as DX, work style reforms, and the use of cloud services, we are striving to improve IT literacy among our employees by establishing rules and guidelines for maintaining information security and conducting regular information security education (e-learning, targeted e-mail attack training, etc.).

◆ Security Export Control Risks

In order to comply with export regulations for the purpose of international security, we have established internal regulations for export control and have established an export control system with a director as the chief officer in charge. When exporting, etc., we conduct appropriate screening of individual business negotiations and obtain individual export permits before carrying out export activities. For employees involved in internal export operations, we conduct regular training based on the latest case studies, in an effort to build awareness and acquire knowledge of security export control among related personnel. In addition, we constantly monitor the appropriateness of our activities by confirming the status of control within the company and at affiliates, and share information among internal departments and affiliates through the Risk Management Committee in order to reduce security export control risks for the entire Group.

Basic Approach

With respect to the systems necessary to ensure the appropriateness of operations of a stock company as stipulated in Article 362 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act, we have established the Sumitomo Riko Group Governance Code and the Group Global Compliance Action Guidelines to improve and enhance our internal control systems. The Board of Directors meets annually in March to confirm the status of implementation and review basic policies in response to changes in the business environment and other factors. The status of the operation of the system is reported in the Business Report to the General Meeting of Shareholders.

◆ Development of Group Governance System

In order to ensure the efficiency and soundness of group-wide management, we conduct management control based on the Group Governance Regulations.

As a voluntary advisory body to the Board of Directors, our company has established the Governance Committee, which is chaired by an Outside Director and consists of the Representative Director, Outside Directors and Audit & Supervisory Board Members. As a voluntary advisory body to the Board of Directors, the Governance Committee is held to deliberate on issues of medium- to long-term importance to the Board of Directors, including the Group's corporate and group governance systems, from the perspective of the outside directors, as well as for the purpose of strengthening cooperation among the Representative Director, Outside Directors, and corporate Audit & Supervisory Board Members and enhancing the Group's sustainable growth and social value (corporate value and public value).

This committee also appropriately monitors competing transactions and transactions with conflicts of interest, such as those approved by the Board of Directors, to ensure that they do not harm the common interests of the Group and its shareholders, and strengthens the system for managing conflicts of interest. Furthermore, a special committee consisting solely of Outside Directors and Outside Audit & Supervisory Board Members will be established to deliberate and review any important transactions or actions that may cause conflicts of interest between the Company's controlling shareholders and minority shareholders.

◆ Development of Compliance System

We have established a Compliance Committee as an organization to lead and oversee the development and operation of a compliance system in our group. The chairperson of the committee shall be appointed by a resolution of the Board of Directors, and the status of its activities shall be reported to the Board of Directors. The Compliance Committee shall meet on a regular basis, and Audit & Supervisory Board Members and Outside Directors shall be able to attend and express their opinions. Members of the Compliance Committee or its secretariat shall include attorneys and other officers and employees with expertise in corporate law.

The Compliance Committee has established internal and external contact points for reporting compliance issues. The Committee conducts objective and professional investigations of whistleblowing cases, and works to correct individual problems and improve the compliance system. Sumitomo Riko and its subsidiaries take all possible measures to protect whistleblowers by ensuring that they will not be treated unfavorably because of their reports.

The Compliance Committee shall progressively develop a system to accept whistle-blowing directly from executives and employees of subsidiaries worldwide. Subsidiaries with a certain scale of business shall establish an internal whistle-blowing system in accordance with the Group Rules.

The Compliance Committee shall periodically investigate the status of compliance issues in each division of the Company and each subsidiary. Based on the results of this investigation, the identification and assessment of risks, and the status of whistle-blowing, the Committee shall periodically review the compliance system of the Group and reflect the results in its development plan.

◆ System to Ensure Appropriateness of Financial Reporting

Each division and subsidiary of Sumitomo Riko group has established an internal control system to ensure the appropriateness of financial reporting. The Internal Audit Department/Internal Audit Division supports the development and operation of such internal control systems in the Group, evaluates their status as an assistant to the management responsible for internal control, and reports to the Board of Directors.

◆ Monitoring

For continuous evaluation of the effectiveness of internal control, the Company combines routine monitoring, which is incorporated in business processes and conducted by individual departments and subsidiaries, with independent evaluation by the Board of Directors, Audit & Supervisory Board Members, and the Internal Audit Department. To enhance the efficiency and effectiveness of routine monitoring by individual departments and subsidiaries, the Company launched "Uniform Self-assessment" in fiscal 2017 for which the common items to be checked by all departments and subsidiaries are specified and the head office confirms the results of the check. Effectiveness of independent evaluation is enhanced by ensuring collaboration among Audit & Supervisory Board Members, the accounting auditor, and the Internal Audit Department.

Task Force on Climate-related Financial Disclosures (TCFD)



Disclosure Based on TCFD Recommendations

In keeping with the Sumitomo Riko Group Management Philosophy, "We will strive to protect the global environment and to contribute to creating better communities," the Sumitomo Riko Group considers climate change to be a major management issue. In accordance with our commitment to the TCFD Recommendations, the Sumitomo Riko Group will actively strive to disclose information and further improve our corporate value through specific policies with consideration to the four thematic areas ("governance", "strategy", "risk management" and "metrics and targets") regarding both climate-related risks and opportunities for our business.

◆ Governance

Regarding sustainability-related social issues, including climate change, The CSR Sustainability Committee, approves activity policies, checks the progress of activities, and conducts follow-up. In March 2022, we established the Carbon Neutral Promotion Office to accelerate our decarbonization efforts. We are promoting measures to achieve carbon neutrality under the themes of "Energy management," "New technology development," and "New energy conversion".

◆ Strategy Scenario Analysis

We have conducted a scenario analysis to specifically understand the various risks and opportunities that climate change poses to our business. Scenario analysis was conducted for our main business, the automotive products business (which accounts for about 85% of our sales) and our R&D division, based on two scenarios: one scenario for a "carbon neutral world" in which the impacts become apparent in terms of transition (1.5°C scenario), and the other scenario for a "Tragic World", in which the impacts become apparent on the physical side (4°C scenario).

(Reference) Main scenarios referred to

Carbon neutral world (1.5°C scenario) IEA WEO 2021:NZE2050 IEA ETP 2020:NZE2050 PRI IPR 2021:1.5°C RPS

Tragic world (4°C scenario) IPCC AR6:SSP3-7.0 WRI Aqueduct Water Risk Atlas 2021:SSP3-8.5

Identification and Analysis of Risks and Opportunities

Transition Risks and Opportunities

Item	Risk	Opportunity	Impact	Period*	Countermeasures	
Policy/Legal	GHG Tighter regulation Carbon tax	– Decline in earnings due to higher response costs	– Customer preference due to regulatory compliance – Decreased costs due to improved production processes	Medium	Medium term	– Consideration and promotion of introduction of renewable energies such as solar power generation – Promotion of energy saving in production activities
Market	Supply Chain	– Declining supply of natural rubber and price hikes – Increased concern about dependence on natural resources	– Customer preference for sustainable procurement of natural rubber and resource substitution	Large	Short to Long-term	– Development of environmentally friendly materials – Design of recyclable products
	Customers	– Decline in sales of existing products due to rapid shift to EVs – Decline in sales due to inability to meet decarbonization needs	– Increase in sales of products that respond to EVs and fuel-efficient needs – Increase in sales of products that contribute to decarbonization	Large	Short to Long-term	– Respond to EVs of existing businesses by evolution of vibration control technology and polymer materials technology – Expand sales by promoting environmentally friendly products
Technology	Next Generation Technology Diffusion	– Decrease in added value of existing technology	– Increase sales through development/promotion of lowcarbon, decarbonized products	Large	Medium to Long-term	– Promote new product development centered on "Autonomous" and "Electric" areas in CASE

Physical Risks

Item	Risk	Impact	Period	Countermeasures	
Acute	Severity of extreme weather events	– Decrease in sales due to shutdowns caused by disasters – Increased costs due to strengthened business continuity measures, such as capital investment and supply chain reinforcement	Small	Long-term	– Strengthening Resilience through Business Continuity Management
Chronic	Increase in average temperature	– Increase in energy costs to maintain labor and material storage environment, etc.	Small	Long-term	– Promotion of energy conservation

*Period: Short-term: 3 years or less, Medium-term: 4-6 years, Long-term: 10 years or more

◆ Risk Management

Based on the "Group Crisis Management Guidelines," the Committee conducts annual risk surveys at domestic and overseas Group companies and shares the risks identified and specified as "significant risks" with the Committee, which then works to grasp group-wide risks. And based on the analysis and evaluation, the Committee selects the risks to be addressed, selects the appropriate countermeasures, and works to minimize their impact on business operations. Climate change-related risks are also managed within the framework of company-wide risk management. We will also work with the CSR Sustainability Committee to formulate response plans and monitor progress.

◆ Metrics and Targets

Item	Target year	Details of target	Achievement (FY2020*)
2022V CO ₂ emission intensity reduction target	FY2022	8% reduction (Scope 1+2, compared to FY2017)	0.2% increase
Sumitomo Electric Group's Greenhouse Gas Reduction Targets (announced in 2021)	FY2030	30% reduction (Scope 1+2, compared to FY2018) 15% reduction (Scope 3, compared to FY2018)	Scope1+2 : Decrease by 15.3% Scope3 : Decrease by 7.0%
	FY2050	Achieve carbon neutrality	

* The latest information (FY2021 results) will be posted on our website "CSR Information Website": <https://www.sumitomoriko.co.jp/english/csr/portal/>

Others

◆ United Nations Global Compact

In October 2014, Sumitomo Riko signed the Global Compact proposed by the United Nations and became a member of the Global Compact Network Japan. The UN Global Compact consists of 10 principles in four areas: human rights, labor, environment, and anti-corruption. We are committed to ensuring compliance with these principles, promoting and valuing diversity, and fulfilling our responsibilities in the international community.



◆ Amnesty International

In April 2019, we revised the "Sumitomo Riko Group Corporate Action Charter", which states that our business respects the human rights of all people. In fact, we are a corporate-support member of Amnesty International Japan, a division of the global human rights organization, and the initiatives we pursue reflect the UN Guiding Principles on Business and Human Rights.

◆ Tokyo Principles for Strengthening Anti-Corruption Activities

In July 2018, we signed and endorsed the Tokyo Principles for Strengthening Anti-Corruption Practices (Tokyo Principles) of the Global Compact Network Japan, and were approved. The Tokyo Principles embody the contents of Principle 10 (Anti-Corruption) of the UN Global Compact. By signing the Tokyo Principles, we will implement stronger anti-corruption activities than ever before.



LINK → Disclosure Based on TCFD Recommendations for FY2021
<https://www.sumitomoriko.co.jp/english/csr/portal/tcf/index.html>

KPI	Unit	2012		2013		2014		2015		2016		2017		2018		2019		2020		2021		
		Japanese GAAP	Japanese GAAP	Japanese GAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	
Results of Operations																						
Net sales	Millions of yen	263,725	369,093	400,930	424,485	422,630	462,885	469,705	445,148	397,940	445,985											
Business profit ¹	Millions of yen	—	—	—	14,528	14,564	12,860	9,379	11,321	7,862	6,467											
Operating profit	Millions of yen	9,204	13,577	10,492	12,867	13,600	12,196	1,153	8,898	227	1,110											
Profit attributable to owners of the parent company	Millions of yen	3,003	4,076	(4,429)	2,901	5,195	3,528	(5,022)	881	(4,957)	(6,357)											
Business profit to sales	—	—	—	—	3.4%	3.4%	2.8%	2.0%	2.5%	2.0%	1.5%											
Operating profit to sales	—	3.5%	3.7%	2.6%	3.0%	3.2%	2.6%	0.2%	2.0%	0.1%	0.2%											
Profit attributable to owners of the parent company to sales	—	1.1%	1.1%	(1.1%)	0.7%	1.2%	0.8%	(1.1%)	0.2%	(1.2%)	(1.4%)											
Results by business segment ¹	Automotive Products	Net sales	Millions of yen	210,267	312,439	344,023	369,149	362,367	393,440	398,160	377,907	344,204	386,843									
		Profit	Millions of yen	7,080	9,642	7,924	13,012	13,217	9,766	7,771	9,548	4,977	2,014									
	General Industrial Products	Net sales	Millions of yen	53,458	56,654	56,907	55,336	60,263	69,445	71,545	67,241	53,736	59,142									
		Profit	Millions of yen	2,124	3,935	2,568	1,517	1,347	3,094	1,608	1,773	2,885	4,453									
Results by geographical segment ¹ before intersegment elimination	Japan	Net sales	Millions of yen	183,131	185,156	183,205	188,911	198,985	213,020	214,033	208,677	175,977	191,484									
		Profit	Millions of yen	440	4,943	2,390	(267)	(1,206)	(135)	(1,147)	1,929	(981)	1,603									
	Americas	Net sales	Millions of yen	50,451	83,029	94,650	100,436	96,376	102,804	105,269	101,681	80,078	98,856									
		Profit	Millions of yen	3,933	4,543	5,069	4,656	3,241	(894)	122	(4,068)	(7,551)										
	Asia	Net sales	Millions of yen	61,690	98,762	113,105	127,752	121,795	140,425	144,645	134,936	143,197	167,674									
		Profit	Millions of yen	4,902	9,095	9,874	13,131	13,835	13,099	13,447	10,520	14,906	14,906									
	Europe and Others	Net sales	Millions of yen	5,529	46,977	58,230	57,044	54,370	60,688	59,300	53,230	46,049	47,984									
		Profit	Millions of yen	1	(1,804)	(3,293)	(1,604)	(142)	(1,518)	(1,032)	(395)	(1,271)	(1,834)									
	Financial Position																					
	Total assets	Millions of yen	324,134	383,005	406,777	385,371	404,799	414,233	397,279	373,262	379,502	408,280										
	Total equity	Millions of yen	172,918	189,007	199,225	178,494	179,789	184,459	176,598	167,668	171,471	179,030										
	Equity attributable to owners of the parent	Millions of yen	159,908	172,230	179,687	159,893	161,293	164,379	158,319	150,625	152,636	157,876										
Cash Flows																						
Cash flows from operating activities	Millions of yen	19,692	17,756	19,547	29,854	33,161	31,622	31,462	36,302	29,830	14,149											
Cash flows from investing activities	Millions of yen	(36,814)	(51,722)	(17,184)	(33,990)	(32,534)	(27,445)	(28,251)	(28,645)	(26,126)	(24,956)											
Cash flows from financing activities	Millions of yen	24,557	13,558	2,692	(1,106)	10,715	(6,127)	(8,368)	(12,584)	(6,032)	6,937											
Other Data																						
Capital expenditure (based on purchase of property, plant and equipment)	Millions of yen	25,295	31,334	29,699	30,538	25,548	24,728	25,180	23,736	19,483	22,869											
Depreciation and amortization	Millions of yen	14,672	21,468	23,301	26,215	26,664	28,766	29,781	32,641	31,977	30,534											
R&D expenses	Millions of yen	9,698	11,673	12,821	14,215	14,614	14,796	15,002	14,210	13,050	14,302											
Per Share Data																						
Net assets per share	Yen	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	1,521											
Profit attributable to owners of the parent company per share (basic)	Yen	29	39	(43)	28	50	34	(48)	8	(47.74)	(61)											
Dividends per share	Yen	16	17	18	18	19	20	14	14	7	14											
Stock and Dividend Data																						
Consolidated payout ratio	—	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%	1.2%	1.3%	0.9%	1.0%	0.5%	0.9%											
Other Key Performance Indicators																						
ROA (Business profit to total assets) ²	—	3.1%	3.8%	2.7%	3.7%	3.7%	3.1%	2.3%	2.9%	2.1%	1.6%											
ROE (Return on equity attributable to owners of the parent company)	—	1.9%	2.5%	(2.5%)	1.8%	3.2%	2.1%	(3.1%)	0.6%	(3.3%)	(4.1%)											
Equity attributable to owners of the parent ratio	—	49.3%	45.0%	44.2%	41.5%	39.8%	39.7%	39.9%	40.4%	40.2%	38.7%											
Net D/E ratio ³	—	0.05	0.28	0.30	0.38	0.39	0.39	0.40	0.41	0.41	0.51											
Asset turnover	—	0.9	1.0	1.0	1.1	1.1	1.1	1.2	1.2	1.1	1.1											
Number of employees	Persons	18,035	22,546	23,568	23,790	24,453	25,689	26,156	26,109	25,796	25,519											

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

Company Profile

Company Name	Sumitomo Riko Company Limited
Location	Global Headquarters JP Tower Nagoya 1-1-1, Meieki, Nakamura-ku, Nagoya-shi, Aichi 450-6316, Japan Komaki Head Office 1, Higashi 3-chome, Komaki, Aichi 485-8550, Japan
Consolidated net sales	446 billion yen (FY2021)
Paid-in capital	12,145 million yen
Employees on a consolidated basis	25,519 persons
Products	Automotive Products: Anti-vibration rubber products, hoses, sound controlling & insulation products, interior equipment, fuel cell (FC) components, rubber sealants, etc. General Industrial Products: Precision resin blades and rollers; anti-vibration rubber for rolling stock, housing, and bridges; hydraulic hoses and industrial hoses, etc.
Stock listing	Tokyo Stock Exchange and Nagoya Stock Exchange Securities code: 5191
Associated companies	75 consolidated subsidiaries, 8 equity method affiliates

Shares

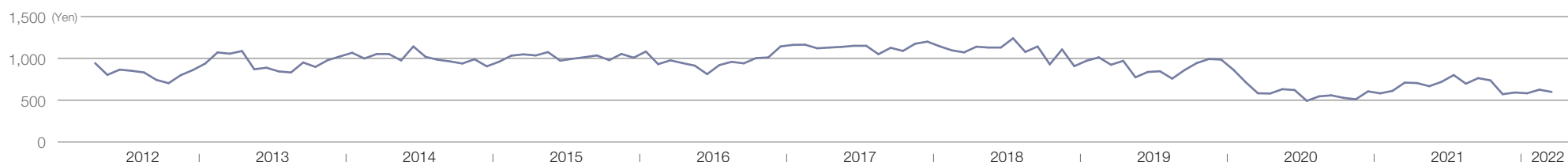
Total number of authorized shares	400,000,000 shares
Total number of outstanding shares	104,042,806 shares
Total number of shareholders	7,782 persons

Major Shareholders (Top 10 shareholders)

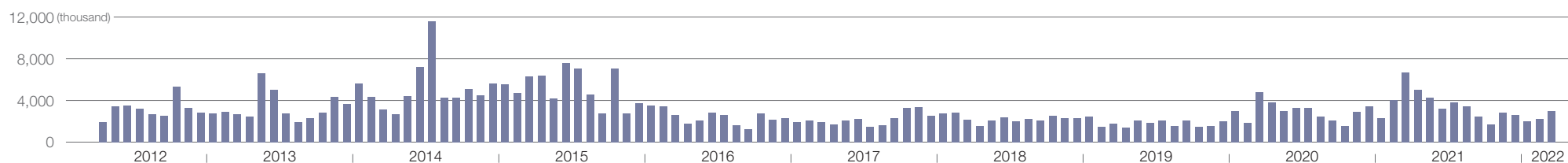
Shareholder name	Number of shares held (thousand)	Shareholding ratio (%)
Sumitomo Electric Industries, Ltd.	51,534	49.64
Maruyasu Industries Co., Ltd.	10,901	10.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,661	5.45
Sumitomo Riko Kyoei Shareholding Association	2,810	2.71
Fukoku Bussan Co., Ltd.	2,719	2.62
Custody Bank of Japan, Ltd. (Trust Account)	2,281	2.20
Sumitomo Riko Employee Stock Ownership Association	1,983	1.91
DFA INTL SMALL CAP VALUE PORTFOLIO	865	0.83
SUMITOMO LIFE INSURANCE COMPANY	678	0.65
JPLLC-CL JPY	629	0.61

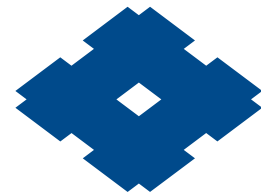
Share Price Trend (from Apr. 2012 to Mar. 2022, Tokyo Stock Exchange)

Share price (month-end)



Volume (month)





SUMITOMO RIKO

[Cautionary statement with regard to forward-looking statements]

Forward-looking statements such as sales and profits described in this report other than statements of historical or current facts are based on the Sumitomo Riko Group's assumption and judgment on the basis of information that is currently available with regard to economic situation including forecast of the industry trends of 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.