

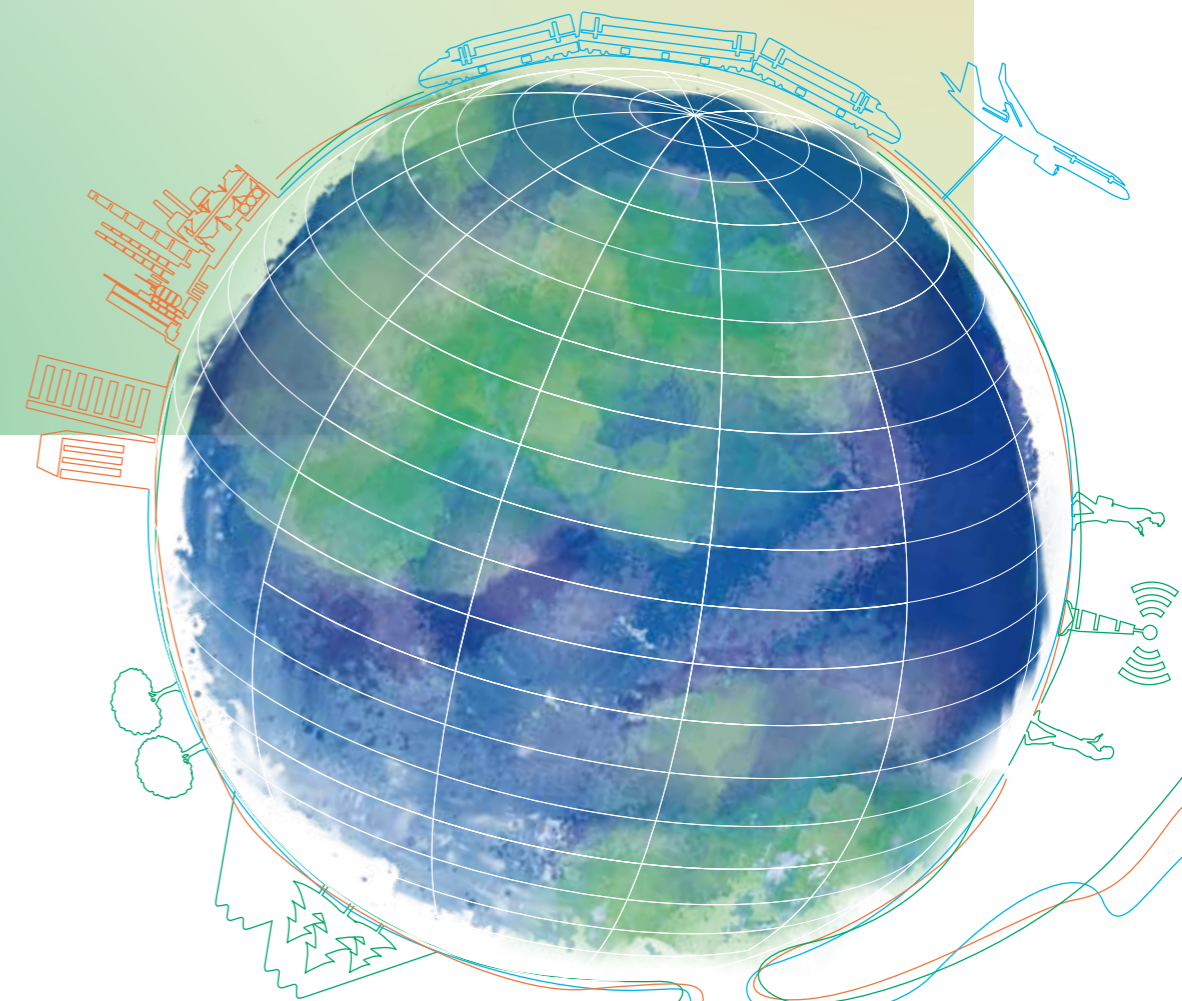
2022

Annual Report

(Year ended March 31, 2022)

 **SUMITOMO PRECISION PRODUCTS CO., LTD.**

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Sumitomo's Business Philosophy

Sumitomo's Business Philosophy grew out of the guiding principles set down by the founding father of the Sumitomo family, Masatomo Sumitomo (1585-1652), in Monjuin Shiigaki (the Aphorisms of Monjuin, which describes how a merchant should conduct his business). Sumitomo's Business Philosophy has been passed down and elaborated through the long history of Sumitomo. The essence of the Philosophy was distilled in the "Business Principles" established in 1891, from which the 1928 Sumitomo "Business Rules" took over the two articles below.

Sumitomo's Business Philosophy

Business Principles

- 1 Sumitomo shall achieve prosperity based on solid foundation by placing prime importance on integrity and sound management in the conduct of its business.
- 2 Sumitomo's business interest must always be in harmony with public interest; Sumitomo shall adapt to good times and bad times but will not pursue immoral business.

Note: Further details of Sumitomo's history and Sumitomo's Business Philosophy are available at the website of the Sumitomo Group Public Affairs Committee.

Corporate Principles of the Sumitomo Precision Products Group

Following the Sumitomo's Business Philosophy, the Sumitomo Precision Products group conducts business on the following corporate principles. In so doing, we fulfill our responsibilities for diversified stakeholders in ensuring sustained business development and an increase in corporate value.

"Toward a Promising Future" Our Corporate Principles

Sumitomo Precision Products will continue to increase its global presence with innovative technology, and will pave its way toward a prosperous tomorrow.

① COMPLIANCE

Complying with laws and regulations, we will conduct all business activities based on the highest ethical standards.

② CUSTOMER SATISFACTION

Focusing intensely on market demands and clients' needs, we will continue to offer quality products and services to achieve the highest customer satisfaction possible.

③ CHANGE & CHALLENGE

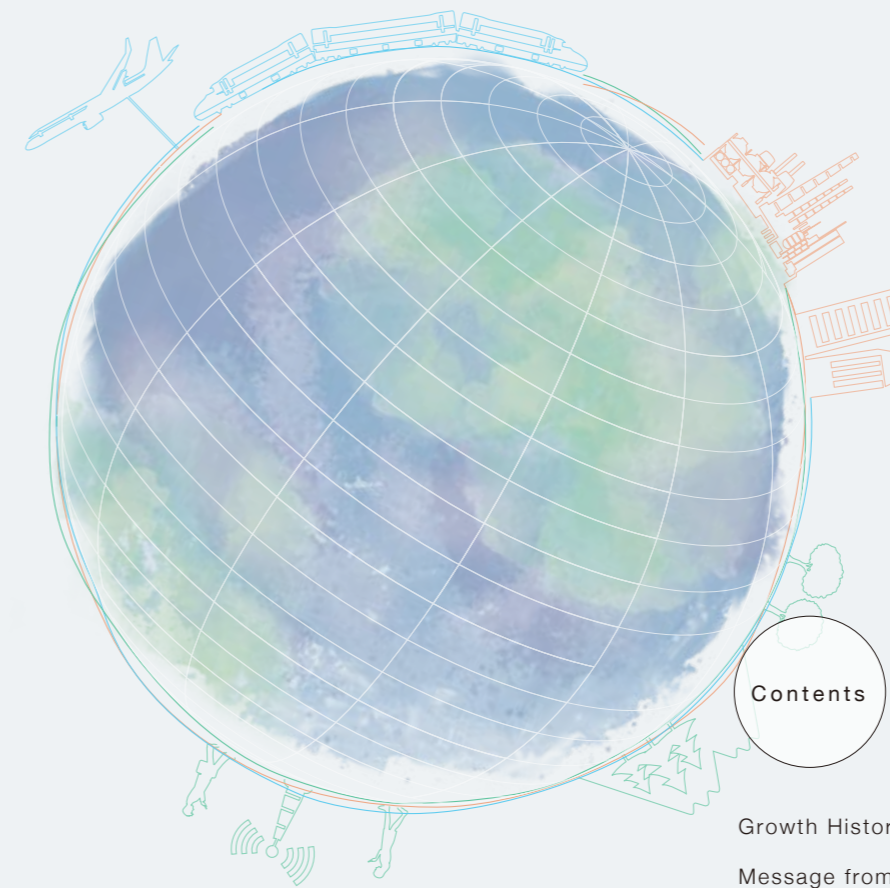
Responding sensitively to global trends, we will boldly try to fully meet these changes and keep our eyes open to new opportunities that accompany this changing atmosphere.

④ HUMAN RESOURCES

Respecting our human resources, we will provide a supportive environment that encourages each individual's fulfillment and harmony among all employees.

⑤ COEXISTENCE WITH SOCIETY

By playing an active role in society, we will promote good citizenship with our community and harmony with the surrounding environment.



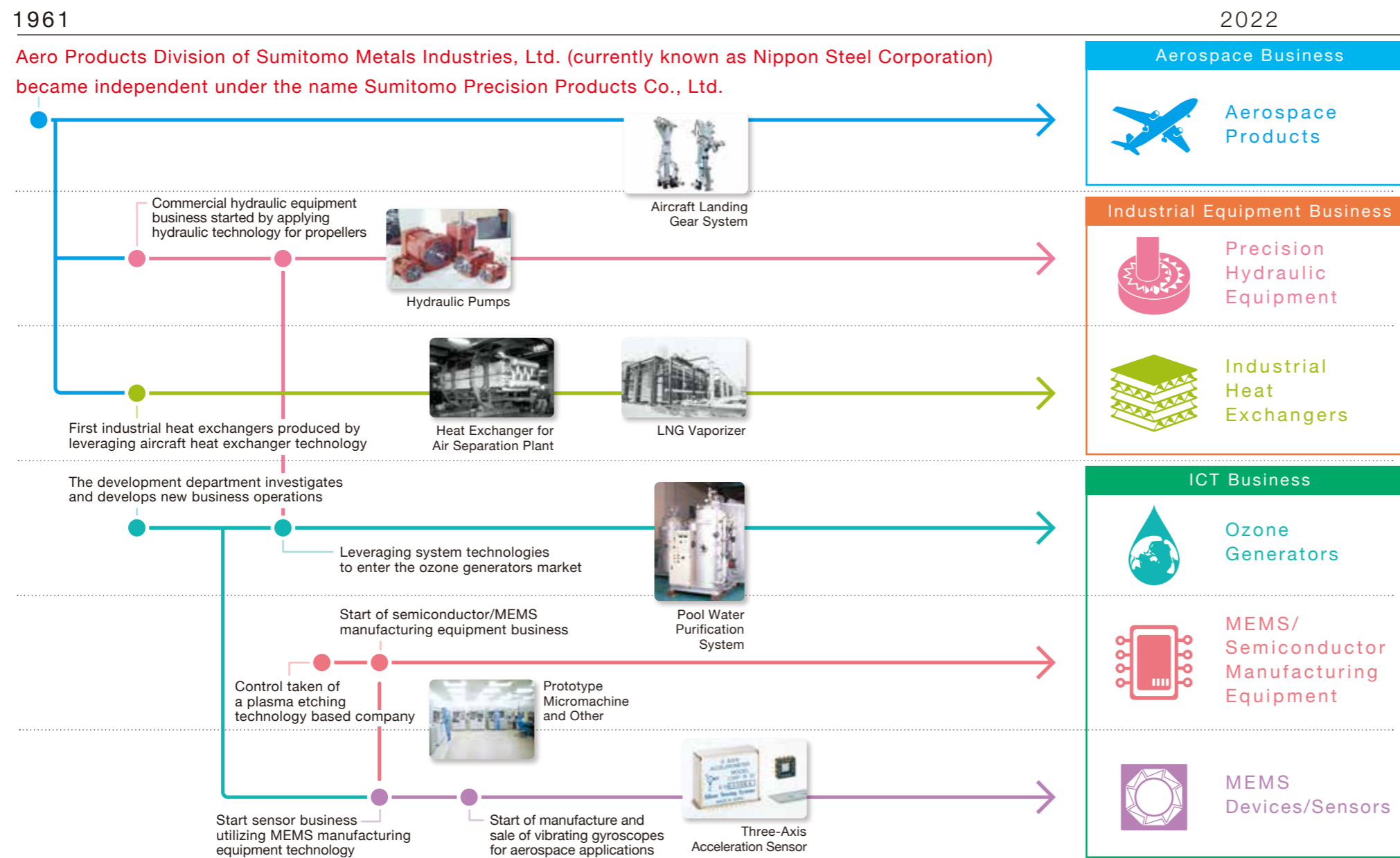
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Growth History

With precision technologies and precision manufacturing, we innovate the world's highest quality of "Precision" that supports a sustainable society, ahead of anyone else.

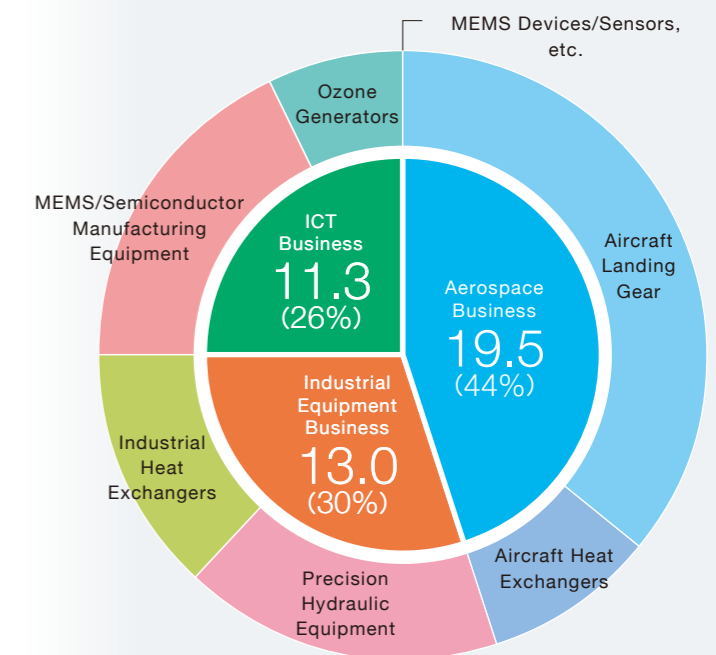
We started our business with a focus on precision machining technology applied to high-strength metallic materials used in aerospace products. With the aim of becoming a company that solves social issues and serves society, we have grown while pursuing and developing precision technology and precision manufacturing in the Aerospace, Industrial Equipment, and ICT businesses.

- ▶ Contributions to Japanese sovereign security by providing legs for supporting aircraft owned by the Ministry of Defense as the sole manufacturer of aircraft landing gear systems in Japan.
- ▶ Advanced heat management technology applied to heat exchangers for aircraft engines helps improve the fuel economy in aircraft.
- ▶ Industrial heat exchangers available in an extensive product lineup contribute globally to the safe supply of energy and industrial gases and to the cooling of electronic devices ever evolving toward higher performance with higher heat generated.
- ▶ Precision hydraulic equipment with superb durability in harsh environments, low fuel-efficient, and low-noise operation contributes to global manufacturing in the field of injection molding machines and machine tools.
- ▶ MEMS and semiconductor manufacturing equipment incorporating our proprietary deep reactive ion etching of silicon, piezoelectric film and other technologies help improve safety and convenience in people's lives by improving the sensitivity and detection accuracy and functionality of diverse kinds of electronic devices.
- ▶ Ozone generators supply reaction gas, which is essential for the deposition of an ultrafine three-dimensional structure of leading-edge semiconductor memories, contributing to people's convenient and comfortable lives.



▶ Business Mix (results for fiscal 2021)

Net Sales 43.8 billion yen



Notes on forward-looking statements

Information provided in this annual report contains certain forward-looking statements concerning performance forecasts and projections made by Sumitomo Precision Products using information available at present (performance forecasts for fiscal 2022 are the figures announced on May 12) and is subject to various risks and uncertainties. Due to various changes, actual results may vary from those projected in the forward-looking statements.

Message from the President



Slogan for Mid-term Management Plan for fiscal 2021 to fiscal 2023 “With precision technologies and precision manufacturing, we innovate the world’s highest quality of ‘precision’ that supports a sustainable society, ahead of anyone else.”

Since its founding in 1961, Sumitomo Precision Products Co., Ltd. (“Sumitomo Precision Products”) has been honing its precision technologies and precision manufacturing, and continuing to take on difficult challenges without fear of failure in order to meet customer demands. As a result, the Sumitomo Precision Products Group (“the Group”) succeeded in building strong partnerships with customers in its businesses on a long-term basis.

We define our own **precision** as “acknowledging everything we face”. This means that we deeply understand all things related to our business, which are not only our own products and facilities but also the stakeholders, external and internal regulations, and external environment etc. The Group as a whole or each division of the Group pursues this precision throughout the Mid-term Management Plan. We think that understanding our customers and their demands well, then

proposing any solution to the issues they face or are unaware of is also our **precision**. We believe that everybody in the Group should acknowledge and pursue our **precision** in daily operations, and this will lead us to create the best products and services and deliver it to the customers ahead of others.

The Group’s products and services will be able to: i) contribute to realizing safe and secure society, to realizing environmentally friendly saving energy society, to building the foundation of manufacturing around the world, and to realizing Smart society; ii) contribute to establishing post-5G and digital society; and iii) contribute to realizing carbon-free society. By continuing to support a sustainable society, the Group will also grow in a sustained manner.

Representative Director,
President

Overview of Business Performance in Fiscal 2021

Looking at the Group’s financial results for fiscal 2021, the Aerospace Business saw revenue improvement as demand for equipment of commercial aircraft bottomed out and recovered after having declined due to the spread of COVID-19, and as the yen weakened. In addition, demand increased for precision hydraulic equipment for China in the Industrial Equipment Business and for ozone generators and heat treatment equipment for semiconductors in the ICT Business. As a consolidated financial result, net sales were ¥43.8 billion, operating income was ¥1.88 billion and income before income taxes was ¥2.57 billion. The Group had net income attributable to owners of the parents of ¥2.31 billion, which is caused by the Group recognizing deferred tax assets for the portion likely to be recovered with the careful consideration of estimated future taxable income driven from recent business performance trends while the Group recorded extraordinary loss of ¥1.21 billion in connection with non-conformity issues detected in December 2019 in

plate-fin type heat exchanger production that should comply with the High Pressure Gas Safety Act, with regards to which the Group saw progress in negotiation on compensation to the customers.

Free cash flows were ¥2.38 billion, achieving a surplus following on from fiscal 2020. While reducing total assets and improving our financial position, we succeeded in achieving significantly higher net income and free cash flows than our initial forecasts.

The Group suspended paying a year-end dividend for three years since the interim dividend payout for the fiscal year ended March 31, 2019. However, in response to a recovery in its business performance in the current fiscal year, the Group has decided to pay a year-end dividend of ¥25 per share as projected at the beginning of the fiscal year based on our policy of stable and continuous dividends payments to our shareholders.

Outlook for Fiscal 2022

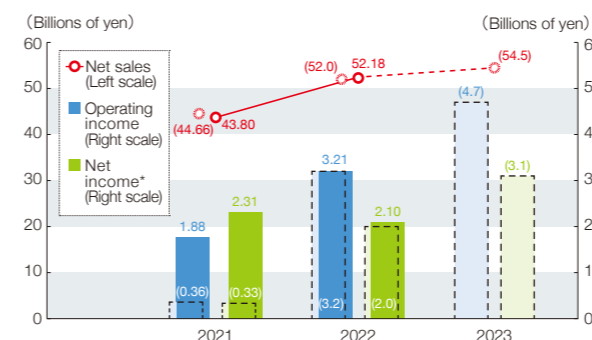
In the consolidated financial forecast for fiscal 2022, we maintain the original targets in the second year of the Mid-term Management Plan, which expect ¥52.18 billion in net sales, ¥3.21 billion in operating income, ¥3.11 billion in income before income taxes, and ¥2.10 billion in net income attributable to owners of the parent.

In the Aerospace Business, sales of equipment for the Ministry of Defense will likely be more or less flat. In commercial aircraft equipment, it will likely take time for demand for long-haul airline flights to recover, but that for short-haul flights is gradually rebounding now. For precision hydraulic equipment in the Industrial Equipment Business, the Chinese economy began to slow down from the second half of fiscal 2021, and the impact is expected to continue for a while. However, orders for industrial heat exchangers will

likely recover gradually due to resumption of trade. The ICT Business is expected to continue to enjoy strong demand mainly for semiconductor products, and we are now stepping up our production system including for our supply chain.

Free cash flows for fiscal 2022 are expected to be a surplus of ¥1.6 billion. Although net sales will likely increase for fiscal 2022 from the previous year, we will continue to reduce interest-bearing debt and work on further improvement in our financial position.

The Group plans to increase an annual dividend to ¥50 per share, which consists of ¥25 per share for an interim and year-end dividend, respectively.



*Net income attributable to owners of the parent
(Numbers for dashed line graphs and numbers in parentheses denote the initial plan when the Mid-term Management Plan for fiscal 2021 to 2023 was formulated.)

	2021 Results	2022			2023 Initial plan		
		Initial plan	Forecast	Aero-space		Industrial Equipment	ICT
Net sales	43.80	52.0	52.18	22.77	13.03	16.38	54.5
Operating income	1.88	3.2	3.21	0.51	0.58	2.12	4.7
Net income*	2.31	2.0	2.10				3.1

*Net income attributable to owners of the parent

Message from the President

Mid-term Management Plan: Progress Report

Sumitomo Precision Products Group's Growth Strategy (for the period until 2030)

Shown in the chart below is the Sumitomo Precision Products Group's Growth Strategy outlining what the Group should aim for toward 2030.

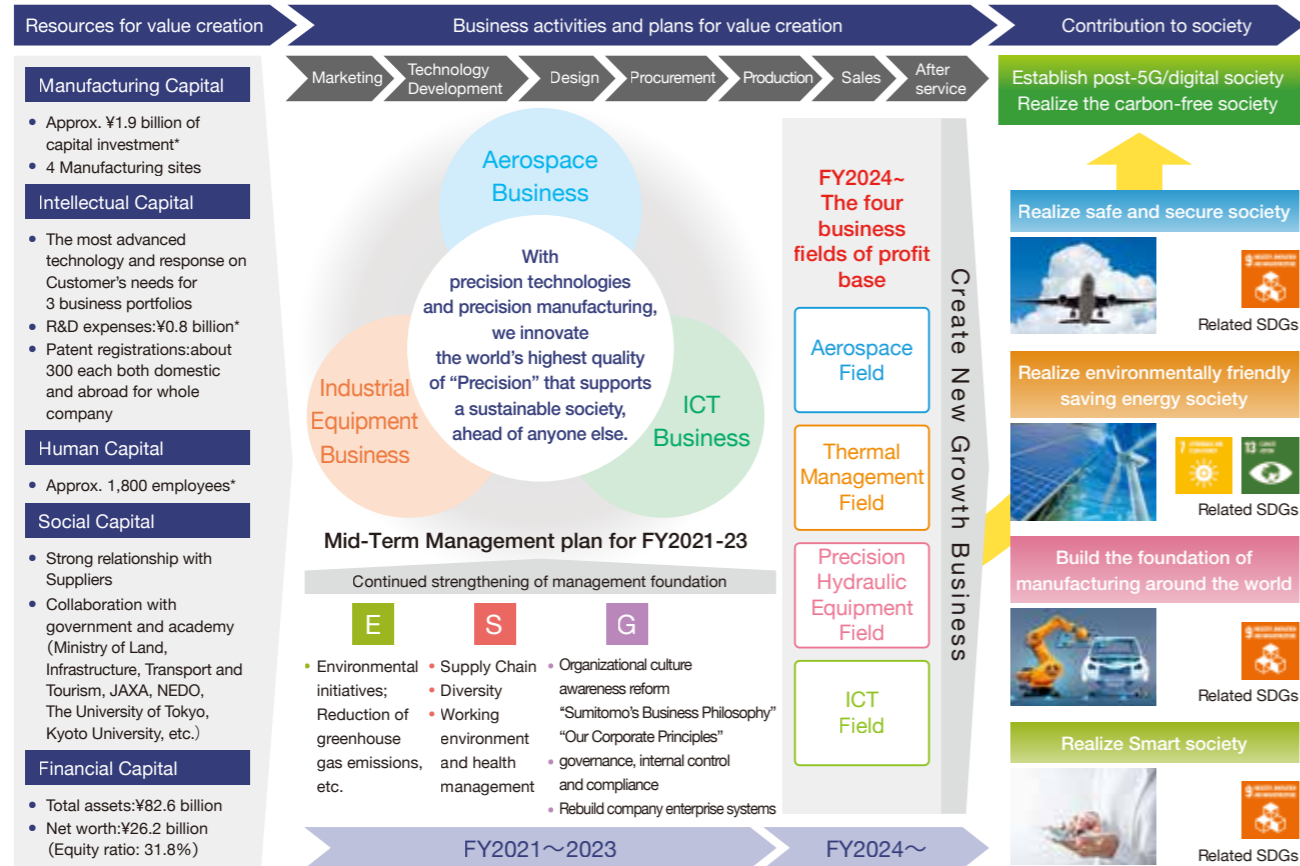
The Group is now engaged in activities in the Aerospace Business, the Industrial Equipment Business, and the ICT Business under the slogan of "With precision technologies and precision manufacturing, we innovate the world's highest quality of 'precision' that supports a sustainable society, ahead of anyone else" by maximally using capital as a resource that supports value creation.

We think the Group's existing technologies and those to be acquired during the Mid-term Management Plan period will be able to contribute to: i) realizing safe and secure society, ii) realizing environmental friendly saving energy

society, iii) building the foundation of manufacturing around the world, and iv) realizing Smart society.

Envisioning our business after the Mid-term Management Plan, we should address the aerospace field, the thermal management field, the precision hydraulic equipment field, and the ICT field. With these four markets in mind, we will strive for achieving sustainable growth across the frameworks of our current businesses. In particular, ICT and thermal management will be viewed as business expansion and strategic fields. With this notion, we will create new growth businesses by pursuing and developing our precision technology and manufacturing capability.

Sumitomo Precision Products Group's Growth Strategy



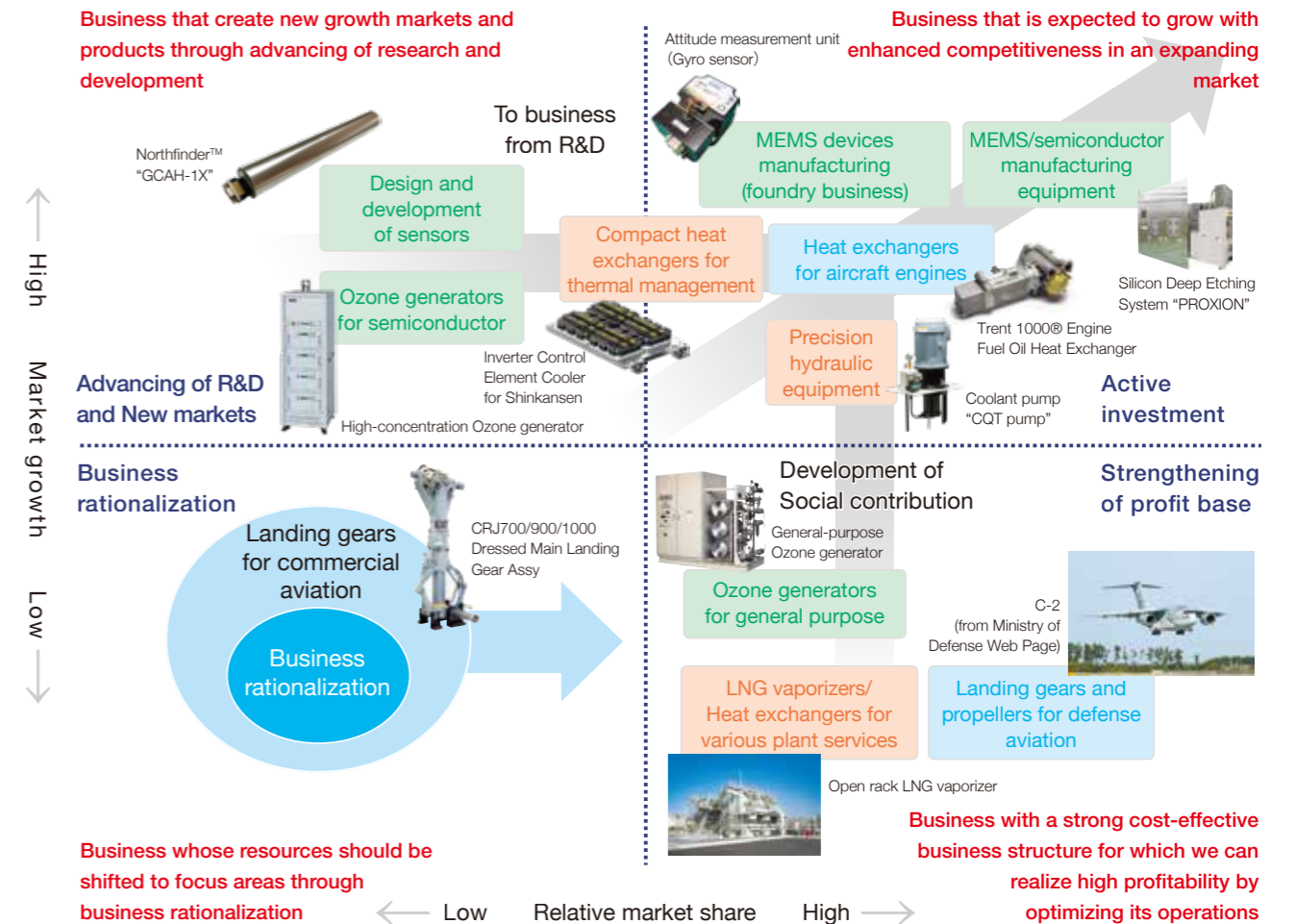
* The average for fiscal 2018 to 2020

Business portfolio

To make the Mid-term Management Plan, we created a business portfolio, organizing our aerospace, industrial equipment, and ICT products by their application. The portfolio defines our desired roles of each of these businesses.

For fiscal 2021, the first year of the Mid-term Management Plan, we have begun to shift our business foundation to the thermal management and ICT

fields, which are business expansion and strategic fields, based on the business portfolio. For fiscal 2022, we will further accelerate the pursuit and development of our precision technologies and manufacturing, which are required in each market, in the four business fields of our profit base from fiscal 2024 onward, coupled with the aerospace and precision hydraulic equipment fields.



Our businesses and products (by application)

Aerospace Business	Aircraft landing gear business	Landing gears for commercial aviation	Thermal Management Project
	Aircraft heat exchangers business	Landing gears and propellers for defense aviation	
Industrial Equipment Business	Industrial heat exchangers business	Heat exchangers for aircraft engines	Thermal Management Project
	Precision Hydraulic Equipment business	Compact heat exchangers for thermal management	
		LNG vaporizers/Heat exchangers for various plant services	
		Precision hydraulic equipment/Coolant pumps	

ICT Business	MEMS/Semiconductor Manufacturing Equipment business	MEMS/Semiconductor Manufacturing Equipment (Deep reactive ion etching of silicon/etching of compounds for 5G applications)	MEMS Solutions
	MEMS devices/Sensor business	MEMS devices manufacturing (foundry business)	
		Design and development of Sensors	
	Ozone Generators business	Ozone generators for semiconductor/general purpose	

Message from the President

Business expansion and strategic fields (ICT/Thermal Management Field)

ICT Field

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MEMS/Semiconductor Manufacturing Equipment

Starting from fiscal 2022, we begin to market manufacturing equipment that uses: i) a new etching technology that we developed actively during fiscal 2021 and that can be applied to uses such as the manufacturing of compound semiconductor devices after 5G; and ii) a new chemical vapor deposition (plasma deposition) technology that is expected to be used for a wide range of applications, including MEMS.

SPT Microtechnologies USA, Inc., a group company completed the development of a newly designed vertical furnace. As a key product in the future, we are expanding sales of it for new applications such as SiC power devices, LEDs, and MEMS silicon microphones, in addition to manufacturing applications for Si power devices, which are essential for power conversion such as for electric vehicles (EVs).

MEMS Devices/Sensor Products, MEMS devices manufacturing (foundry business)

In fiscal 2021, among our MEMS devices and sensors, we succeeded in developing Northfinder™ and began to market it. This product is a gyrocompass that enables drilling with restrained energy consumption, targeting precious metals and rare metals that are essential for the popularization of EVs as we move toward realizing the carbon free society. In fiscal 2022, we will improve this product, build a mass production platform, and use it for purposes other than excavation, such as maintenance of electric wire pipes and water pipes, and controlling the attitude of trains, aiming to expand sales of the product. In the foundry business, we will strengthen our foundation for the future growth against the backdrop of favorable market conditions, and make sure to earn revenues properly from large-scale projects.

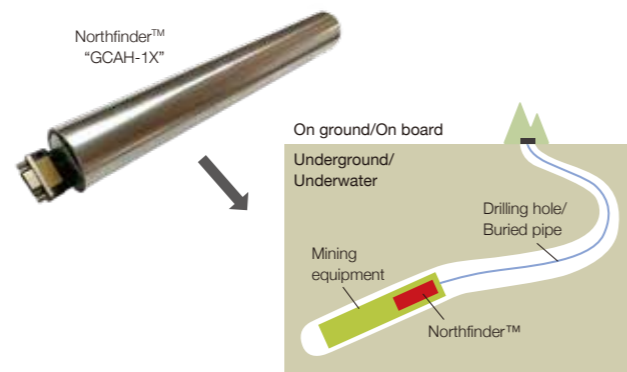


Illustration of use in Resource Mining

Establishment of MEMS Solutions Department

In August 2021, we established the MEMS Solutions Department, which began activities as an integrated strategy department for the Group's MEMS-related businesses and as an external liaison department. The MEMS Solutions Department will meet customers' expectations by working with all sections of the Group to respond to various requests and inquiries from them, and will enhance the Group's presence in the industry.

Requests and inquiries from customers

- PZT (lead zirconate titanate) film
- Northfinder™
- MEMS devices manufacturing (foundry business)
- Prototype of MEMS device for design study
- MEMS/Semiconductor Manufacturing Equipment etc.

Ozone generators

Semiconductor manufacturing processes

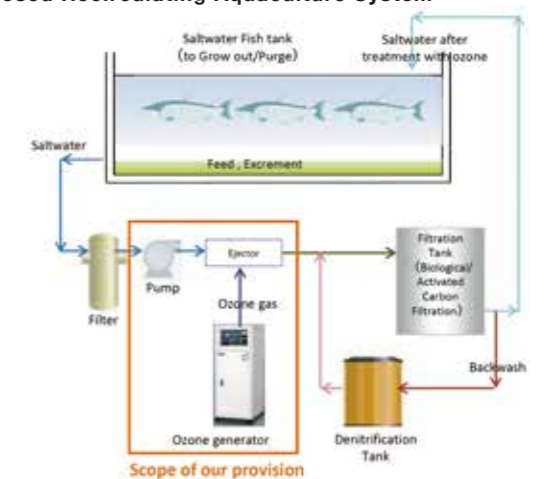
Our ozone generators, which can supply high-flow and high-concentration ozone gas, are used in semiconductor manufacturing processes that are becoming more compact and consuming less power. In recent years, advanced semiconductor manufacturing processes, such as three-dimensional flash memories, have been using atomic layer deposition

(ALD) technology to form homogeneous films on complex structures, and then ozone is needed as a powerful oxidizing agent. Given that evaluation equipment delivered to customers by fiscal 2021 showed good results, we aim to increase market share in fiscal 2022 by capturing equipment demand for the mass production of leading-edge semiconductor devices.

Land aquaculture water treatment

Taking advantage of our track record of supplying a large number of ozone generators for aquariums and swimming pools, we propose introducing ozone generators for water treatment purposes when conducting land aquaculture operations for food fish. Specifically, in closed recirculating aquaculture system separated from the sea, ozone treatment is expected to be done for the purpose of improving the odor of farmed water, eliminating bacteria from it, and restoring its transparency. We analyze farmed water for the purpose of improving water quality and propose solutions by tapping into our expertise accumulated through delivery to aquariums and other facilities, and have begun to deliver test equipment to some customers. We will continue to actively work toward achieving full-scale adoptions in fiscal 2023 and beyond.

Closed Recirculating Aquaculture System



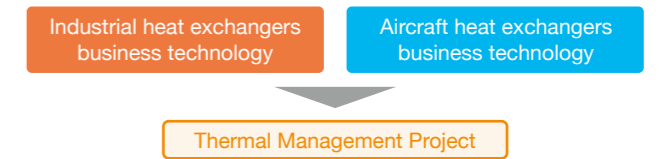
Thermal Management Field

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In fiscal 2021, we sorted out various technologies that were cultivated in markets where we can demonstrate our strengths and in the industrial heat exchangers and the aircraft heat exchangers businesses. In April 2022, we established the Thermal Management Project Team.

Going forward, we will strive to capture new business opportunities by developing technologies in new business fields, such as electric motor cooling technology, data center cooling technology, and heat exchangers for hydrogen and ammonia, and through developing 3D printing technology

combining the Company's strengths and knowledge as well as numerical analysis technology.



To Our Stakeholders

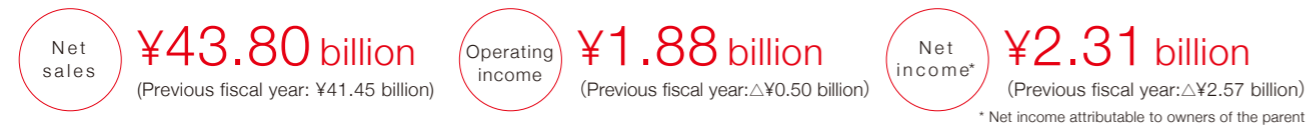
Various social issues have come to light in recent years amid increasingly drastic changes in the world. In this situation, the Sumitomo Precision Products Group, as companies engaged in manufacturing, will continue to give top priority to compliance, quality, and safety. We will pursue and develop precision technologies and precision manufacturing, which are the origin of

the Group and the source of its strength, provide products and services satisfying customers, and contribute to solving social issues with our unique precision technologies, thereby meeting the expectations of all our stakeholders. We look forward to your continued support and cooperation.

Financial Highlights

For the year ended March 31, 2022

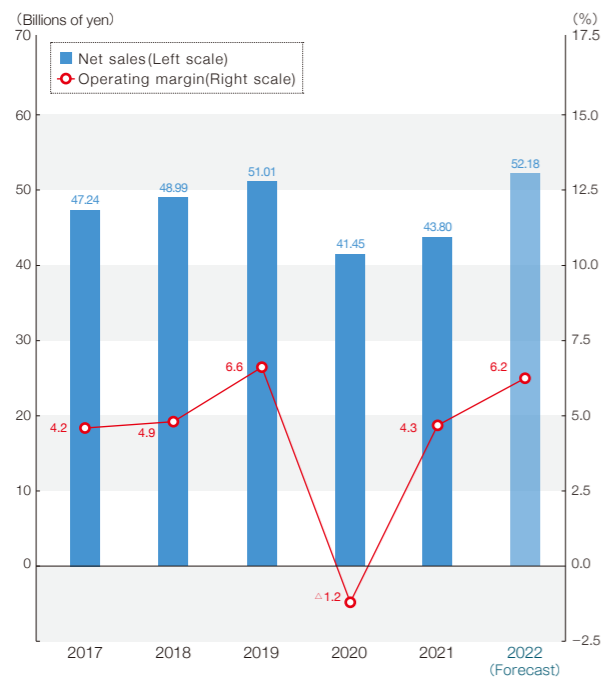
Results for Fiscal 2021



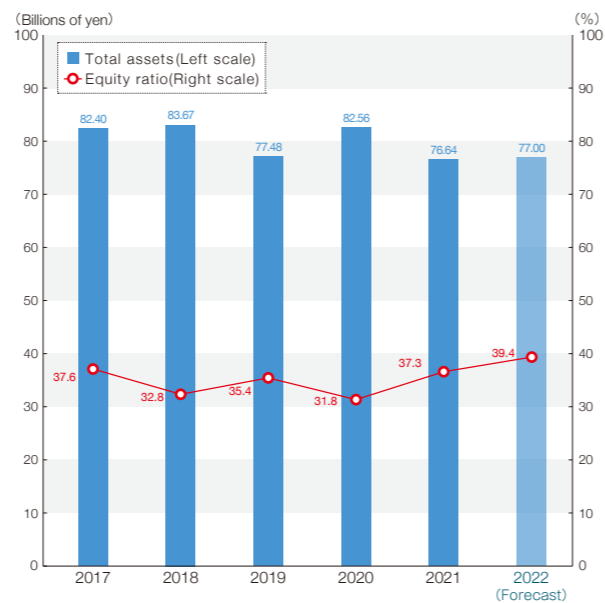
	2017	2018	2019	2020	2021	2022 (Forecast)
Net sales (Billions of yen)	47.24	48.99	51.01	41.45	43.80	52.18
Operating income (Billions of yen)	1.96	2.39	3.35	△ 0.50	1.88	3.21
Operating income to net sales (%)	4.2	4.9	6.6	△ 1.2	4.3	6.2
Net income attributable to owners of the parent (Billions of yen)	0.50	△ 2.36	1.00	△ 2.57	2.31	2.10
Total assets (Billions of yen)	82.40	83.67	77.48	82.56	76.64	77.00
Equity ratio (%)	37.6	32.8	35.4	31.8	37.3	39.4
Per share						
Net income (Yen)	96.03	△ 446.00	189.36	△ 486.87	437.02	396.88
Cash dividends (Yen)	50	25	0	0	25	50

* We adapted new accounting regulation "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year. We didn't apply this newly adapted regulation to prior years.
 * Financial results for FY2017 and FY2018 were restated on September 4, 2020.
 * Effective October 1, 2018, we conducted a reverse stock split at a ratio of 1 share for every 10 shares of common stock.
 * "Net income per share" and "Net assets per share" are calculated on the assumption that the reverse stock split was carried out at the beginning of fiscal 2017.

Net sales/Operating margin



Total assets/ Equity ratio



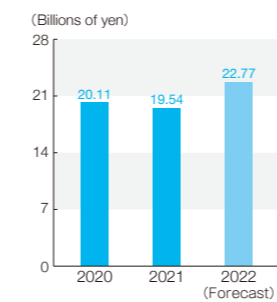
Segment Overview

At a Glance

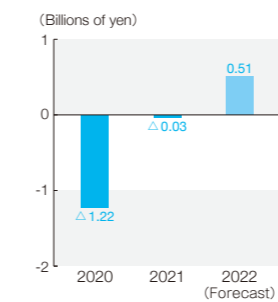
Aerospace Business

Net sales breakdown **44.6%**

Net sales



Operating income



Overview of Fiscal 2021

Although sales of equipment for the Ministry of Defense fell as an increase in orders that had continued until fiscal 2020 ran its course, commercial aircraft equipment improved in profitability due to a partial recovery in demand and the impact of a weak yen, resulting in ¥19.54 billion in net sales and ¥0.03 billion in operating loss.

Outlook for Fiscal 2022

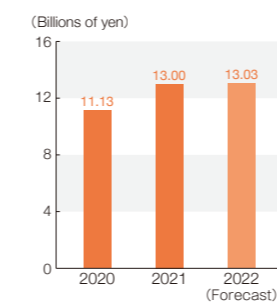
Despite a persistent demand slump for air transportation due to the impact of COVID-19, a tendency for a recovery in demand is shown in some short-haul airline flights. Due to an increase in sales of commercial aircraft equipment, we expect net sales and operating income to increase to ¥22.77 billion and ¥0.51 billion, respectively.

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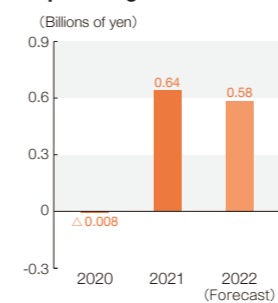
Industrial Equipment Business

Net sales breakdown **29.7%**

Net sales



Operating income



Overview of Fiscal 2021

Precision hydraulic equipment enjoyed healthier demand from injection molding machines in China, the main application. We resumed taking orders for industrial heat exchangers, which had been stagnant due to non-conformity issues in plate-fin type heat exchanger production. As a result, net sales were ¥13.0 billion and operating income was ¥0.64 billion.

Outlook for Fiscal 2022

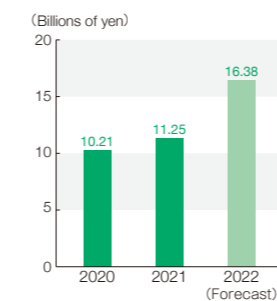
In the industrial heat exchangers business, sales expect to increase as a result of the resumption of trading. However, sales of precision hydraulic equipment expect to decrease, affected by an economic slowdown in China that continued from the second half of fiscal 2021. We expect ¥13.03 billion in net sales and ¥0.58 billion in operating income, with both being more or less flat.

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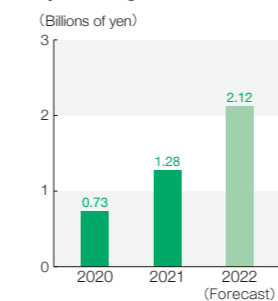
ICT Business

Net sales breakdown **25.7%**

Net sales



Operating income



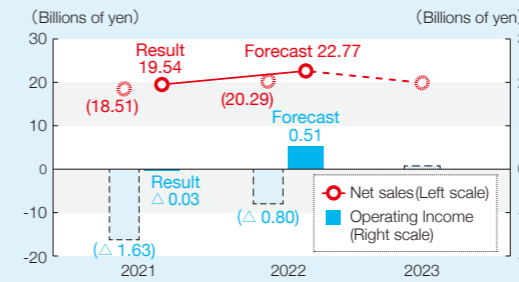
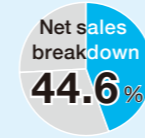
Overview of Fiscal 2021

Demand increased for ozone generators and heat treatment equipment for semiconductors, and net sales were ¥11.25 billion and operating income was ¥1.28 billion.

Outlook for Fiscal 2022

In response to the strength of the semiconductor market, demand for ozone generators and MEMS and semiconductor manufacturing equipment will likely grow, and net sales and operating income are expected to increase to ¥16.38 billion and ¥2.12 billion, respectively.

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(Numbers for dashed line graphs and numbers in parentheses denote the initial plan when the Mid-term Management Plan for fiscal 2021 to 2023 was formulated.)



Business Profile

The Aerospace Business has grown as we developed landing gear systems and heat management systems for engines and air-conditioning equipment and improved our design and manufacturing technologies for aerospace products, in addition to pursuing our inherited business of manufacture and repair of propeller products for the Ministry of Defense. Our products are incorporated in about 80% of the Defense Ministry's air fleet, long contributing to Japanese sovereign security.

Based on our experience in the design and manufacture of products for the Ministry of Defense, we entered the commercial aircraft equipment market

and have established a track record. Regarding the landing gear systems business, we won orders for, and have continuously shipped, landing gear systems for the regional jet CRJ700/900/1000. In the segment of heat management systems for aircraft engines, our products are used in almost all commercial aircraft engines manufactured by Rolls-Royce for the Boeing 787 and Airbus A350 among others. Moreover, we manufacture and ship heat management systems for air-conditioning systems and auxiliary power systems as well as aircraft engine starters, consistently contributing to the safety of transportation by air as a manufacturer of key aircraft equipment.

Business Strategy

Outlook for the external environment

Looking at a recovery in demand from the impact of COVID-19 in the business for commercial aircraft, demand for small and medium-sized aircraft is expected to recover by about 80% or 90% in fiscal 2023, and demand for large aircraft is predicted to recover for fiscal 2024 and thereafter. As for the

Actions from fiscal 2022 to 2023

We are now rationalizing our commercial aircraft landing gear business in order to achieve profitability steadily in it, expecting to turn a profit in fiscal 2022.

We will continue to develop new manufacturing technologies such as to improve the ability to analyze the performance and strength characteristics of heat exchangers and for 3D printing at a time when heat emitted from whole aircraft is used effectively in a move to develop technologies for

future aircraft innovation, domestic and overseas manufacturers are actively developing aircraft and their equipment that use next-generation hydrogen fuel and electricity as their power source, but we expect practical applications to begin in 2030 or later.

next-generation aircraft.

The Group will continue to improve its operational efficiency, production efficiency, and production technologies in an effort to step up its profitability in the defense aircraft landing gear business. We will work to take orders for defense aircraft landing gear repairs, which are expected to grow in fiscal 2023 and beyond.

Major Product Lines and Strengths of Sumitomo Precision Products

Aerospace Products (Landing Gear/Propeller Business)

Landing gear systems for commercial aircraft



Development process and safety analysis required for developing commercial aircraft plus design capability compliant with JIS Q 9100 and other global standard design specifications

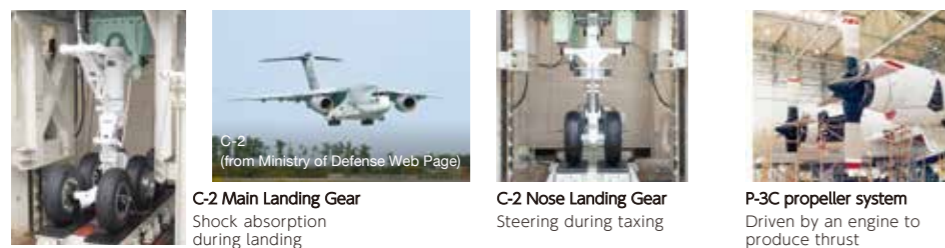
Precision machining with a focus on manufacturing technology and equipment for cutting and grinding high-strength metal materials

Manufacturing technology, accumulated expertise, and equipment for heat treatment, various plating processes, and other special processes

Accumulated expertise and equipment required for assembling and testing hydraulic, pneumatic, and structural components

MRO framework established in collaboration with our subsidiary that provides servicing, repair, and customer support for landing gear systems and hydraulic equipment

Landing gear systems/propellers for defense aircraft



Heat Management Systems (Aircraft Heat Exchanger Business)



Heat management technology and joining of metal materials

Thermal analysis and design technology for heat management systems suitable for aircraft engines

High efficiency, compact size, and low weight as well as shapes that help reduce air drag contribute to reducing the fuel consumption and noise of aircraft engines.

Fin design, molding, and manufacturing technologies for maximizing the heat exchange efficiency of heat exchangers

Product quality and delivery punctuality highly rated by UK-based Rolls-Royce, one of the big three manufacturers of aircraft engines

Social value of major products

Since its founding, Sumitomo Precision Products has manufactured and shipped landing gear systems, propellers, and other equipment for the Defense Ministry's aircraft and has long provided maintenance and repair services. The company contributes to Japanese sovereign security as these

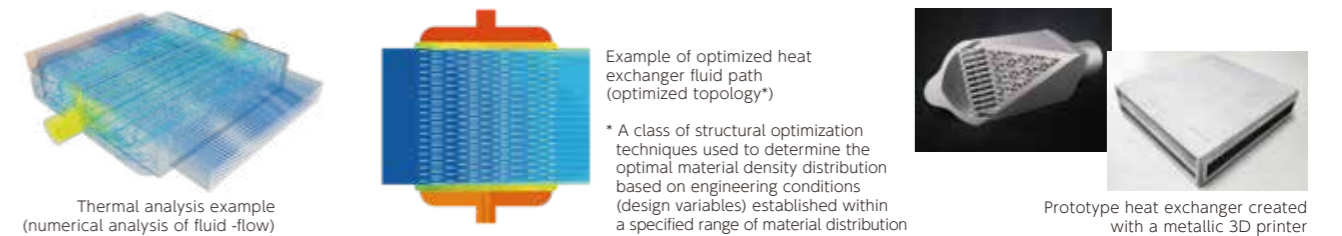
products assist the operation of aircraft extensively used in the Defense Ministry's peacekeeping operations and rescue and disaster relief activities. Moreover, the company's landing gear systems, heat management systems, and other products for commercial aircraft help ensure safe air transportation.

Initiatives toward a sustainable society

Technology development for thermal management equipment for electrified/hydrogen-fueled

In recent years, reducing environmental impact by cutting aircraft's CO₂ emissions has become a key issue across the world. Development efforts are under way for technologies and products for the electrification of, and use of hydrogen fuel by, aircraft. Against this backdrop, it is expected that demand for lightweight, high-performance, and complex-shaped heat exchangers will grow to cool electronic equipment, including inverters, batteries, and motors

and to enable heat dissipation or reheat utilization for an entire aircraft. Sumitomo Precision Products will continue to strive for the development of thermal analysis technology, equipment design, and products fulfilling market needs while paying attention to the trends in the aviation industry. In addition, it will explore novel manufacturing techniques, such as metallic 3D printing (metallic additive technology).



Development of electric landing gear extension and retraction systems

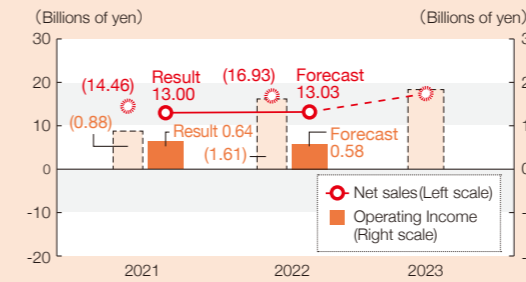
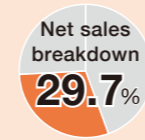
This is based on results obtained from a project commissioned by the New Energy and Industrial Technology Development Organization (NEDO).

Reducing the environmental impact of aircraft through electrification is receiving attention. To electrify landing gear extension and retraction systems, Sumitomo Precision Products is conducting joint R&D with Airbus in the electro-hydrostatic actuation (EHA) system for landing gear extension and retraction.

While conventional aircraft use engine-driven hydraulic pumps, we will seek to improve fuel efficiency by switching to a system in which an electric motor drives only when hydraulic power is required.

The system under development by Sumitomo Precision Products is highly evaluated by Airbus. The company will work on the development with the aim of mounting the system in next-generation electrified aircraft.





(Numbers for dashed line graphs and numbers in parentheses denote the initial plan when the Mid-term Management Plan for fiscal 2021 to 2023 was formulated.)



Business Profile

The origin of our heat exchangers is an aluminum heat exchanger for aircraft that was developed using our own technology. Today, we provide high-performance heat exchangers of various sizes to a wide range of industries as well as exporting to countries around the world. In addition, we have the world's largest delivery record in LNG (liquefied natural gas) vaporizer market. Our precise technology is highly regarded and licensed to an overseas manufacturer. Going forward, we will strive to meet your demands toward the establishment of an efficient energy system by developing and introducing heat exchangers made of

not only aluminum but also stainless steel and titanium.

Furthermore, Sumitomo Precision Products has cultivated the fields of injection molding machines, general industrial equipment, and transport equipment, leveraging its technologies developed for aircraft hydraulic equipment, and also pioneered the high-pressure coolant pump field, leveraging its hydraulic pump technology. While expanding usage as indicated above, the company develops and manufactures fuel-efficient hydraulic and coolant pumps in consideration of environmental issues.

Business Strategy

Outlook for the external environment

In the industrial heat exchanger business, demand for LNG vaporizers and heat exchangers for various plant services are expected to grow steadily overseas as LNG demand in Europe and LNG exports in North America, in particular, are both expected to increase due to rising electricity demand and geopolitical risks.

In the precision hydraulic equipment business, the Chinese market turned from a strong performance in the first half of fiscal 2021 to a weak one due to the zero-COVID policy and energy supply problems. The extent of recovery from the second half of fiscal 2022 onward still remains uncertain. On the other hand, capital investment in the manufacturing industry in Japan has been stable.

Actions from fiscal 2022 to 2023

In the industrial heat exchanger business, transactions for industrial plate-fin heat exchangers have been slow to resume on a full-scale basis, but we will securely achieve the Mid-term Management Plan by resolving this issue early in fiscal 2022. In cooperation with our overseas partners, we will establish a new business model to supply low-cost and high-quality products in overseas markets.

In the precision hydraulic equipment business, we will strive to grow sales of coolant pumps to major machine tool manufacturers in both Japan and China, seeking to increase market share. We will become more sensitive to market trends by further stepping up our partnership with the Haitian Group. We will also strengthen our supply chain, particularly in China for the China business.

Major Product Lines and Strengths of Sumitomo Precision Products

Industrial Heat Exchangers



LNG Vaporizer



Heat Exchanger for Air Separation Plant



Inverter Control Element Cooler



Stainless Steel Heat Exchanger

Technology developed for heat exchangers for aircraft is expanded to the ones for energy applications and industrial equipment.

Since we shipped Japan's first open rack LNG vaporizer (ORV), we have shipped ORVs to our customers in Japan and abroad and secured the largest market share. In addition to ORVs, we offer various other vaporizers, which serve as key systems for natural-gas-fueled thermal power generation. With advanced technology, we have been making contributions to develop the global energy value chain.

Plate-fin heat exchangers from Sumitomo Precision Products have made its name the best brand in applications such as air separation systems for the production of various industrial gases, petrochemical plants, and natural gas liquefaction.

Small, high-performance aluminum coolers are supplied to a broad range of applications, such as transportation systems to electronics systems and others.

Japanese rolling stock equipment manufacturers highly value Sumitomo Precision Products as their main supplier especially for power device coolers for high-speed trains. Our coolers are the most utilized for Japanese bullet train Shinkansen.

Sumitomo Precision Products manufactures stainless steel heat exchangers, which are globally unique for high-pressure and high-temperature applications with various fluids, including hydrogen.

Precision hydraulic equipment



To supply precision hydraulic pumps featuring low fuel-efficient, low pulsation, and low noise for various applications such as transport equipment and general industrial equipment with advantage of technologies developed for aircraft hydraulic equipment.

Ningbo SPP Hydraulics Co., Ltd. was established in China as a joint venture with the Haitian Group which is the largest manufacturer of injection molding machines in the world. Hydraulic pumps manufactured by Ningbo SPP Hydraulics were selected as the standard for the molding equipment of the Haitian Group. They were also adopted by many other molding equipment manufacturers.

Based on skills and experience gained through years of hydraulic pump sales, we developed the one and only internal gear coolant pump in the industry. We have sold the pump to major machine tool manufacturers and coolant system manufacturers in Japan and abroad, who use it to feed cutting fluid, a critical element in the machining process. Taking advantage of the features of a gear pump, the internal gear coolant pump is small yet exhibits superb durability. In addition, it enables high-pressure feeding of cutting fluid, being helpful for improved machining precision and efficiency.

Social value of major products

Our durable compact heat exchangers contribute to reducing the burden on the environment through high-efficiency cooling of electronic equipment in the Shinkansen (including the cutting edge N700S series) and other rolling stock as well as various industrial machines. In addition, LNG vaporizers contribute to the reduction of CO₂ emissions, while heat exchangers for plants contribute to energy saving by improving heat efficiency of the entire plant in a broad range of industrial applications across the world, such as petrochemical and industrial gas production.

Injection molding machines that uses precision hydraulic equipment manufactures all kinds of daily products, including medical goods, helping to improve healthcare services and achieve healthy living. Furthermore, hydraulic pumps, including QT pumps, and coolant pumps have features such as low fuel-efficient, low pulsation, and low noise, which contribute to the reduction of energy consumption and an improved work environment at various manufacturing sites. About 60% of the materials used in our pumps are made from recycled materials.

Initiatives toward a sustainable society

Technology development and creating new growth business in the thermal management field

The Company put in place an organization that creates synergy by concentrating on heat control technologies cultivated in the industrial heat exchangers and aircraft heat exchangers businesses. We strive to develop technologies and to create growth in new business domains, such as cooling

applications for electronic components, which have higher performance and heat generation due to motorization and high-speed communications infrastructure, and vaporization applications for non-fossil energy including hydrogen, which is drawing attention as a measure against climate change.

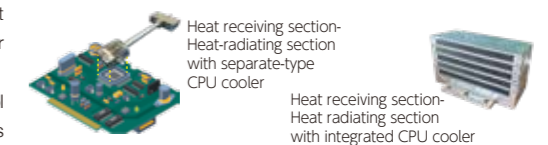
Development of heat exchangers for non-fossil energy including hydrogen

Transported liquid hydrogen is vaporized to use at an extremely low temperature. We try to develop products to vaporize liquid hydrogen by using its extremely low temperature technology acquired from heat exchangers for plants and LNG vaporizer technology.

Find new customers who need coolers for semiconductors, which have higher performance and generating heat

The Company developed a high-performance and compact phase change cooler (Siphorex) that leverages the phase change (boiling and condensing) of coolants to cooling power devices for high-speed trains and industrial machines, and has supplied the product in large numbers.

We improved this product in accordance with applications to more efficiently enable it to cool semiconductors with more heat. Demand for small and high-performance cooling devices becomes dramatically increasing for hyper-scale data centers, edge data centers, power conditioners at mega solar farms, and electrified transportation systems and others. We focus on the sale of this product as one of some next-generation strategic products.



A small, high-performance two-phase cooler (Siphorex), developed for cooling CPUs of servers at data centers

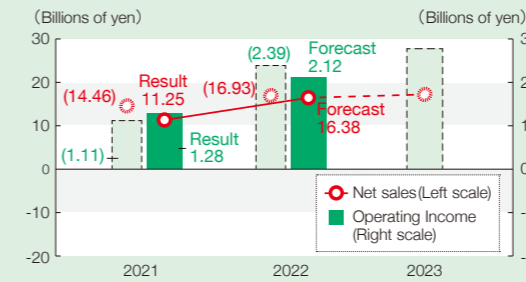
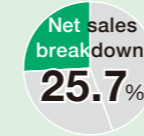
Development of precision hydraulic equipment

Our hydraulic pumps are installed in various types of manufacturing systems. In this field, development is under way to make the system small and high performance with the aim of saving energy and improving productivity. To respond to these market needs, we will further improve the efficiency of pumps and newly develop equipment suitable for energy-saving operation, utilizing inverters and other devices.

In light of market developments, the Company is now in the process of developing coolant pumps used to supply feed cutting fluid for machine tools. Many next-generation semiconductors made of difficult-to-machine materials have been adopted for electric and fuel cell vehicles, expected to come into wide use for realizing carbon-free society. Given this trend, we will help improve the machining accuracy and efficiency of difficult-to-machine-materials by making its coolant pumps more capable of handling high pressure.



High-pressure coolant pump



(Numbers for dashed line graphs and numbers in parentheses denote the initial plan when the Mid-term Management Plan for fiscal 2021 to 2023 was formulated.)

SDGs related to our products

Business Profile

The ICT Business develops and manufactures MEMS and semiconductor manufacturing equipment. The Sumitomo Precision Products group is a leading company in deep silicon etching equipment, which is indispensable for MEMS production. In 1995, the Group became the first provider in the world of deep silicon etching equipment. By applying plasma technology, the Group develops and sells a wide variety of distinctive equipment. Recently, it has contributed to the manufacture of gallium nitride high-speed ICs and frequency filters for mobile devices for IoT and big data utilization in the 5G era and onward. Furthermore, by utilizing the MEMS manufacturing equipment, we develop high-precision sensors and other MEMS devices/Sensors.

We also provide ozone generators that are used in the water treatment and

semiconductor manufacturing fields. In water treatment applications, the range of ozone generator applications has grown to include: i) water/drainage treatment processes such as decoloration, deodorization, and decomposing persistent organic substances; ii) manufacturing processes of chemicals, semiconductors, and FPDs; iii) bleaching processes for pulp and fiber; and iv) water quality improvement for land aquaculture of food fish. As for the semiconductor applications, in additions to the conventional ozone-water cleaning, demand for ozone as a reactant gas is now growing rapidly, which is essential for the process of manufacturing leading-edge semiconductor memories. We will continue to develop the products that leverage the potential of ozone, an environmentally friendly and powerful oxidant.

Business Strategy

Outlook for the external environment

Market conditions and demand are quite favorable for the MEMS and semiconductor manufacturing equipment business, the MEMS devices and Sensor business, and the foundry business. On the other hand, there are concerns about longer delivery times for semiconductor component procurement and supply chain disruptions.

Actions from fiscal 2022 to 2023

In the MEMS and semiconductor manufacturing equipment business, we begin to put out releases by moving closer to completing various development projects in preparation for addressing compound semiconductors and other new markets.

In the MEMS devices and Sensor business and the foundry business, we will work to expand sales of Northfinder™ technology-based sensor products that we

In the ozone generators business, there has been an increase in inquiries in relation to water treatment for land aquaculture and electrode material surface treatment for lithium-ion batteries as well as in inquiries from manufacturers of leading-edge semiconductor devices for three-dimensional flash memory.

began to market, and to enhance our systems with a view to enlarging foundries.

In the ozone generators business, while continuing to respond to growing demand for ALD, we will work with our customers to consider widening its application to include land aquaculture and positive and negative electrodes for lithium-ion batteries.

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Major Product Lines and Strengths of Sumitomo Precision Products

MEMS/Semiconductor Manufacturing Equipment



Satisfactory product line-up of MEMS and semiconductor manufacturing equipment enabling users to conduct a wide range of processes from development and trial production to volume production

As for precise silicon etching equipment used for three-dimensional forming of electronic devices such as MEMS, we supply 90% of products demanded globally using our original technologies, together with SPTS Technologies, our partner company(We conducts this business mainly in the Japanese market).

Technologies developed for MEMS are leveraged to provide high-grade CVD (chemical vapor disposition) equipment and plasma etching equipment for manufacturing LED and compound semiconductor devices.

Acquired an US-based Thermal Products business for semiconductor industry worldwide in June 2015. In addition to conventional semiconductor and power device applications, we are developing and globally rolling out new processes for MEMS in cooperation with the U.S. team.

MEMS Devices



Sumitomo Precision Products developed MEMS gyro technology, and started mass-production of MEMS gyro sensors at joint venture company, Silicon Sensing Systems in 1999 and has more than 20 years of experience in this technology.

After success in automotive stabilization controller, Silicon Sensing Systems has become a highly respected supplier of the world's highest precision gyros to a worldwide market.

MEMS gyro and systems from Sumitomo Precision Products finds extensive use in a broad range of applications such as the attitude control and safety systems in various mobility and equipment including down-hole mining, autonomous vehicle, train, GPS antennas, and satellites.

The foundry business carries out contract manufacturing and development of client's advanced MEMS devices, leveraging its track record in MEMS gyro production, and Piezoelectric film technology.

Sensor Products



Manufactures and sells high-precision gyro sensors for aerospace use at Silicon Sensing Systems, leveraging MEMS technology which we have developed since the 1990s ahead of global competitors.

In order to meet clients' demands, MEMS & Sensor Systems Department develops sensor application products that incorporate Silicon Sensing Systems' gyro sensor and our system. This has addressed the market's needs, such as reducing size, cost and power consumption, which contributed to market expansion and greater convenience for users.

Attitude measurement unit DMU30-AAU has been adopted in the trajectory status monitoring system of the N700S series Shinkansen, contributing to timely maintenance work and the maintenance/improvement of ride comfort.

Ozone generators



Provides a sophisticated water treatment system that can decompose toxic, persistent substances that may cause cancer.

High-density clean ozone contributes to cutting-edge semiconductor manufacturing processes, which are becoming smaller and lower in consumption.

Social value of major products

MEMS and semiconductor manufacturing equipment are used in everyday electronic devices such as automotive sensors for air-bags, nozzle heads of inkjet printers, and high-frequency devices and camera modules of smartphones and other mobile devices. Our high-precision MEMS devices/sensors find extensive use in a broad range of applications, such as down-hole mining, safety systems in trains, GPS antennas, and attitude control of satellites. They support the safety and improve the convenience of daily life.

Ozone is an environmentally friendly oxidizing gas since it decomposes

into oxygen. Its oxidizing capability is used in a wide range of applications, including purification of water for land aquaculture of food fish, in addition to tap water/sewage, swimming pool water, aquarium water, and commercial water/drainage treatment. It ensures safe and comfortable lives of people and animals by reducing the burden on and/or restoring the environment. In recent years, its use as a reactant gas, which is indispensable for manufacturing leading-edge semiconductor memories, has been widening, contributing to delivering more convenient and fulfilling lives.

Initiatives toward a sustainable society

Development and sales launch of new MEMS and semiconductor heat treatment equipment (vertical furnace)

Demand for power devices, particularly those used for power conversion for EVs and others, has been growing among semiconductor devices used in all types of electrical products, and device manufacturers' capital expenditures continue to be robust worldwide. Thus, SPT Microtechnologies USA, Inc. has developed and launched AVP-ACE and RVP-ACE, new vertical furnaces able to address the processing of Si wafers of 8 inches or less or 12 inches in size as a new lineup for semiconductor wafer heat treatment. These furnaces have a modular configuration in which various specifications can be chosen in accordance with customer requirements. In addition to various heat treatment and deposition processes essential for power device manufacturing, with the newly developed formation process of low stress thin films, we think these new pieces of equipment will contribute to manufacturing various semiconductor and MEMS devices that will drive IoT and DX societies in the future.



* Based on our research as of July 2021

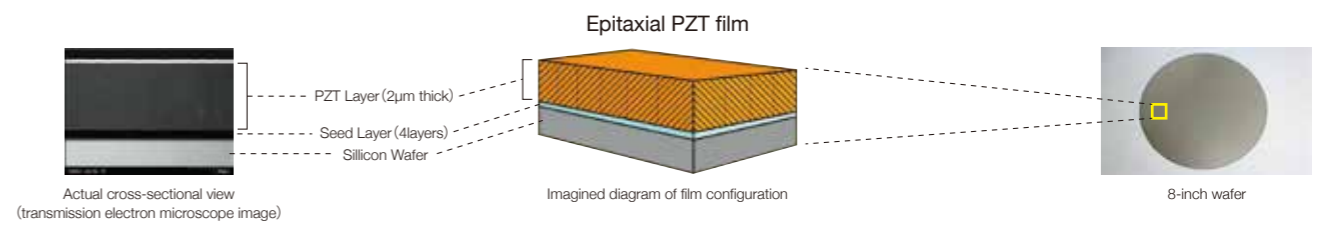
Development and sales launch of a newly developed highest performance* Epitaxial PZT film

The Company simultaneously developed two types of highest-performance, Epitaxial lead zirconate titanate ("PZT") film that can be applicable for piezoelectric MEMS devices. These films are compatible with 6-inch and 8-inch large-diameter wafer processes and began to be marketed in April 2022.

Conventional PZT thin film has a high dielectric permittivity, and there is a problem that high sensing ability cannot be obtain. However, the epitaxial-PZT thin film developed this time succeeded in improving the sensing ability by 1.5 to 2 times compared with a conventional one while suppressing the decrease in actuation capacity. Figure Of Merit (FOM), an

index that indicates the performance of the piezoelectric thin film that combines the functions of both the actuator and the sensor, has achieved the highest performance in the world.

With this product, it is expected that the mechanical structure and signal-processing circuits of MEMS with high sensitivity and new functions will be introduced. We believe this product can contribute to the realization of a comfortable and convenient lifestyle and a safe and secure society through MEMS applications such as autonomous driving technology, high-definition printers, smart medical care, and high-security authentication systems.



CSR Activities of the Sumitomo Precision Products Group

The Sumitomo Precision Products Group implements corporate social responsibility (CSR) based on Sumitomo's Business Philosophy and the Corporate Principles of the Sumitomo Precision Products Group. Going forward, the Group will work on the three areas of (1) compliance with corporate ethics, (2) solution of social challenges through business activities, and (3) activities contributing to local communities and society.

Specially, regarding "solution of social challenges through business activities," the Group will be committed to solving various social issues through

its business activities, pursuing and developing precision technology and precision manufacturing as well as leveraging its differentiated technologies and manufacturing expertise, under the slogan "With precision technologies and precision manufacturing, we innovate the world's highest quality of 'Precision' that supports a sustainable society, ahead of anyone else," as stated in the Mid-term Management Plan. By continuing to support a sustainable society through our products and services, the Group will also grow in a sustained manner.

CSR Activities of the Sumitomo Precision Products Group

Examples of activities		Description	SDGs Relating to Overall Business Activities and Company-Wide Activities
Business activity	Aerospace Business	Manufacture and sale of landing gear systems and heat management systems for commercial aircraft	Our landing gear systems and heat management systems for commercial aircraft help ensure safe air transportation.
		Manufacture and sale of landing gear systems for defense aircraft	We contribute to Japanese sovereign security as landing gear systems assist the operation of aircraft extensively used in the Defense Ministry's peacekeeping operations and rescue and disaster relief activities.
		Technology development for thermal management equipment for electrified/hydrogen-fueled aircraft	We will continue to strive for the development of thermal analysis technology, equipment design, and products fulfilling market needs while paying attention to the trends in the aviation industry. In addition, it will explore novel manufacturing techniques, such as metallic 3D printing (metallic additive technology).
	Industrial Equipment Business	Manufacture and sale of compact heat exchangers for thermal management	Our durable compact heat exchangers contribute to reducing the burden on the environment through high-efficiency cooling of electronic equipment in the Shinkansen (including the cutting edge N700S series) and other rolling stock as well as various industrial machines.
		Manufacture and sale of LNG vaporizer and heat exchanger for air separation plant	LNG vaporizers contribute to the reduction of CO2 emissions, while heat exchangers for plants contribute to energy saving by improving heat efficiency of the entire plant in a broad range of industrial applications across the world, such as petrochemical and industrial gas production.
		Manufacture and sale of precision hydraulic equipment	Injection molding machines that uses precision hydraulic equipment manufactures all kinds of daily products, including medical goods, helping to improve healthcare services and achieve healthy living. Furthermore, hydraulic pumps, and coolant pumps have features such as low fuel-efficient, low pulsation, and low noise, which contribute to the reduction of energy consumption and an improved work environment at various manufacturing sites. We will continuously develop products in order to meet markets and customer's needs, wants and demands.
		Development of heat exchangers for non-fossil energy including hydrogen	We try to develop products to vaporize liquid hydrogen by using its extremely low temperature technology acquired from heat exchangers for plants and LNG vaporizer technology.
		Find new customers who need coolers for semiconductors, which have higher performance and generating heat	Demand for small and high-performance cooling devices becomes dramatically increasing for hyper-scale data centers, edge data centers, power conditioners at mega solar farms, and electrified transportation systems and others. We focus on the sale of this product as one of some next-generation strategic products.
		Manufacture and sale of MEMS/semiconductor manufacturing equipment	MEMS and semiconductor manufacturing equipment supports the safety and convenience of living due to being used in everyday electronic devices such as automotive sensors for air-bags, nozzle heads for inkjet printers, high-frequency devices and camera modules for mobile devices such as smartphones, as well as power devices used for power conversion for EVs and other items.
	ICT Business	Manufacture and sale of MEMS devices/sensors	Our high-precision MEMS devices/sensors find extensive use in a broad range of applications, such as down-hole mining, safety systems in trains, GPS antennas, and attitude control of satellites. They support the safety and improve the convenience of daily life.
Development and sale of Epitaxial PZT film		The epitaxial PZT film with the highest performance of its kind that was developed by the Company can contribute to the realization of a comfortable and convenient lifestyle for people and a safe and secure society through MEMS applications such as autonomous driving technology, high-definition printers, smart medical care, and high-security authentication systems.	
Manufacture and sale of Ozone generators		Our ozone generators are expanding the scope of their application to include purification of tap water/sewage, swimming pool water, aquarium water, commercial water/drainage treatment, water treatment for land-based aquaculture for food fish, and production processes for food, industrial products, and semiconductors. Leveraging the potential of ozone, an environmentally friendly and powerful oxidant, we support safe and comfortable lives of people and animals.	

Examples of activities		Description	SDGs Relating to Overall Business Activities and Company-Wide Activities
Environment	Environmental initiatives <ul style="list-style-type: none"> Initiatives for reducing environmental load Respond to the climate change issue Environmentally-Friendly Products 	In an effort to contribute to achieving carbon neutrality by 2050, we will work on more effective measures to reduce greenhouse gas emissions, formulating and disclosing medium-to long-term environmental targets on climate change and other issues. We will also avidly develop environmentally friendly products and contribute to solving social challenges through our business activities.	
	<ul style="list-style-type: none"> Quality Supply chain Human rights Diversity commitment Measures against natural disasters and other emergencies Safety, health, and fire prevention Work conditions/Health management Relations with Society and Local Communities 	<p>All executives and employees, while keenly aware of the importance of responsibility arising from the provision of products and services, will ensure quality, safety, and compliance, which are top priorities in their business activities.</p> <p>We continue striving to build a sustainable supply chain while keeping our stakeholders' expectations in mind.</p> <p>We have established the Group Human Rights Policy because we believe that respecting the human rights of all people involved in the Group and its supply chain in the conduct of the business activities is one of the most important matters for a company.</p> <p>While ensuring our continued diversity commitment, we will strengthen our capability to address diversified social needs and challenges.</p> <p>The "Regulations on Measures against Natural Disasters" provide for emergencies caused by natural disasters such as earthquakes and typhoons. In particular, in regard to earthquakes and floods, we regularly conduct initial response drills in accordance with the Business Continuity Plan, which gives top priority to ensuring the safety of human life.</p> <p>In addition to committing itself to safety education, we hold meetings of the Safety and Health Committee and monthly ceremonies to pray for safety at an in-house shrine to improve the safety awareness of all employees.</p> <p>We strive to promote work style reforms by putting into place a system enabling employees to work in diverse ways, and maintain and boost the health of employees through multiple initiatives to improve health indicators, conducted in collaboration with a health insurance union.</p> <p>We contribute to the local communities by accepting students from a nearby high school for experiencing work, visiting class session in progress at an elementary school, making donations to local communities' events, donating blood, organizing local cleaning projects, maintaining street lighting fixtures.</p>	
Society	<ul style="list-style-type: none"> Organizational culture/awareness reform Governance, internal control and compliance 	All executives and employees will continue to work together to reform our organizational culture and awareness and strengthen governance, internal control, and compliance.	

Environmental Policy and Environmental Management

Global environmental issues such as climate change, depletion of natural resources, and environmental pollution are posing a serious challenge to the world to build a sustainable society.

In line with “COEXISTENCE WITH SOCIETY : By playing an active role in society, we will promote good citizenship with our community and harmony with the surrounding environment.”, one of its corporate principles, Sumitomo Precision Products proactively commits itself to global environmental conservation toward a sustainable society in accordance with the Environmental Policy below.

Environmental Policy

As a responsible member of society, toward achieving sustainable social development, we recognize the significant need to conserve the local and global environment and meet the challenge of “harmony with the surrounding environment” stated in the corporate principle as one of the top priorities in management, through the following actions:

1. Set environmental targets, aim to achieve these targets through environmental conservation activities involving all employees, and continually improve the environmental management system to achieve higher environmental performance.
2. Reduce the environmental load of individual phases of business activities, such as by preventing burden on and polluting environment, to contribute to its conservation.
3. Carefully meet relevant legal requirements and other obligations.
4. Improve the environmental awareness of employees and facilitate their environmental conservation activities.
5. Promote activities for resource and energy saving and 3R's (reduce, reuse, and recycle).
6. Help solve social challenges through business activities, developing eco-friendly technologies and products leveraging the company's years of experience in the Aerospace Business, Industrial Equipment Business, ICT Business, and other fields.

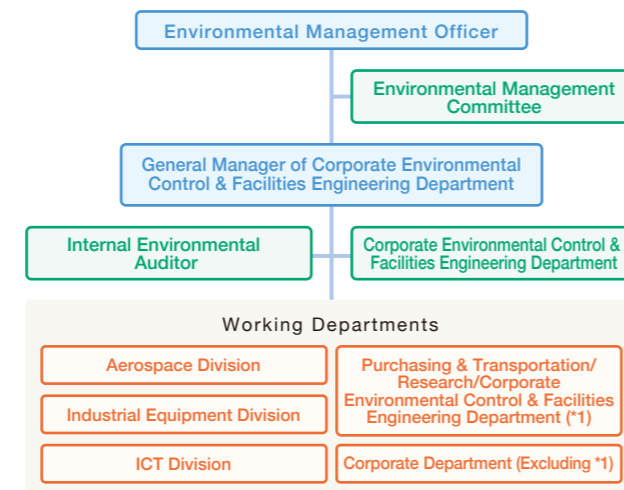
In November 1999, the company had its Head Office and Main Plant in Amagasaki ISO 14001-certified (environmental management systems) (certification body: JIC Quality Assurance Ltd.). In November 2000, the certification expanded to include the Shiga Plant.

We implement environmental management based on ISO 14001 (environmental management systems) to reduce our load on the environment in various ways, for example, by conserving natural resources, saving energy consumption, promoting the 3R's (reduce/reuse/recycle), and developing eco-friendly technologies and products.

Scope of Environmental Management

- All business activities, products, and services at the following sites and organizations:
- (1) All organizations of the Company located at the head office and main plant
 - (2) All organizations located at the Shiga Plant
 - (3) Silicon Sensing Systems Japan, Ltd., Silicon Sensing Products, Ltd., SPP Technologies Co., Ltd., and Sumisei Hydraulic Systems Co., Ltd. located on the premises of the head office and main plant

Environmental Management



Initiatives for reducing environmental load

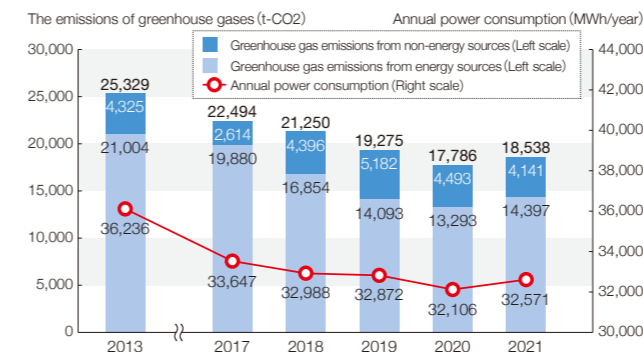
For reduced load on the environment, Sumitomo Precision Products strives to reduce greenhouse gas emissions by saving energy consumption and to reduce waste emissions.

For fiscal 2021, we succeeded in achieving all our targets set as shown on the right. The annual benefit from reducing consumption of resources and energy was ¥10 million against the target of ¥9.50 million or more, and the annual volume of reduction of waste per unit of sales was 1.28 tons per ¥100 million against the target of 1.37 tons per ¥100 million or less.

For fiscal 2022, we have changed our target from annual benefit from a reduction in consumption of resources and energy to a reduction in greenhouse gas emissions, being conscious of growing interest in the climate change issue worldwide. We will contribute to resolving the climate change issue through this initiative.

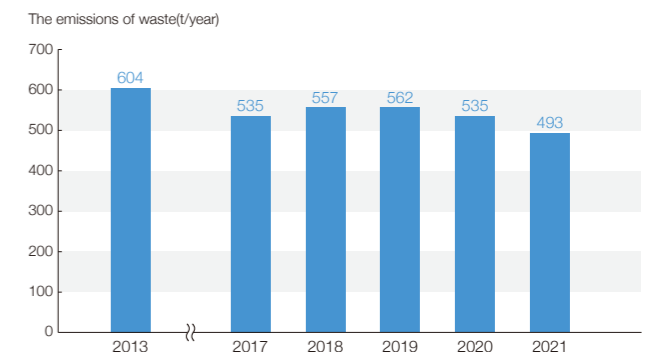
Initiatives	Fiscal 2021 target	Fiscal 2022 target
Retain ISO 14001 certification	• Continue to retain certification	• Same as on the left
Control over chemical substances	• Identify and report the emissions and transfers of chemical substances for the previous fiscal year	• Same as on the left • Determine specific measures to reduce the use of substances subject to the PRTR Act
Prevent environmental problems	• Zero environmental problems	• Same as on the left
Measures against climate change Reduce greenhouse gas emissions (Scopes 1 and 2)	• Annual benefit of ¥9.50 million or more from reduction in consumption of resources and energy	• Reduce greenhouse gas emissions by more than 210t-CO ₂
Reduce waste emissions	• Waste per unit of sales 1.37 tons per ¥100 million or less	• Waste per unit of sales Improve by 1% compared with the previous year

Annual greenhouse gas emissions (Scope1+2)



- Calculate Scopes 1 and 2 by using CO₂ emission coefficient (an electric power company emission factor that varies each year in the case of electricity) in accordance with the Greenhouse Gas (GHG) Protocol
- Scope: Head Office and Main Plant, Shiga Plant, and other plants and sales offices in Japan

Annual waste emissions



- Gross weight of combustible waste from business activities, industrial waste, and special controlled industrial waste outsourced for treatment, excluding waste treated in-house
- Scope: Head Office and Main Plant, Shiga Plant, and other plants in Japan

Respond to the climate change issue

While the Company has been engaged in saving energy consumption to date, climate change is now an issue that must be addressed on a global scale. We believe it may potentially have a significant impact on our business portfolio and business performance in the medium to long term.

Therefore, we deem that responding to the climate change issue is

one of the most important business issues for us. In an effort to contribute to achieving carbon neutrality by 2050, we will work on more effective measures to reduce greenhouse gas emissions, formulating and disclosing medium- to long-term environmental targets on climate change and other issues.

Medium- and long-term measures intended to reduce greenhouse gas emissions

Initiative items	Description
Formulate medium- to long-term environmental targets	• With the aim of achieving carbon neutrality by 2050, the Company plans to formulate medium- to long-term environmental targets for addressing the climate change issue.
Reduction greenhouse gas emissions from energy sources	• Push forward with rigorous energy-saving measures and reduce greenhouse gas emissions from energy sources
Switch to LED lighting for plants	• Gradually increase the rate of LED usage in main buildings (about 25% at present) and aim for 100% by fiscal 2030
Reduce fluorocarbons	• Gradually replace air conditioning equipment using HCFC (R 22 refrigerant, among others) with equipment using fluorocarbon substitutes that are low in ozone depletion coefficient and global warming coefficient • Consider installing fluorocarbon-free equipment in light of future technological trends
Increase the ratio of CO₂ free electricity	• Consider gradually increasing the ratio of CO ₂ -free electricity in the future by installing solar power generation facilities for private consumption (including off-site use) and purchasing CO ₂ -free electricity
Responding to various initiatives	• Consider participating in various initiatives such as SBT and RE 100 and disclosing information under frameworks such as TCFD

Environmentally-Friendly Products

As shown in the table below, the Company deals in a large number of environmentally friendly products. We also strive to develop new environmental products and technologies.

In fiscal 2021 and fiscal 2022, we have been developing new

environmentally friendly products for heat exchangers for aircraft engines, MEMS and semiconductor manufacturing equipment, and piezoelectric thin films used as materials for MEMS devices. We will contribute to solving social challenges through these business activities.

Segment	Products	Assessment criteria			Contribute to other environment-related efforts and important tasks
		Industrial waste and recycling measures	Saving energy consumption	Preventing climate change and air pollution, preserve biodiversity, reduce chemical substances, and prevent pollution	
Aerospace Business	Landing gear systems, Hydraulic equipment	●	●	○	
	Solenoid valves, Electronic control Systems	—	●	●	
	Pneumatic Systems	●	●	●	
	Heat exchangers	●	●	○	
Industrial Equipment Business	Precision hydraulic equipment	●	●	●	
	Solenoid valves	—	●	●	
	Hydraulic/Coolant control valves, coolant units	●	●	—	
ICT Business	LNG Vaporizer, Heat exchangers	●	●	—	
	Ozone generators for semiconductor/general purpose	●	●	●	Contribute to improving water quality
	Etching equipment, Deposition equipment	●	●	—	Contribute to environmental improvement in processes

●: Measure taken ○: Measure planned —: Not applicable

Quality

Since certain deviations in the manufacturing and inspection processes of industrial heat exchangers came to light, we have formulated the Quality Policy of the Sumitomo Precision Products Group based on Sumitomo's Business Philosophy and the Corporate Principles of the Sumitomo Precision Products Group. In line with this policy, all executives and employees, while keenly aware of the importance of responsibility arising from the provision of products and services, will ensure quality, safety, and compliance, which are top priorities in their business activities. This way we will earn the trust and satisfaction of customers and contribute to the sustainable development of society.

We have strived to establish a quality compliance framework, in addition to the Quality Policy. It defined quality responsibilities and authorities, formed the Group Quality Committee, and laid down quality compliance promotion items, while conducting quality audits in accordance with them.

Quality Policy of the Sumitomo Precision Products Group

The Sumitomo Precision Products Group, while keenly aware of the importance of responsibility arising from the provision of products, will earn the trust and satisfaction of customers and contribute to the sustainable development of society by realizing the following by all executives and employees.

- **Quality:** We improve the quality of people, work, organizations and products manufactured.
 - **Safety:** We ensure not only the safety of products but also the safety of work in the manufacturing process.
 - **Compliance:** Compliance with laws, standards, and quality management systems is the starting point for all.
- Quality, safety and compliance are top priorities in production activities.

Supply chain

The Sumitomo Precision Products Group believes that building a robust supply chain is essential for the sustainable development of its business. Based on this belief, it established the Sumitomo Precision Products Group Procurement Policy, setting out three principles: (1) We fully comply with laws and regulations as well as social norms; (2) We build a sound environment for competition based on fair business relationships; and (3) We strive to establish sustainable partnerships that contribute to

mutual prosperity.

While asking our business partners to understand, and cooperate in, this policy, we strive to build a sustained supply chain by promoting procurement activities consistent with this policy such as establishing a reporting system for compliance-related concerns, and keeping track of CSR activities and situations at the business partners through a partner recognition program and questionnaire surveys.

Sumitomo Precision Products Group Procurement Policy

Based on Sumitomo Precision Products Group's belief that building a sound and robust supply chain is essential for the sustainable development of our business, we established the Procurement Policy in July 2020, which emphasizes the fulfillment of social responsibility through cooperation with our business partners.

In sharing this Procurement Policy with our business partners, we have asked them to acknowledge and support the Group's principles toward procurement activities.

We continue striving to build a sustainable supply chain while keeping our stakeholders' expectations in mind.

• Procurement Policy

1. We fully comply with laws and regulations as well as social norms.
2. We build a sound environment for competition based on fair business relationships.
3. We strive to establish sustainable partnerships that contribute to mutual prosperity.

Our main partners are requested to understand our Procurement Guidelines and cooperate in driving forward sound business activities in accordance with them.

• Procurement Guidelines

1. **Compliance with Laws, Regulations and Social Norms**
 - We comply with the laws and regulations as well as social norms of the countries and regions in which we operate.
 - We do not and will never have business relationships with antisocial forces.
2. **Human Rights/Labour/Occupational Health and Safety**
 - Based on the determination that we do not tolerate any form of slavery or human trafficking across our group and supply chains, we conduct business activities following the United Nations Guiding Principles on

Business and Human Rights, while respecting human rights as expressed in the International Bill of Human Rights (consisting of the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights) and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

- We respect fundamental human rights and prohibit all forms of discrimination.
 - We prohibit forced labour, servitude, child labour, and illegal employment of foreign workers, and comply with the relevant laws and regulations concerning the terms of employment, including wages and working conditions, as well as occupational health and safety standards.
3. **Fair and Equitable Business Relationship**
 - We do not restrict or hinder fair transactions.
 - We do not demand the provision of inappropriate benefits or services from others.
 - We protect our intellectual property right properly and respect for the same right of third parties as well.
 - We strive not to acquire, use, or leak confidential information, personal information and the like in an inappropriate or illegal manner.
 4. **Promotion of Procurement Activities Building upon Mutual Trust with Business Partners**
 - We promote procurement activities that emphasize the fulfillment of social responsibility across our supply chains, and aim for mutual understanding and prosperity with our business.
 - We have established a reporting system for compliance related concerns to which not only the Group employees but also our business partners can report.
 5. **Environmental Consideration**
 - In order to realize a sustainable society, we implement measures to protect the environment and make our procurement activities as eco-friendly as possible.

Human rights

We have established the Sumitomo Precision Products Group Human Rights Policy because we believe that respecting the human rights of all people involved in the Group and its supply chain in the conduct of the business activities is one of the most important matters for a company. We also organize education and awareness-raising activities

for all executives and employees to respect human rights.

Such activities include distributing awareness-raising materials during National Human Rights Week, and training employees including new graduates and mid-career employees, and work to develop our business while maintaining high ethical standards.

Sumitomo Precision Products Group Human Rights Policy

Sumitomo Precision Products Co., Ltd and its affiliated companies (hereinafter referred to as the "our group") aims to develop its business and expand its corporate value in an enduring manner by utilizing its accumulated technologies and partnerships with customers to identify new needs in line with changes in society based on Sumitomo's business spirit of "placing prime importance on conducting business with integrity and sound management" and the corporate philosophy of "Toward a Promising Future". We have established this human rights policy because we believe that respecting the human rights of all people involved in our group and its supply chain in the conduct of our business activities is one of the most important matters for a company.

1. Our group's vision

Our group respects human rights as set out in the International Bill of Human Rights (the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights) and in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, and operates in accordance with the United Nations Guiding Principles on Business and Human Rights. We aim to fulfill our responsibility to respect human rights by ensuring that our business activities do not infringe on the human rights of those affected by the Group's business through the Group and its supply chain, and by addressing any negative impacts on human rights in our business and trading activities.

2. Scope of application

We apply this policy to all executives and employees of our group and require our supply chains as well to support and follow our policy, thereby promoting respect for human rights.

3. Human rights due diligence

In order to fulfill its responsibility to respect human rights, our group will continue to recognize, prevent and mitigate any possible negative human rights impact on society through its human rights due diligence initiatives. If our group identifies that its activities are having a negative impact, we will strive to remedy this by taking appropriate steps to rectify the situation.

4. Compliance with applicable laws and regulations

Our group respects international human rights principles and complies with the laws and regulations of the countries and regions in which we operate.

5. Internal training

Our group will promote appropriate awareness-raising trainings to ensure that our group's executives and employees understand and effectively implement this policy.

6. Respect for human rights throughout our supply chains

In the Code of Conduct and Compliance Manual, we have set forth the guiding principle of respecting the basic human rights of people we come into contact with in all situations.

Moreover, Sumitomo Precision Products Group Procurement Policy does not permit forced labour or child labour, and we require our suppliers to follow our policy.

In addition, in accordance with the provisions of Section 54 of the UK Modern Slavery Act 2015 (UK), our group has published a statement.

7. Dialogue and consultation

Through the establishment of a Compliance Hotline, which is open not only to our group but also to our business partners, we are committed to identifying potential and actual human rights impacts and to engaging in dialogue and consultation with relevant external stakeholders on the measures to be taken.

Diversity commitment

Recruitment / Education

The Company has recruited diverse talents irrespective of gender, disability, and nationality, and the like.

We continue to endeavor to hire human resources with diverse senses of value and opinions in order to take advantage of varying ideas and create value across existing frameworks of thought.

We conduct education programs for executives, managers and chiefs with the aim of maximally using individuals' skills and abilities, enhancing the value of work among staff, and building a rewarding workplace by respecting

the diversity of employees and raising their level of mental well-being.

University/College Graduates Employed via Regular Recruiting

Fiscal 2018-2022	Male	Female	Total
Employees	28	14	42
Share	66.7%	33.3%	100%
(International employees)	(2)	(3)	(5)

Number of employees with disabilities

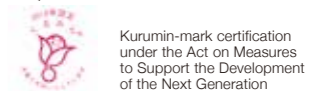
Number of employees as of April 1, 2022	(Reference) Number of legally required employees
33	30

Fostering corporate culture

The Company strives to create a workplace environment where each employee can make maximally exert their skills. As part of this move, we published a handbook for internal use on harassment prevention in April 2022, working to enhance mutual understanding among employees. We will raise the awareness of each and every employee through education using this handbook, and foster a corporate culture in which diverse human resources can work vigorously.

As part of our diversity promotion efforts, we are also in the process of avidly empowering female staff. Having recognized these activities, the Ministry of Health, Labour and Welfare (MHLW) has certified the company as an Eruboshi business, that is, an excellent company, under the Act on Promotion of

Women's Participation and Advancement in the Workplace. The company is also highly regarded for its positive support for employees bringing up their children and has been named a Kurumin-mark holder by the Hyogo Labor Bureau on behalf of the MHLW. On childcare, we work to foster a corporate culture that makes it easy for employees to strike a good balance between work and family responsibilities regardless of gender by showing examples of male employees taking childcare leave in a corporate newsletter.



Society

Measures against natural disasters and other emergencies

The "Regulations on Measures against Natural Disasters" provide for emergencies caused by natural disasters such as earthquakes and typhoons. In particular, to regard to earthquakes and floods, we regularly conduct initial response drills in accordance with the Business Continuity Plan, which gives top priority to ensuring the safety of human life to enhance the effectiveness of our emergency response.

Moreover, every July the company reviews the registrations of equipment likely to cause a hazard during natural disasters and the designation of evacuation routes and spaces.

In addition, we have introduced a safety confirmation service to allow

us to confirm the safety of employees in the event of an emergency, such as a natural disaster.

Regarding measures to counter COVID-19, we give top priority to preventing the spread of the infection to employees. From the viewpoint of preventing the spread of infection in the form of clusters in the workplace, we have implemented such measures as working from home and staggered working hours. At the same time, we instituted a workplace COVID-19 vaccination program in cooperation with local firms and continue to ensure infection prevention measures (wearing a mask, washing hands, and measuring body temperature) are taken.

Safety, health, and fire prevention

In addition to committing itself to safety education, we hold meetings of the Safety and Health Committee and monthly ceremonies to pray for safety at an in-house shrine, to improve the safety awareness of all employees.

In this year of 2022, we are working diligently, focusing on implementing four priority items: "Continuous implementation of measures to improve safety awareness," "Continuation of the occupational safety and health management system (S-OSHMS)," "Strengthening of the management

Year	Accidents resulting in leave	Accidents not resulting in leave
2020	2	10
2021	2	3
2022 (As of end of June)	3	3

system and reducing industrial accident risks," and "Enhancement of health management activities."

Last year, the number of accidents suffered by employees riding a bicycle or motorcycle on their way to work increased, so we work to prevent accidents by taking various measures, such as promoting defensive driving to prevent accidents, and holding a traffic safety lecture presented by a lecturer from the Hyogo Traffic Safety Association.



A traffic safety lecture

Work conditions / Health management

We have introduced programs designed to enable flexible working, including a flexible time working system and a system of shorter working hours (for employees struggling with child care and Nursing care). In fiscal 2022, we put in place a paid leave program that allows employees to take an hour-based paid leave program. With this and other programs, it intends to strive to create an environment that will enable individual employees to effectively manage their work-life balance and maximize performance in their workplace.

We strive to maintain and boost the health of employees through

multiple initiatives to improve health indicators, conducted in collaboration with a health insurance union. In addition, to address mental health problems, the company holds a stress check once a year and has established a counseling room for problems (mental and physical health, interpersonal relationships, family problems, etc) which is open twice a month with an outside counselor. For employees to use these services more, it provides counseling for experiential purposes. This way we continue to prevent mental health problems.

Relations with Society and Local Communities

Our biannual blood donation events attracted a total of 229 contributors in fiscal 2021. We also maintain good relations with local communities, by accepting students from a nearby high school for experiencing work and making donations to local communities' events. Last year, we held visit class sessions at a local elementary school as career education. A manager from the Company gave a lecture on its products and challenging work experiences and work satisfaction. The elementary school students gave us feedback that they learned the importance of taking on a challenge without a fear of failing.

Seihokai, the group of our front-line supervisors, spearheads the cleanup of walks and ditches around our main plant. We also take part in Hyogo Prefecture's "Hyogo Adopt-Lighting Maintenance Partners" project, helping maintain road lighting installed along a prefectural route.



Visit class session in progress at an elementary school

Corporate Governance

After detecting an overcharge to the Ministry of Defense in January 2019, the Company recognizes that the enhancement of internal control, strengthening of governance, thorough awareness of compliance, and strengthening of cooperation between departments are the most urgent issues. Accordingly, the Company has been pursuing reforms in many aspects of its systems, rules, and personnel awareness through the

reinforcement of organizations and human resources engaged in internal control, governance, and compliance and through the development of internal rules as well as activities to educate executives and employees and raise their awareness. We will continue with these endeavors and ensure they take hold further.

Basic Principles of Corporate Governance

We believe that "Sumitomo's Business Philosophy" and "Corporate Principle" are the backbone of corporate ethics and the unalterable truth. Based on the recognition that corporate governance is a system for the company to make transparent, fair, prompt and decisive decisions while taking into account the positions of all stakeholders, we established our corporate governance principles. We believe that appropriate practice of

this principle will lead to sustainable growth and the improvement of corporate value over the medium to long term, and will benefit all stakeholders including customers, business partners, employees, local communities and shareholders. Thus, we will continue to make constant efforts to further improve governance.

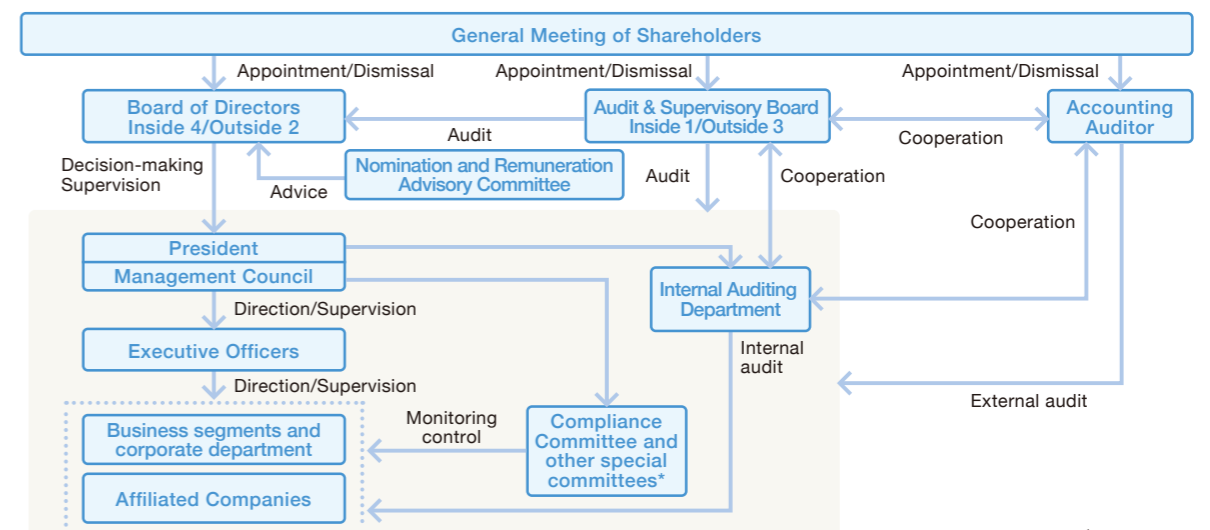
Corporate Governance System

Sumitomo Precision Products has a corporate governance system that consists of the Board of Directors including independent outside directors and the Audit & Supervisory Board.

Regarding managerial decision-making, execution and supervision, the Board of Directors decides important matters at its meeting held at least once a month and supervises the execution status of specific businesses. Furthermore, the company operates a system for appropriate and swift practice of business by holding meetings of the Management Council by executives and business meetings in each department, as appropriate, to thoroughly discuss the matter, and receive advice from external specialists, including attorneys and certified public accountants whenever necessary. We introduced an executive officer system. By separating the business decision-making and supervising from the implementation of business operations, the system is designed to enable the Board of Directors to supervise more

successfully, while strengthening our implementing business operations. Furthermore, we operate a non-statutory Nomination and Remuneration Advisory Committee as an advisory body for the Board of Directors. This committee, with outside directors consisting of half of the committee and the chairperson of which is an outside director, serves to secure greater transparency and fairness in considering the nomination of and remuneration for directors.

Audit and Supervisory Board members attend meetings of the Board of Directors and other significant meetings to correctly understand and supervise the way the company is actually managed. They also utilize the Audit and Supervisory Board Members' Office to help audit the internal control system and the risk management structure. Under an agreement with an accounting auditor, the company conducts regular audits and, as the need arises, receives professional advice.



(As of June 21, 2022)

* Compliance Committee, Information Security Committee, Environmental Management Committee, Quality Committee, Health and Safety Committee, and Human Rights and Diversity Committee

Corporate Governance

Internal Control System

The Company resolved at its Board of Directors' meeting and operates the system (internal control system) specified in Article 362 paragraph 4 (vi) of the Companies Act. We will maintain and improve the internal control system by reviewing it continuously.

(1) Compliance

Sumitomo Precision Products promotes its activity concerning compliance with laws and regulations by appointing the General Manager of the Corporate Compliance Division (officer in charge of compliance) as the person with ultimate responsibility for compliance and establishing the Legal Compliance Department and the Compliance Committee. The general managers of each department were appointed as compliance leaders so that their responsibilities relating to compliance were clarified.

Under such a system, we have improved awareness of legal compliance among executives and employees by holding meetings of the Compliance Committee and conducting education for executives and employees of both the company and its affiliated companies based on the action plan established by the Compliance Committee. This way we have improved and maintained our compliance system. In fiscal 2021, as part of our quality compliance activities, we laid down a quality policy for the Group and worked to restructure quality management systems at our businesses and subsidiaries.

Furthermore, in order to detect and prevent violations of laws and regulations at an early stage, we included in the Compliance Regulations a requirement to "Report immediately" to a supervisor, an officer in charge of compliance and the General Manager of the Legal Compliance Department if a compliance violation is identified. The whistleblower hotlines, for facilitated use, have been established internally by the General Manager of the Audit & Supervisory Board Members' Office, which is independent of business execution, and the General Manager of the Legal Compliance Department, as well as externally by an attorney. Moreover, the system is maintained and operated to ensure proper investigation and action at the time of reporting. We also ensure that every employee knows about the "Report immediately" requirement and the whistleblowing hotlines by distributing compliance cards and by other means.

As regards financial reporting, in fiscal 2020, an error was found in the accounting estimate of retirement benefit obligation for previous fiscal years, and we corrected our past securities reports to address this error. In response to this incident, we have been continuing to strengthen internal controls over its accounting and financial reporting processes.

(2) Risk management

The concept known as the Three Lines of Defense consists of risk management by each business division, the establishment of a company-wide risk management framework and support for each relevant business division by the corporate division, and audit by the Internal Auditing Department of the risk management status of each business division and the corporate division. Embracing the idea of managing risks based on the Three Lines of Defense, the internal rules are checked and reviewed by each division as appropriate. For specific issues and risks, such as compliance, information security, environmental management, product quality, health and safety, and human rights and diversity, we have appointed officers in charge and clearly defined their responsibilities. Furthermore, relevant special committees have been set up as advisory

bodies to the officers in charge. Each special committee formulates its action plan at the beginning of the term, obtains approval for its activity policy from the Management Council, and then acts based on the action plan to identify and mitigate risks through continued company-wide activities. In addition, risk identification and evaluation by each business division is organized as a list of department risks. Risks of critical importance are identified in the list and measures are implemented with a focus on them. For actions to take when the unexpected happens, regulations concerning crisis management overcoming natural disasters and the like are in place, which contain a provision for a scheme for setting up a disaster control headquarters.

(3) Business execution

Sumitomo Precision Products determines important management matters by holding Board of Directors meetings where executive directors regularly report their job execution statuses. The company clarifies the authority and responsibilities based on the Agenda Standards for the Board of Directors, the division of duties of Officers, and the Administrative Rules to improve efficiency in the business execution. We also analyze and evaluate the effectiveness of the Board of Directors, and review the operation of the Board of Directors as appropriate based on the results thereof. In addition, we hold Management Council and business review meetings of each department on a regular basis to thoroughly discuss important issues. Thus, we have established an appropriate and prompt business promotion system.

(4) Group management

We provide education to employees of subsidiaries, etc. to disseminate the Group's Corporate Principle and code of conduct to the subsidiaries, etc. We are also expanding our compliance efforts ("Report immediately dissemination of the whistleblowing system, etc.) and risk management initiative to our subsidiaries, etc. to identify and mitigate risks.

We also require subsidiaries, etc. to consult with, and report to, the Company important matters in accordance with the Regulations Concerning the Management of Affiliated Companies, etc. Thus, the Company ensures thorough dissemination of the Company's management policy through deliberations of annual plans at the Management Council and information exchange meetings with the president of each subsidiary. Directors and Audit & Supervisory Board Members are dispatched to subsidiaries as appropriate to supervise execution of business and business performance, and the Internal Auditing Department also conducts audits periodically.

(5) Audit and Supervisory Board members

Audit & Supervisory Board Members make efforts to collect information for effective audits by attending important meetings such as the Board of Directors' meetings, inspecting important documents, and regularly exchanging opinions with the President, the accounting auditor and outside directors. In addition, the Audit & Supervisory Board members maintain close cooperation with the Internal Auditing Department by holding monthly information liaison meetings with the Internal Auditing Department, and the Audit & Supervisory Board receives quarterly reports of audit results from the Internal Auditing Department.

Directors, Audit & Supervisory Board Members, and Executive Officers As of June 21, 2022

Directors



Hideaki TAKAHASHI
Representative Director
President



Kenro ITAKURA
Representative Director
Senior Managing Executive Officer

General Manager,
Aerospace Division



Toshihiro HAYAMI
Representative Director
Senior Managing Executive Officer



Masahiro YAMANE
Representative Director
Managing Executive Officer

General Manager,
Corporate Management Division



Guntaro KAWAMURA
Outside Director

Outside Director,
ICHINEN HOLDINGS CO., LTD



Shigeo MISAKA
Outside Director

Audit & Supervisory Board Members



Ayumu TAKAHASHI
Senior Audit &
Supervisory Board Member



Eiichi MORI
Outside Audit &
Supervisory Board Member

Attorney at Law



Hideaki MIHARA
Outside Audit &
Supervisory Board Member

Certified Public Accountant
Outside Director (Audit and
Supervisory Committee Member),
AS ONE CORPORATION



Yasushi NISHIKAWA
Outside Audit &
Supervisory Board Member

Assistant to General Manager,
Planning & Coordination Dept.,
Transportation & Construction
Systems Business Unit,
SUMITOMO CORPORATION

Executive Officers

Masato AYANI
Managing Executive Officer

General Manager,
Corporate Compliance Division
Internal Auditing

Shogo ISHIMARU
Managing Executive Officer

Corporate Planning,
Controlling & Treasury,
Information Systems

Takeshi YADA
Managing Executive Officer

Industrial Equipment Division

Masahiko TANAKA
Managing Executive Officer

Ozone Generators
MEMS/Semiconductor
Manufacturing Equipment

Hiroaki MINAMI
Executive Officer

Quality Assurance, Sales &
Marketing -Aerospace
Aircraft Heat Exchangers

Masakazu YAGI
Executive Officer

Ningbo SPP Hydraulics Co.,Ltd.
and Sumitomo Precision
Shanghai Co.,Ltd. of the
precision hydraulic equipment
business (stationed in China)

Ken KOYAMA
Executive Officer

General Administration,
Purchasing & Transportation,
Factory Innovation

Mitsuhiko TAKEMURA
Executive Officer

Industrial Heat Exchangers

Satoru MIYAMOTO
Executive Officer

MEMS Devices/Sensors

Consolidated Financial Statements

Consolidated Balance Sheet (Millions of yen)

	Prior Year [2021/3/31]	Current Year [2022/3/31]
(Assets)		
Current assets	58,418	51,022
Cash and deposits	12,157	10,220
Notes and accounts receivable	16,173	-
Notes receivable	-	883
Accounts receivable	-	10,693
Contract assets	-	3,694
Finished goods	4,939	4,103
Work in process	14,489	10,726
Raw materials and supplies	8,118	7,860
Other current assets	2,565	2,869
Allowance for doubtful accounts	△ 25	△ 29
Non-current assets	24,143	25,623
Total assets	82,561	76,646
(Liabilities)		
Current liabilities	42,875	31,484
Non-current liabilities	12,967	15,944
Total liabilities	55,843	47,428
(Equity)		
Shareholders' equity	25,803	27,820
Share capital	10,311	10,311
Capital surplus	11,350	11,350
Retained earnings	4,244	6,261
Treasury Shares	△ 104	△ 104
Accumulated other comprehensive income	435	754
Non-controlling interests	479	643
Total net assets	26,718	29,217
Total liabilities and net assets	82,561	76,646

Consolidated Statement of Income (Millions of yen)

	Prior Year [2020/4/1 ~2021/3/31]	Current Year [2021/4/1 ~2022/3/31]
Net sales	41,459	43,801
Cost of sales	33,064	32,921
Gross profit	8,394	10,880
Selling, general and administrative expenses	8,895	8,992
Operating income (loss)	△ 500	1,887
Non-operating income	463	1,114
Interest income	3	5
Dividend income	22	19
Foreign exchange gains	-	513
Equity in earnings of associated companies	98	175
Subsidy income	-	189
Gain on sales of investment securities	225	46
Other non-operating income	113	165
Non-operating expenses	409	431
Interest expense	210	232
Loss on abandonment of non-current assets	32	114
Foreign exchange loss	2	-
Other non-operating expenses	163	84
Ordinary income (loss)	△ 446	2,571
Extraordinary income	118	989
Gain on sales of investment securities	-	296
Gain on sales of non-current assets	118	692
Extraordinary loss	1,561	1,325
Impairment loss	74	-
Provision for environmental measures	-	105
Customer compensation expenses	1,486	1,219
Income (loss) before income taxes	△ 1,890	2,235
Income taxes	605	△ 258
Net income (loss)	△ 2,495	2,493
Income attributable to non-controlling interests	80	181
Income (loss) attributable to owners of parent	△ 2,576	2,312

Consolidated Statement of Cash Flows (Millions of yen)

	Prior Year [2020/4/1 ~2021/3/31]	Current Year [2021/4/1 ~2022/3/31]
Cash flows from operating activities	1,882	3,757
Cash flows from investing activities	△ 1,578	△ 1,371
Cash flows from financing activities	3,641	△ 4,504
Effect of exchange rate change on cash and cash equivalents	42	205
Net increase (decrease) in cash and cash equivalents	3,988	△ 1,912
Cash and cash equivalents, beginning of year	8,138	12,127
Cash and cash equivalents, end of year	12,127	10,214

5 Year Consolidated Key Financial Data

	FY2017	FY2018	FY2019	FY2020	FY2021
Consolidated operating results					
Net sales (Millions of yen)	47,241	48,990	51,017	41,459	43,801
Sales by region					
Japan	23,562	25,607	28,117	27,301	24,039
North America	9,382	8,691	10,233	5,393	6,321
Europe	6,174	6,951	5,889	2,709	4,517
Asia	8,010	7,598	6,481	6,002	8,884
Others	111	142	294	51	37
Operating income (loss) (Millions of yen)	1,969	2,390	3,353	△ 500	1,887
Non-operating income (Millions of yen)	645	564	680	463	1,114
Non-operating expenses (Millions of yen)	635	461	1,051	409	431
Ordinary income (loss) (Millions of yen)	1,979	2,493	2,982	△ 446	2,571
Income (loss) before income taxes (Millions of yen)	1,371	△ 3,074	3,291	△ 1,890	2,235
Income (loss) attributable to owners of parent (Millions of yen)	508	△ 2,360	1,002	△ 2,576	2,312
Comprehensive income (Millions of yen)	1,570	△ 3,189	181	△ 1,095	2,868
Operating income to net sales (%)	4.2	4.9	6.6	△ 1.2	4.3
Ordinary income to total assets (%)	2.4	3.0	3.7	△ 0.6	3.2
Net income to shareholders' equity (ROE) (%)	1.7	△ 8.1	3.6	△ 9.6	8.4
Net income (loss) per share (Yen)	96.03	△ 446.00	189.36	△ 486.87	437.02
Capital expenditure (Millions of yen)	805	1,275	2,121	2,280	3,230
Depreciation expenses (Millions of yen)	2,178	1,886	2,065	2,072	1,971
Research and Development expenses (Millions of yen)	927	982	900	646	830
Consolidated financial position (years ended)					
Total assets (Millions of yen)	82,405	83,678	77,485	82,561	76,646
Interest bearing liabilities (Millions of yen)	28,752	25,663	24,341	28,514	25,142
Net assets (Millions of yen)	32,080	28,624	28,635	26,718	29,217
Equity ratio (%)	37.6	32.8	35.4	31.8	37.3
Net assets per share (Yen)	5,853.03	5,188.40	5,190.60	4,958.74	5,400.23
Consolidated cash flows					
Cash flows from operating activities (Millions of yen)	5,176	3,700	1,275	1,882	3,757
Cash flows from investing activities (Millions of yen)	△ 803	△ 763	△ 1,550	△ 1,578	△ 1,371
Cash flows from financing activities (Millions of yen)	△ 1,825	△ 3,390	△ 1,587	3,641	△ 4,504
Cash and cash equivalents, end of year (Millions of yen)	10,599	10,091	8,138	12,127	10,214

* We adapted new accounting regulation "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year. We didn't apply this newly adapted regulation to prior years.

* Financial results for FY2017 and FY2018 were restated on September 4, 2020.

* Effective October 1, 2018, we conducted a reverse stock split at a ratio of 1 share for every 10 shares of common stock.

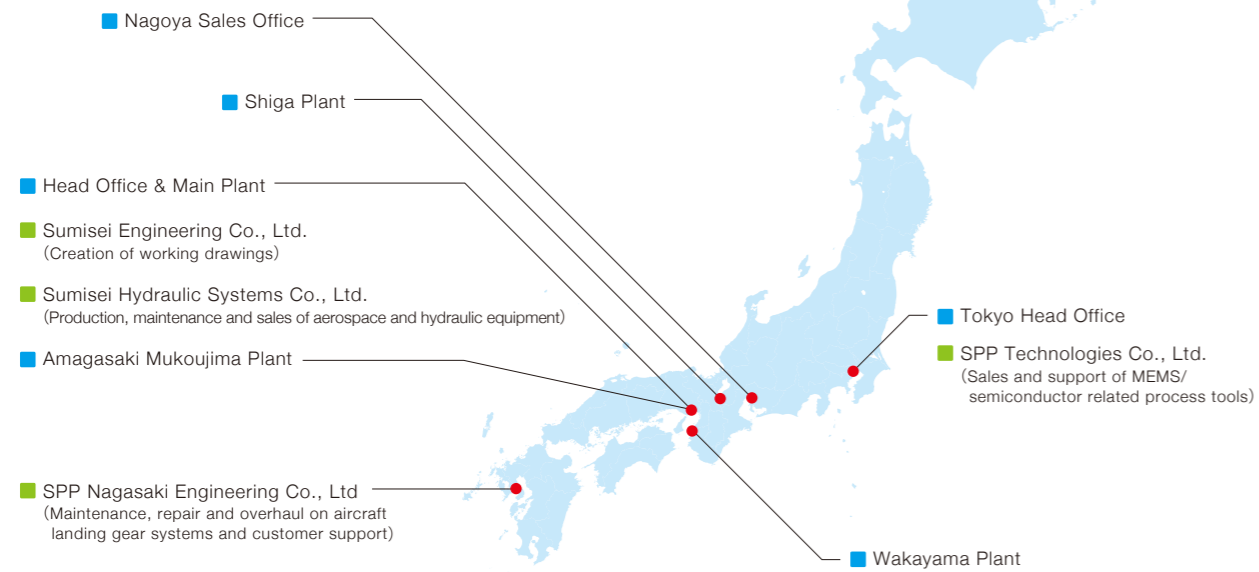
* "Net income per share" and "Net assets per share" are calculated on the assumption that the reverse stock split was carried out at the beginning of fiscal 2017.

* The English consolidated financial statements for the year ended March 31, 2022, and independent auditor's report are available on the following website.
https://www.spp.co.jp/English/ir/consolidated_financial_statements.html

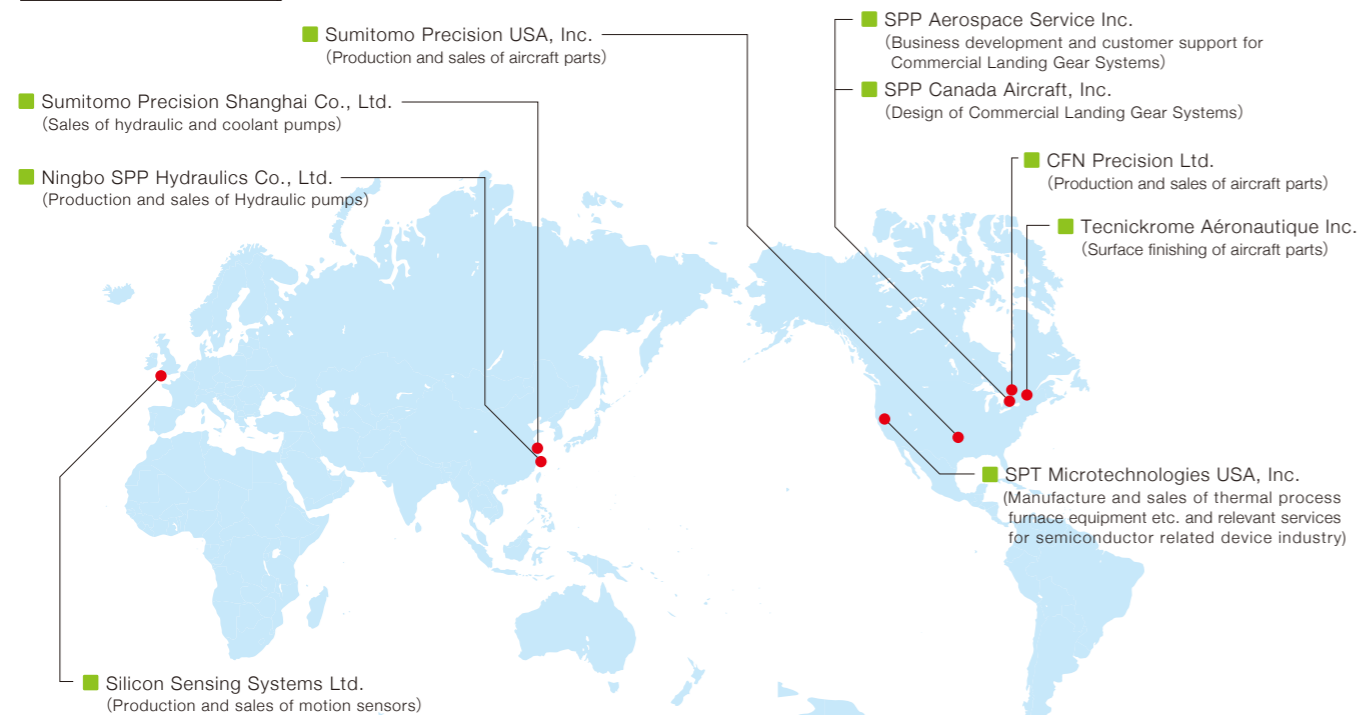
Domestic and Overseas Bases (As of March 31, 2022)

■ Office & Plant ■ Main Affiliated Company

Domestic



Overseas



Company Profile (As of March 31, 2022)

Company Name	Sumitomo Precision Products Co., Ltd.
Established	January, 1961
Paid-in Capital	¥10,311 million
President	Hideaki Takahashi
Number of Employees	1,694 (Consolidated) 1,096 (Non-consolidated)
Head Office	1-10 Fuso-cho, Amagasaki, Hyogo 660-0891, Japan
URL	https://www.spp.co.jp

Our Website

We frequently update our investor relations and other corporate information on this site, and invite you to check back regularly.

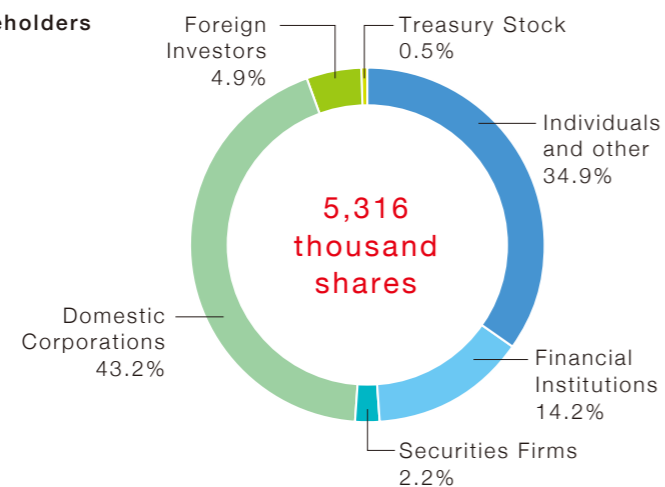
<https://www.spp.co.jp/English/>



Stock Information (As of March 31, 2022)

Fiscal Year	From April 1 of each year through March 31 of the following year
Ordinary Shareholder Meeting	June
Record Date	Ordinary Shareholder Meeting: March 31 Year-end Dividends: March 31 Interim Dividends: September 30
Transfer Agent	1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan Sumitomo Mitsui Trust Bank, Limited
Method of Public Notices	To be posted on the Company's Website (https://www.spp.co.jp)
Stock Code	6355
Number of Authorized Shares	20,000,000
Number of Issued Shares	5,316,779
Number of Shareholders	4,567
Minimum Trading Unit	100
Stock Exchange Listing	Tokyo

► Breakdown of Shareholders



► Major Shareholders

Name of Shareholder	Number of Shares (thousands)	Shareholding Ratio (%)
Sumitomo Corporation	1,462	27.64
Nippon Steel Corporation	764	14.46
The Master Trust Bank of Japan, Ltd. (trust account)	451	8.53
Sumitomo Precision Products Co., Ltd. Kyoekai	124	2.36
Custody Bank of Japan, Ltd. (trust account)	106	2.02
Kazuhiro Yamamoto	62	1.17
Sumitomo Mitsui Banking Corporation	54	1.03
UBS AG LONDON ASIA EQUITIES	45	0.85
Sumitomo Precision Products Employee Stock Ownership Plan	41	0.79
Sumitomo Mitsui Trust Bank, Limited	40	0.76

* The shareholding ratio is calculated based on the total number of issued shares minus the number of treasury shares.

IR Activities and Disclosure

We conduct IR activities to help shareholders and investors better understand our business policies and strategies. More specifically, these include presentations of financial results for institutional investors and analysts, financial summaries and annual reports for shareholders, and communication via through our website.

We will continue to disclose material facts and other relevant information in an appropriate manner via the security exchange, news media, and our website.

We will remain committed to upgrading our information disclosure and ensuring the timeliness and usefulness of IR information.

For further details, please visit "Investor Relations(IR)" on our website.

<https://www.spp.co.jp/English/ir/>



Meeting for institutional investors and analysts