

February 5, 2020

Sumitomo Precision Products Co., Ltd.

Announcement regarding deviations from manufacturing and inspections processes of the specified facilities (heat exchangers) under the High Pressure Gas Safety Act

At the end of December, 2019, Sumitomo Precision Products Co., Ltd. (“SPP”) detected certain deviations in the manufacturing and inspection processes of plate-fin heat exchangers, which should comply with the High Pressure Gas Safety Act. SPP reported such deviations to the Japanese Ministry of Economy, Trade and Industry (“METI”) on January 23, 2020. SPP received an instruction from the Japanese METI today, in accordance with Article 61-1 of the High Pressure Gas Safety Act, to report the details of the deviations, the investigation of the causes of such deviations and recurrence prevention measures that have been implemented.

SPP expresses our sincere regret to our customers and other affiliated parties for the inconvenience and concern this incident may cause. Going forward, SPP will make its best efforts to take corrective and preventive action under the guidance of the METI and other affiliated authorities.

1. Outline of issue

a. SPP was registered by the Minister of Economy, Trade and Industry in 1998 in accordance with Article 56-6-2 of the High Pressure Gas Safety Act to manufacture plate-fin heat exchangers, which are categorized as the specified facilities under the Act. SPP has found, in the manufacturing process of the plate-fin heat exchangers, that we have been outsourcing a part of the welding and relevant inspection process, with said process conducted in a different manner to the manufacturing process in the registration as the manufacturer of the specified facilities.

b. Relevant products

Relevant products are the industrial plate-fin heat exchangers, which are used for industrial gas production and petro-chemical plants etc. The aggregate manufacturing volume and the sales income from such relevant products for the last three business years are 70 products per annum and 600 million Japanese yen per annum.

c. All the relevant plate-fin heat exchangers have undergone the legally required inspection procedure prior to shipment such as pressure test and airtightness test in order to check any leakage, and only the products that passed such tests were delivered to our customers. SPP has started to contact customers and explain the safety of the products in details in order to provide them with an accurate understanding of the issue. SPP has never detected or



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reported any incident or issues due to these particular deviations, up until recently.

2. Background and root cause

SPP is conducting extensive investigations. Since SPP considers this issue as important, we have launched a full inquiry into this issue and the cause thereof. SPP will take all necessary corrective and preventive actions to ensure that this issue is resolved.

3. Financial estimates

SPP does not anticipate a substantial impact, arising from this issue, on its financials up to the third quarter of the fiscal year ending March 2020. However, as of now, SPP is unable to estimate the financial impact for the fourth quarter and thereafter. SPP will disclose any further decision and facts that may emerge in relation to this issue.