



July 17, 2020

Sumitomo Precision Products Co., Ltd.

Regarding the withdrawal of certificates for compliance with the European Pressure Equipment Directive for our industrial plate fin heat exchangers, and measures taken by us in response

In response to the publication of “Announcement regarding deviations from manufacturing and inspections processes of the specified facilities (heat exchangers) under the High Pressure Gas Safety Act” dated February 5, 2020, we hereby report that certificates of conformity to the European Pressure Equipment Directive (PED), which had been issued by a private certifying institution for each heat exchanger delivered overseas by us in the past, were withdrawn due to non-conformity with the PED and we confirmed that the withdrawal was notified to the relevant authority on July 16th, 2020. We take this decision seriously and will make every effort to never repeat similar incidents in the future. We sincerely apologize for any inconvenience and concern that we have caused to our customers and other stakeholders.

1. Details regarding the withdrawal of certificates

This release is made in relation to industrial plate fin heat exchangers (“the Products”), used for applications such as industrial gas production and petro-chemical plants, etc., which were delivered by us and which had been certified under the PED*. It has come to our attention that there have been certain instances of non-conformity to the PED, such as a part of the welding work of the Products having been done under inappropriate qualification management which may not have followed the requirements of the PED. We voluntarily reported this information to a private certifying institution, and the certificates of compliance with the PED for each Product were subsequently withdrawn.

Because a certificate is provided for each individual Product, we have already established measures to ensure that all future Products are fully PED certified and compliant.

In addition, we are currently in discussions with private certifying institutions regarding existing Products that have received certificates other than the PED, and we will continue to work towards a solution with these organizations.

*The directive applies to the export, to the European Union, of equipment with a maximum allowable pressure of more than 0.5 bar.



2. Product safety

Prior to shipment of the Products, we have conducted all of the necessary pressure-resistance tests to ensure product strength, as well as all airtightness tests to prevent leakage, as required by the PED. We have only shipped Products that have passed these tests.

We have already started communicating with affected customers to explain the situation and will continue to provide detailed explanations and updates regarding the safety of already delivered Products so that our customers can continue to use them.

Furthermore, the European Industrial Gases Association (a European industry association) announced on July 15, 2020 that no accidents or malfunctions have been confirmed to be attributed to these non-conformities, despite the fact that the delivered Products have been in operation for a long period of time. Therefore, the Association has not recommended new actions or precautions for the continued safe operation of already installed Products.

3. Future measures

Following our discovery of an inappropriate manufacturing process under the High Pressure Gas Safety Act at a specific registered facility, we have rectified our manufacturing process control system to ensure compliance with the PED. All future Products will be shipped only after receiving an individual certificate from a private certifying institution.

We will take measures to prevent the recurrence of similar incidents in the future, and will strive to further raise awareness of compliance within us.

4. Business outlook

The withdrawal of these certificates may result in compensation for customers to whom the Products were shipped. We are currently analyzing the potential impacts of any compensation payments on our financial results and will promptly disclose this information as soon as the details become clear .

For reference, between FY2016 and FY2018, the average annual number of Products shipped overseas was approximately 116 units per year. Average overseas sales for those years were approximately 1.3 billion yen per year.