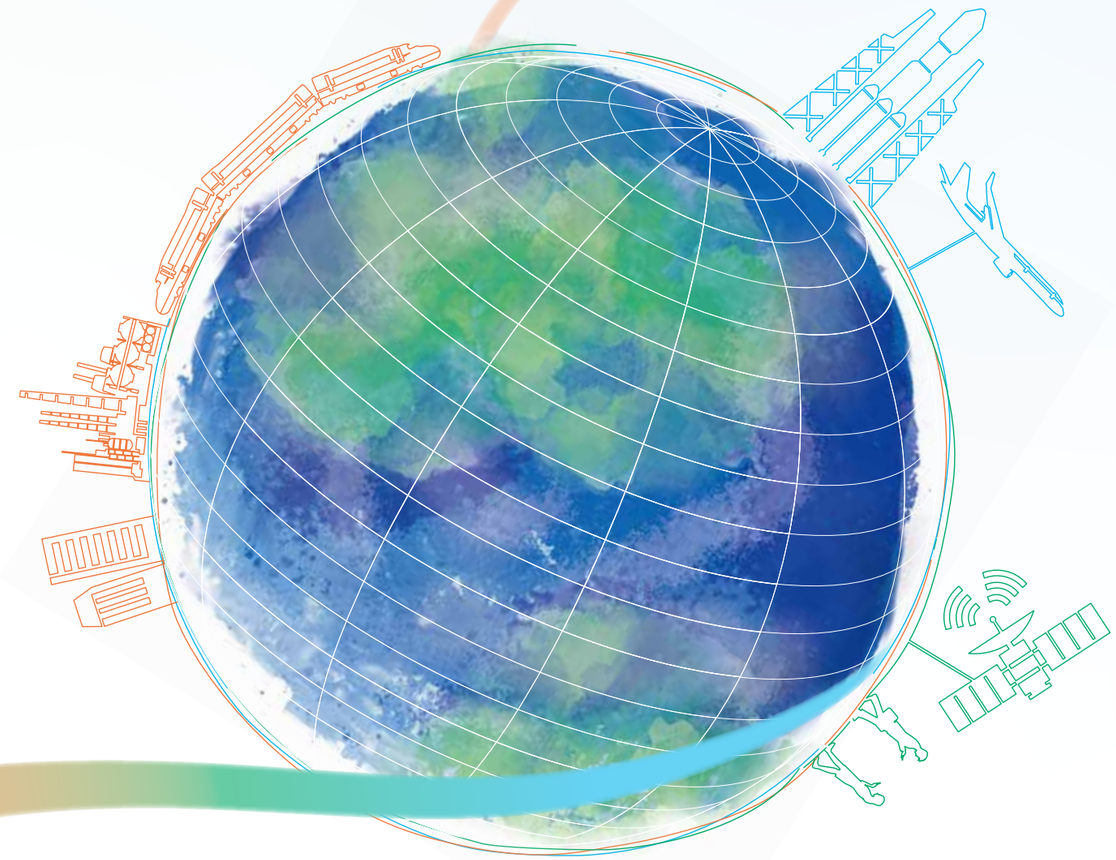
SUMITOMO PRECISION PRODUCTS CO., LTD.

2023 Annual Report

(Year ended March 31, 2023)



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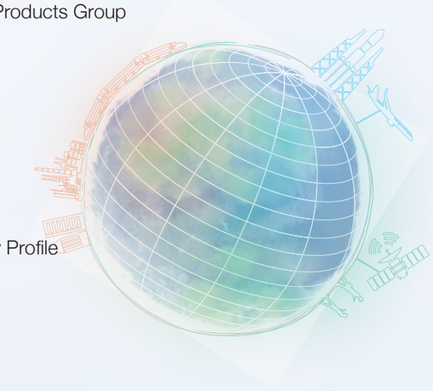


Our Website

We frequently update the corporate information on this site, and invite you to check back regularly.

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

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.

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

❷ 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.

❸ 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.

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

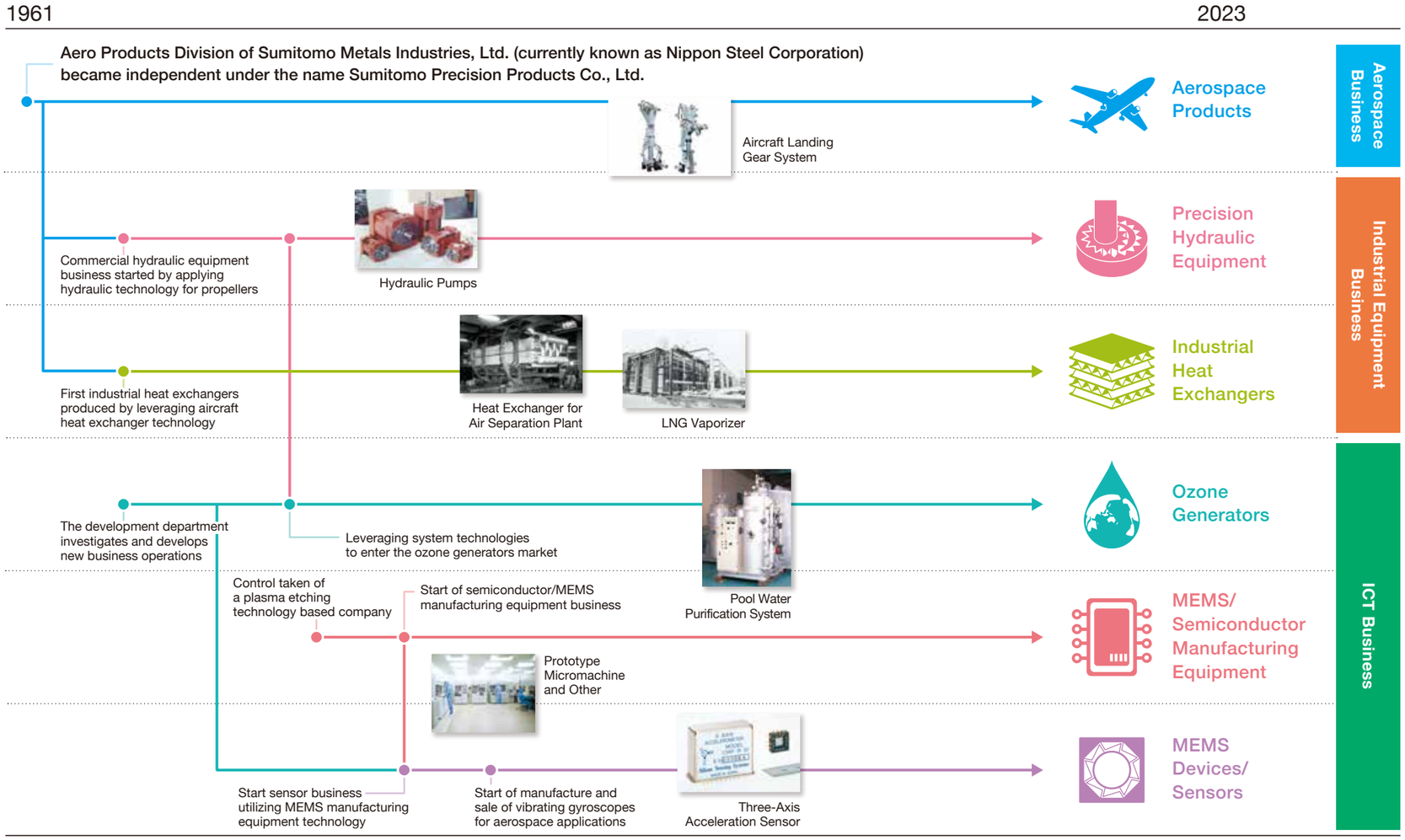
❺ COEXISTENCE WITH SOCIETY
By playing an active role in society, we will promote good citizenship with our community and harmony with the surrounding environment.

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.

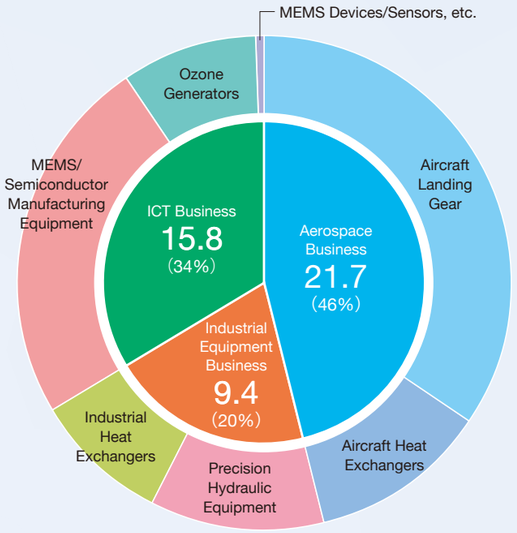
We started our business with a focus on precision machining technology applied to high-Strength metallic materials used in aerospace products. With the aim of becoming a company that solves social issues and serves society, we have grown while pursuing and developing precision technology and precision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

- Contributions to Japanese national 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 2022)

Net Sales 46.9 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 2023 are the figures announced on our website on July 20) 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

Toward achieving sustainable growth and medium- to long-term corporate value improvement

Representative Director,
President

H. Takahashi

Vision of the Sumitomo Precision Products Group

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 based on Sumitomo’s business philosophy of “Place prime importance on integrity and sound management; don’t pursue immoral business,” and corporate principle “Toward a Promising Future,” and code of conduct. As a result, the Sumitomo Precision Products Group (“the Group”) has established strong partnerships with customers and business partners in its businesses on a long-term basis.

In the Mid-Term Management Plan for fiscal 2021 to fiscal 2023, the slogan was “With precision technologies and precision manufacturing, we innovate the world’s highest quality of precision that supports a sustainable society, ahead of anyone else,” and we defined our own “precision” as “acknowledging and pursuing details of the people, things, and matters we must face” while considering technology and manufacturing perspectives. Everybody in the Group should acknowledge and pursue precision, and we will create the best products and services and deliver them 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. While supporting a sustainable society, the Group will also grow in a sustained manner.

In addition, with the growth of the Group, we aim to become a company where human resources with various personalities can maximize their individual skills and abilities in a safe and secure work environment.

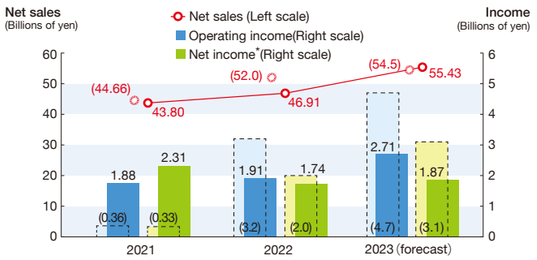
Overview of Business Performance in Fiscal 2022

In fiscal 2022, the second year of the Mid-Term Management Plan, the Group’s consolidated results were better than the previous fiscal year, with net sales of ¥46.91 billion and operating income of ¥1.91 billion, driven by improvements in export prices following the yen’s depreciation, recovery from weak demand in the period when COVID-19 was spreading, and strong performance in the semiconductor market. On the other hand, ordinary income was ¥2.33 billion, mainly due to a reduction in foreign exchange gains, and net income attributable to owners of parent was ¥1.74 billion due to an extraordinary loss of ¥900 million on impairment loss of non-current assets related to industrial heat exchangers. Unfortunately, both were lower than the previous year.

Compared with the Mid-Term Management Plan, the Aerospace Business exceeded the plan as the recovery from the slump in demand during the period when COVID-19 was spreading was faster than expected. On the other hand, the Industrial Equipment Business fell short of the plan due to lower sales of precision hydraulic equipment caused by the economic slowdown in China and a delay in the full resumption of transactions for plant heat exchangers. As for the ICT business, although demand was strong, the delay in delivery due to extended delivery times for parts procurement and disruptions in the supply chain had a significant impact. As a result, unfortunately, the business performed worse than planned.

Outlook for Fiscal 2023

In the consolidated financial forecast for fiscal 2023, the final year of the Mid-Term Management Plan, we assume net sales of ¥55.43 billion, operating income of ¥2.71 billion, ordinary income of ¥2.59 billion, and net income attributable to owners of parent of ¥1.87 billion. Uncertainty over the future, such as concerns about rising manufacturing costs, including resource and energy prices, increases in policy interest rates in Western countries, and the growing impact of the U.S.-China friction, continues. However, the Group will steadily promote the basic strategy set forth in the Mid-Term Management Plan, aiming to secure higher net sales and earnings than fiscal 2022 results and achieve sustainable growth, though there are some delays compared with the Mid-Term Management plan.



*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 Results	2023					
			Mid-term Management Plan	Forecast	Aerospace	Industrial Equipment	ICT	Adjustments
Net sales	43.80	46.91	54.50	55.43	23.33	13.19	18.90	-
Operating income (loss)	1.88	1.91	4.70	2.71	1.28	-0.31	1.81	-0.07
Net income*	2.31	1.74	3.10	1.87				

*Net income attributable to owners of the parent

Accelerating growth by realizing synergies with SUMITOMO CORPORATION

We have been a member of the Sumitomo Corporation Group since fiscal 2023.

In the future, we believe that we can take on challenges that have been difficult for the Group alone, and we will make maximum use of its management resources to accelerate growth by realizing the synergies described below. In particular, we will focus on business creation in ICT and thermal management, which we have positioned as business expansion and strategic fields.

❶ Explore new products and technologies through SUMITOMO CORPORATION’s global network and utilize SUMITOMO CORPORATION’s marketing capabilities
❷ Make various investments to accelerate growth backed by SUMITOMO CORPORATION’s capital injection
❸ Strengthen our management and the capabilities of officers and employees through mutual exchange of personnel with SUMITOMO CORPORATION and the injection of corporate governance knowledge from SUMITOMO CORPORATION
❹ Consider and execute a portfolio shift from a medium- to long-term perspective
❺ Reduce costs and operational burdens dedicated to maintaining our listing and thereby transfer management resources to business divisions (to accelerate business growth)

As the president, I will work with our officers and employees to achieve sustainable growth and medium- to long-term corporate value improvement.

We look forward to receiving continued support and guidance from our stakeholders.

Mid-term Management Plan: Progress Report

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

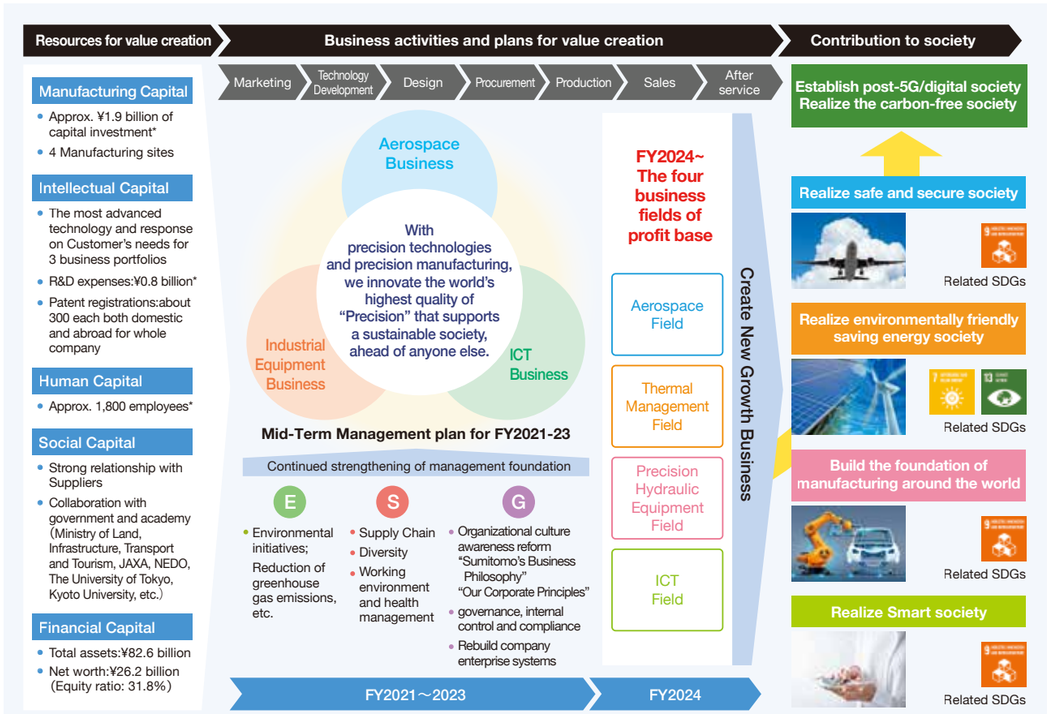
Shown in the chart below is the Sumitomo Precision Products Group's Growth Strategy outlining what the Group should aim for toward 2030.

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

Looking ahead to 2030, we aim to achieve sustainable growth beyond the framework of existing businesses. Specifically, we have defined ICT, thermal management, aerospace, and precision hydraulic equipment, which are the markets we should face, as the four business fields of our profit base. Among them, we position ICT and thermal management as the "business expansion and strategic fields." Thermal management is a technology that combined technologies of aircraft heat exchangers and industrial heat exchangers. We will create new growth businesses by pursuing and developing our precision technology and manufacturing capability in each field and contribute to a sustainable society.

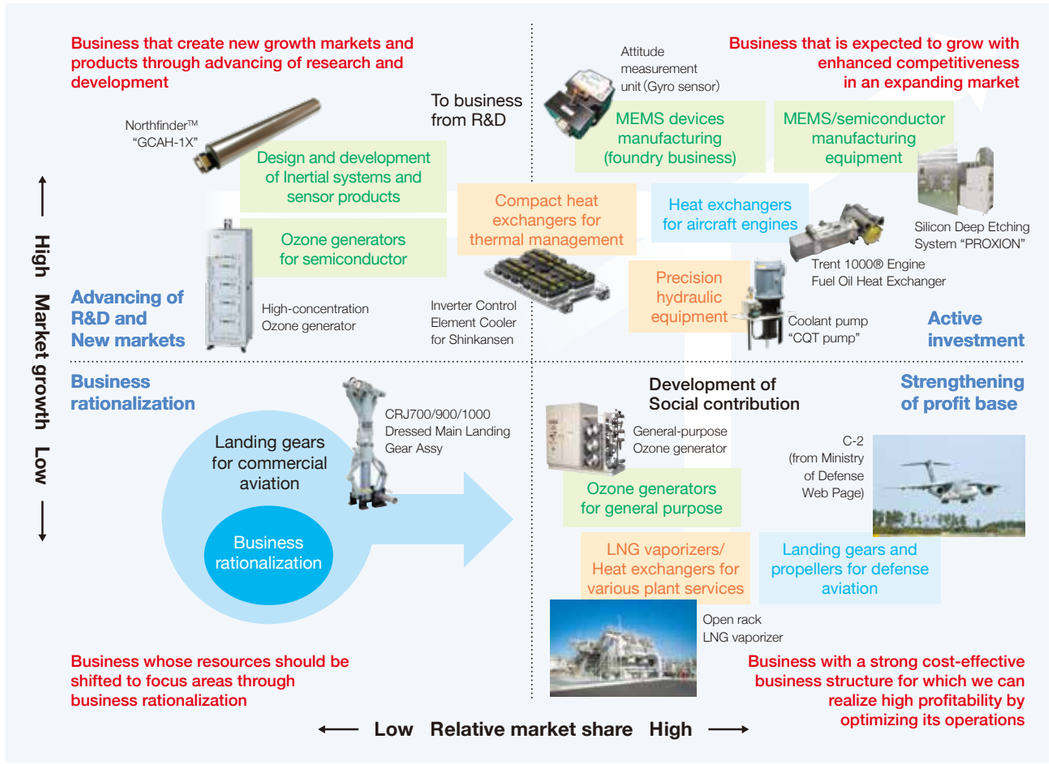
Sumitomo Precision Products Group's Growth Strategy



* 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.



Our businesses and products (by application)

Aerospace Business	Aircraft landing gear business	Landing gears for commercial aviation	
		Landing gears and propellers for defense aviation	
	Aircraft heat exchangers business	Heat exchangers for aircraft engines	
Industrial Equipment Business	Industrial heat exchangers business	Compact heat exchangers for thermal management	Thermal Management Project
		LNG vaporizers/ Heat exchangers for various plant services	
	Precision Hydraulic Equipment business	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 Inertial systems and sensor products	
	Ozone Generators business	Ozone generators for semiconductor /general purpose	

Business expansion and strategic fields
—ICT (MEMS-related business)

Growth direction

In MEMS, the Group has a full line of capabilities such as manufacturing equipment, device design, process development, and manufacturing. We aim to discover and acquire new applications by maximizing these strengths.

In MEMS and semiconductor manufacturing equipment, we will accelerate the development and overseas deployment of new equipment and contribute to realizing a smart society through promising applications such as MEMS devices, power devices, 5G communications, silicon photonics, and quantum computers. In the device and foundry, the world's highest-performance piezoelectric thin films developed by the Company are used in key devices that realize autonomous driving systems and medical ultrasound probes. We will contribute to the smart society through various applications.

Strengths of Current Business		Growth direction (Application)	
MEMS/ Semiconductor Manufacturing Equipment	• Application of plasma etching and plasma deposition technology • Equipment development technology	Development and overseas deployment of new equipment	• MEMS devices • Power devices • Devices for 5G Communications • Silicon Photonics
MEMS devices/ Foundry business	• Application of MEMS device design and fabrication technology • High-precision gyro sensor • Highest performance epitaxial PZT film	Growth of MEMS foundry business and expansion of MEMS devices	• autonomous driving • Smart medical care (Ultrasound Probe) • Down hole surveying in the ground

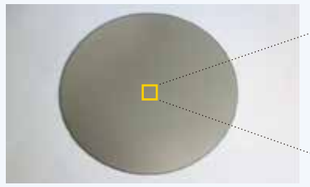
Growth direction utilizing strengths

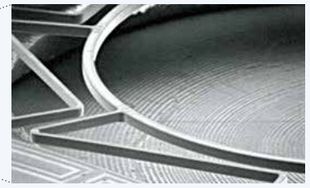


Image courtesy of PIXTA

What is MEMS (Micro Electro Mechanical Systems)?

A structure that has two performances: sensors that convert motion into electrical signals by processing three-dimensionally on silicon wafers, etc., in micron units; and actuators that convert electrical signals into motion. Another one is an ultra-small system that integrates electronic circuits.


Silicon wafer


An example of MEMS (silicon-ring-type gyro sensor)

MEMS applications

Image courtesy of PIXTA


Nozzle heads of inkjet printer


Acceleration sensors for airbags


Silicon microphones


Power devices


Attitude control of electric vehicles

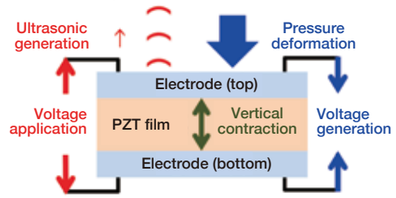

Optical switches

Product to be promoted 1 Highest-performance epitaxial PZT piezoelectric thin film in the world

PZT (epitaxial lead zirconate titanate) film is a type of piezoelectric thin film used as a material for MEMS devices. The piezoelectric thin film generates a voltage when it is deformed (sensor function) and deforms when a voltage is applied (actuator function).

The single-crystal PZT thin film developed by the Company has achieved the highest displacement level in the world, and we aim to use this as an advantage in various applications.

Mechanism of piezoelectric thin film



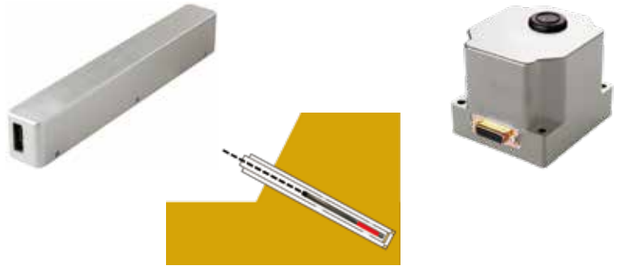
Applications

- Autonomous driving
- High-definition inkjet printer
- Ultrasound Imaging (Smart Medicine, Non-Destructive Testing)
- Gesture Control
- Speakers & Microphone for Smartphone, PC


Image courtesy of PIXTA

Product to be promoted 2 "Northfinder™"

Northfinder™ is a product that measures the earth's rotation regardless of its position and can detect its orientation with high accuracy without being affected by the surrounding magnetic field by using a high-precision, three-axis gyro sensor and an acceleration sensor mounted inside the product. The Group's many years of MEMS research results have made it possible to achieve compact, lightweight, highly durable, and low-power consumption devices.



Product lineup tailored to customer needs

Applications

- Down hole surveying in the ground
- Piping Mapping
- Route mapping
- Attitude monitoring and automatic control of railroads, automobiles, and industrial equipment
- Inertial navigation systems for aerospace and marine moving vehicles
- UAV (drone)



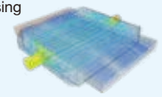
Image courtesy of PIXTA

Business expansion and strategic fields
—Thermal Management

Growth direction

In thermal management, we aim to contribute to the realization of a carbon-free society by combining the technological capabilities we have developed through years of experience designing and manufacturing aircraft and industrial heat exchangers. We are sampling to the application of cooling technology for the following markets where we can leverage our strengths: CPU and GPU coolers for servers in data centers; heat exchangers for various applications, such as “make, transport, and use” in the hydrogen and ammonia value chain; and cooling of electric motors for e-mobility applications such as electric aircraft and for industrial applications such as wind power generation, construction machinery, and machine tools.

Strengths of Current Business	
Aircraft heat exchangers	• Weight saving design technology • Metallic additive technology • Material processing technology • Fluid analysis technology
Industrial heat exchangers	• Multi-fluid design, thermal design technology • Cryogenic technology • LNG vaporization technology • Phase change cooling technology



To markets where we can leverage our strengths

Markets and applications for new entry	
Data centers	• CPU/GPU cooling for sever in data centers
Hydrogen/ Ammonia Value Chain	• Hydrogen Stations • Hydrogen/ammonia fueled vessels
Electric motor cooling	• Electric Aircraft • Industrial applications

Image courtesy of PIXTA

©Iwatani Corporation

Progress of markets and applications for new entry

Development of new CPU/GPU air-cooler – removal of 1000W level heat

Data transfer speed is increasing, thanks to innovation in communication technologies like 5G and beyond, to contribute autonomous driving, telemedicine, and electronic communication network. CPU/GPU and server are more and more sophisticated, meanwhile generated heat (heat loss) of those devices and each component is dramatically increasing. Protecting crucial data from such heat is very critical.

We have unique, two-phase thermo-siphon air cooler, SIPHOREX®, which has been widely used in the market for decades. We have been improving this technology to cool such electronic devices, and finally succeeded in product development of the new air cooler.

It is believed in the electronics market that the performance limit of air cooling for CPU is 400W (TDP or Thermal Design Power). Water cooling used to be the only solution to remove the heat of 400W beyond.

We tested and validated the new SIPHOREX® is capable to manage the extreme high heat of 1000W. This product is self-contained, without complicated piping and ancillary components. Regular maintenance is not necessary. There is no thermal runaway concern.

We continue to upgrade SIPHOREX® to contribute the innovating digital world.

※Phase change coolers (Siforex®): Air-cooled coolers that use refrigerant boiling and condensation to provide higher performance than conventional heat-sink or heat-pipe coolers.

Appearance of developed product

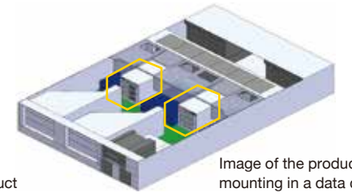
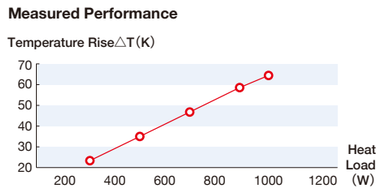


Image of the product mounting in a data center



Conclusion of joint development agreement for open-rack vaporizers for liquefied hydrogen to realize a hydrogen energy society

We have concluded the Joint Development Agreement with Iwatani Corporation on a new vaporizer to be dedicated to liquefied hydrogen (LH2) to play an important role to the forthcoming Hydrogen Society.

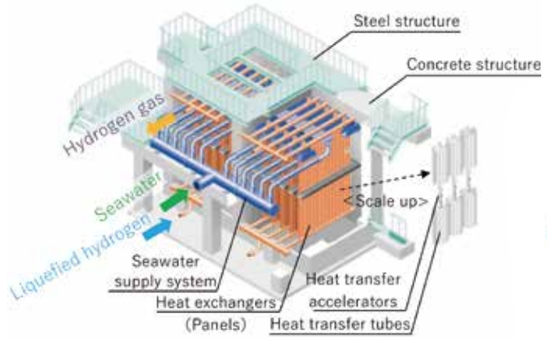
Iwatani is expanding commercial-scale hydrogen value chain. Development of LH2-dedicated vaporizer is crucial and essential in the value chain. Sumitomo Precision Products is a top manufacturer of liquefied natural gas (LNG) vaporizer and has been contributing to energy infrastructures in the world for more than half a century. LNG vaporizer cannot be used to hydrogen vaporizer as it is, because of big difference in cryogenic temperature. We have developed a unique vaporizer which can be dedicated to liquefied hydrogen, H-ORV (Open Rack Vaporizer) *.

Iwatani’s expertise in LH2 handling and value chain and our technologies in cryogenic heat exchanger and liquefied gas vaporization shall be combined and consolidated to contribute to the industrialization of the hydrogen society and carbon negative.

*H-ORV (Open Rack Vaporizer):

ORV has some panels consisted of a lot of heat exchanger tubes. Seawater flow down on panel surface, and liquefied hydrogen flow up and vaporize inside the tubes. ORV has been used for long terms in many LNG receiving terminals as an LNG vaporizer. It has outstanding features. Operating cost is saved because heat source is seawater. Operation and maintenance are easy because components are very simple. High reliability and safety are the reason why ORV is adopted in a lot of location.

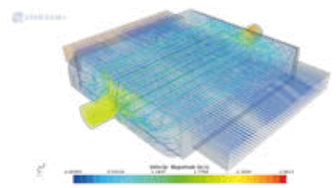
Structure of open rack vaporizer



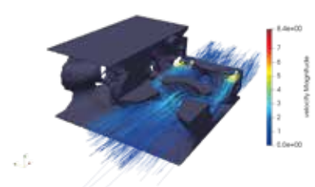
Technology development for Electric motors and other electric equipment for electrified aircraft

In recent years, reducing environmental impact by cutting aircraft’s CO_2 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 electric equipment, including inverters, batteries, and motors and to enable 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).



Thermal analysis example (numerical analysis of fluid -flow)



Example of optimized heat exchanger fluid path (optimized topology*)

* A class of structural optimization techniques used to determine the optimal material density distribution based on engineering conditions (design variables) established within a specied range of material distribution

Prototype heat exchanger created with a metallic 3D printer

Financial Highlights

Results for Fiscal 2022

Net sales ¥46.91 billion
(Previous fiscal year: ¥43.80 billion)

Operating income ¥1.91 billion
(Previous fiscal year: ¥1.88 billion)

Net income* ¥1.74 billion
(Previous fiscal year: ¥2.31 billion)

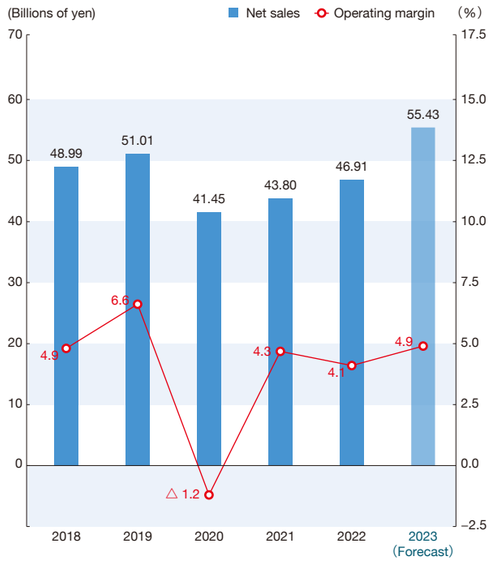
* Net income attributable to owners of the parent

		2018	2019	2020	2021	2022	2023 (Forecast)
Net sales	(Billions of yen)	48.99	51.01	41.45	43.80	46.91	55.43
Operating income	(Billions of yen)	2.39	3.35	△ 0.50	1.88	1.91	2.71
Operating income to net sales	(%)	4.9	6.6	△ 1.2	4.3	4.1	4.9
Net income attributable to owners of the parent	(Billions of yen)	△ 2.36	1.00	△ 2.57	2.31	1.74	1.87
Total assets	(Billions of yen)	83.67	77.48	82.56	76.64	78.35	80.45
Equity ratio	(%)	32.8	35.4	31.8	37.3	37.8	-

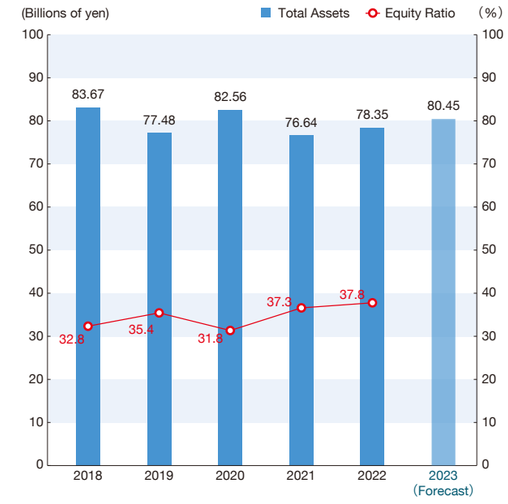
* We adapted new accounting regulation "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations for fiscal 2021 and beyond. We did not apply this newly adapted regulation to prior years.

* Financial results for fiscal_2018 were restated on September 4, 2020.

Net sales/Operating margin



Total assets/Equity ratio



Segment Overview

At a Glance

Aerospace Business

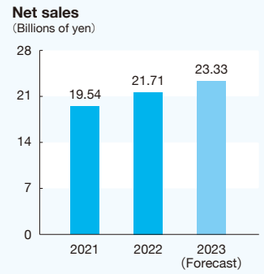
Results for Fiscal 2022

Net sales ¥21.71 billion

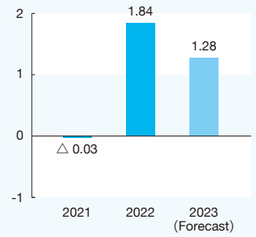
Net sales breakdown 46%

Operating income ¥1.84 billion

Net sales (Billions of yen)



Operating income (Billions of yen)



Industrial Equipment Business

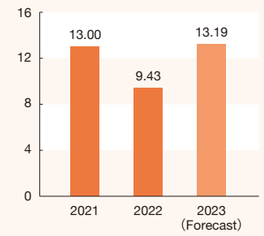
Results for Fiscal 2022

Net sales ¥9.43 billion

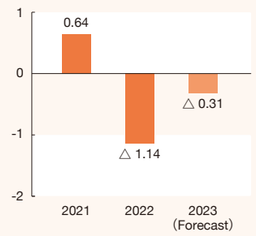
Net sales breakdown 20%

Operating income △¥1.14 billion

Net sales (Billions of yen)



Operating income (Billions of yen)



ICT Business

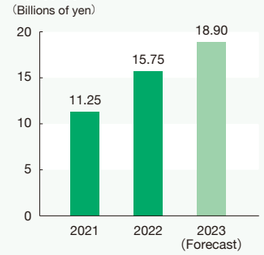
Results for Fiscal 2022

Net sales ¥15.75 billion

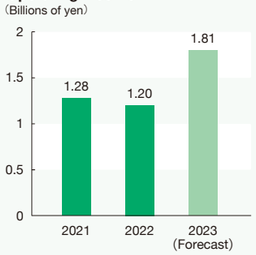
Net sales breakdown 34%

Operating income ¥1.20 billion

Net sales (Billions of yen)



Operating income (Billions of yen)



Segment Overview Aerospace Business

Net sales breakdown 46%

Business Profile

Our inherited Aerospace Business is manufacturing and repair of propeller products for Ministry of Defense. Then it has grown with design, development and manufacture of landing gear systems and heat exchangers for aircraft engines and air-conditioning systems. Our products are equipped in about 80% of operational aircraft of Ministry of Defense and, long contributing to Japanese national security. Based on our experience in products for the Ministry of Defense, we entered the commercial aircraft market.

Regarding the landing gear systems business, we succeeded to participate in regional jet market. We have continuously manufactured and shipped our products for CRJ700/900/1000. In the aircraft heat exchanger business, our products are used in almost all commercial aircraft engines manufactured by Rolls-Royce for the Boeing 787, Airbus A350 and others. Moreover, we manufacture and deliver 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 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.

Actions for fiscal 2023 and beyond

We will improve production efficiency by rationalizing the commercial aviation landing gear business and promote orders targeting heat exchangers for commercial airliners A320 and B737. Development of technology is underway for next-generation aircraft to make effective use of the heat emitted from the entire aircraft. Therefore, 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.

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. In addition, due to changes in the national security environment in Japan, demand for defense products is expected to increase in fiscal 2024 and beyond; we will promote measures to increase production, including equipment renewal.

Major Product Lines and Strengths of Sumitomo Precision Products

Aerospace Products (Landing Gear/Propeller Business)

Landing gear systems for commercial aircraft

CRJ700/900/1000 Dressed Main Landing Gear Assy
Shock absorption during landing

CRJ700/900/1000 Dressed Nose
Landing Gear Assy
Steering during taxing

- 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

C-2 Main Landing Gear
Shock absorption during landing

C-2 Nose Landing Gear
Steering during taxing

P-3C propeller system
Driven by an engine to produce thrust

Heat Management Systems (Aircraft Heat Exchanger Business)

Trent 1000® Engine
[Photograph: Courtesy of Rolls-Royce plc.]

Trent 1000® Engine Surface Air Cooled Oil Cooler

Trent 1000® Engine Fuel Oil Heat Exchanger

- 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 national 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 hydrogen-fueled/electrified aircraft

In recent years, reducing environmental impact by cutting aircraft's CO_2 emissions has become a key issue across the world. Development efforts are under way for technologies and products for use of hydrogen fuel by and the electrification of, aircraft. Against this backdrop, 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.

Technology development of engine combustors and systems for hydrogen aircraft

As part of "technology development of engine combustors and systems for hydrogen aircraft" project undertaken by Kawasaki Heavy Industries, Ltd, we are in charge of developing heat exchangers for hydrogen aircraft engines and has started element development and equipment design. We will continue to pay attention to the trends in the aviation industry and promote product development that meets future market needs.

Technology development for Electric motors and other electric equipment for electrified aircraft

In anticipation of the growing demand for heat exchangers for cooling electric-related equipment, including inverters, batteries, and motors, we are promoting thermal analysis technology, equipment design, and product development.

P.12 | Business expansion and strategic fields—Thermal Management

Development of electric landing gear extension & retraction systems and electric gear pumps

Development of electric landing gear extension & 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.

EHA for main landing gear extension and retraction system

Development of electric gear pumps

We are independently working in research to utilize an airborne electric gear pump for the aircraft central hydraulic source based on our gear pump technology, which is one of our strengths, to supersede the conventional piston-type, engine-driven pumps.

Segment Overview Industrial Equipment Business

Net sales breakdown 20%

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.

Regarding the precision hydraulic equipment business, the Chinese market has been sluggish since fiscal 2022 turning down from its strong performance in the latter half of the COVID-19 pandemic and the first half of fiscal 2021, and the degree of recovery remains uncertain. Meanwhile, in Japan, capital investment in the manufacturing industry has recovered to pre-COVID-19 levels, but the impact on the machine tool market is a matter of concern arising out of structural changes in the automotive industry.

Actions for fiscal 2023 and beyond

Regarding the industrial heat exchanger business, we established a system and mechanism to prevent quality problems from occurring again, and in fiscal 2022, we were able to fully resume business deals with our customers of plant heat exchangers. In fiscal 2023, we are returning to the basics of manufacturing and focusing on improving the competitiveness of QCD to pull up customer satisfaction. We will also continue to encourage ourselves to repeat and accumulate conversations with our customers to further restore trust on us.

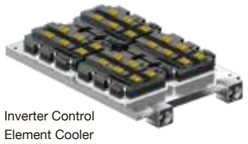
Regarding the precision hydraulic equipment business, we will continue to strive to boost sales of coolant pumps to major machine tool manufacturers in both Japan and China. In China, we will further strengthen our relationship with our partner, the Haitian Group, and improve our production system for hydraulic pumps.

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.

SDGs related to our products

Precision hydraulic equipment

Hydraulic Pump "QS Series"

Coolant Pump "CX Series"

Hydraulic Pumps "QT Series"

Example of feeding cutting fluid during machining

- 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 CO_2 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

Development of new CPU/GPU air-cooler

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.

P.11 | Business expansion and strategic fields—Thermal Management

Hydrogen and Ammonia Value Chain Initiatives

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, as well as our analysis technology cultivated in our aircraft heat exchangers business.

P.12 | Business expansion and strategic fields—Thermal Management

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

Segment Overview ICT Business

Net sales breakdown 34%

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, starting from MEMS manufacturing equipment, we are working on expanding into the inertial sensor systems business and MEMS foundry business, as well as developing 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) bleaching processes for pulp and fiber; and iii) water quality improvement for land aquaculture of food fish. As for semiconductor applications, in addition to the conventional ozone-water cleaning, demand for ozone as an ALD (atomic layer deposition) oxidizer is growing, and it is essential for the thin-film formation of 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

For the MEMS and semiconductor manufacturing equipment business, the MEMS devices and sensor business, and the foundry business, while related capital investment has adjusted due to the decline in global smartphone demand, investment in the power semiconductor business has accelerated. In addition, we are closely monitoring future developments as a series of large-scale investment decisions have been made on the back of government support for major semiconductor foundry businesses and new companies in Japan.

In the ozone generator 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.

Actions for fiscal 2023 and beyond

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 focus on further growth by establishing a new organization called MEMS∞(infinity) that brings together our group's MEMS technologies. In the inertial sensor systems business, we will work to expand sales of inertial systems and sensor products that horizontally deployed the Northfinder™ technology, for which we have launched sales.

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.

P.9,10 Business expansion and strategic fields —ICT (MEMS-related business)

Major Product Lines and Strengths of Sumitomo Precision Products

MEMS/Semiconductor Manufacturing Equipment

Silicon Deep Etching System "PROXION"

Plasma Enhanced CVD System "CETUS"

- 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 plasma 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

MEMS Gyro & Systems (High-Precision Gyro)

- 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.

SDGs related to our products

Inertial Systems and Sensor Products

Attitude measurement unit"AAU-11"

- 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, Inertial Sensor Systems Department develops sensor application products that incorporate Silicon Sensing Systems' gyro sensor and our system technology. 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 AAU-11 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

General-purpose Ozone generator

AOP (Advanced Oxidation Process)

Large-capacity ozone generator for ALD

- Provides a sophisticated water treatment system that can decompose toxic, persistent substances that may cause cancer.
- Develop a variety of products that meet the needs of ALD equipment that enables space saving, large capacity, and high density by combining originally developed discharge cells.

Social value of major products

MEMS and semiconductor manufacturing equipment are used to manufacture key devices for high-speed communication infrastructure, such as personal electronic devices like smartphones, and 5G base stations. In addition, 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. In the future, they are expected to be widely adopted as new types of sensor applications in the medical field and smart devices such as AR/VR. 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 an oxidizing agent for ALD, 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

Start of remote support services for MEMS and semiconductor manufacturing equipment

To use remote support services for the maintenance and repair of equipment in a highly confidential semiconductor manufacturing plant, it is necessary to shield all information in the plant except for the target object from the viewpoint of preventing leakage of confidential information. This was a high hurdle for the use of remote support services. Therefore, SPP Technologies (SPT), our group company, and SCSK Corporation have jointly developed a remote support service that masks information other than that of the target device by studying a method that can share only the images of the target device.

This service enables remote support by connecting customers' plants and the support base using the shared vision function through smart glasses, voice calls, and the digital shielding function utilizing XR (cross-reality) technology. By constantly connecting customers and SPT engineers through this service, customers can feel free to consult with us about various problems they may have with their equipment. At the same time, SPT engineers can provide customers with timely and accurate support. As a result, we believe that this service will contribute to the stable operation of equipment indispensable for the manufacture of various semiconductor devices that will play a key role in the future IoT and DX society.

Without digital shielding

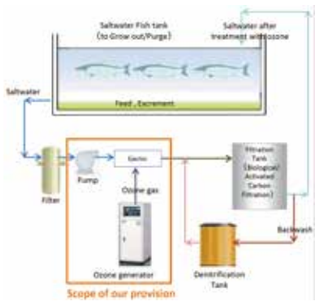
With digital shielding

Introduction of ozone generators to land aquaculture water treatment

In recent years, against the backdrop of the rising demand for marine products worldwide, land aquaculture, which controls the fish production environment, is expected to be a sustainable fishery industry. In particular, a closed recirculating aquaculture system is attracting attention for the following reasons: fewer location restrictions due to the use of advanced water treatment technology; and wastewater treatment reduces environmental impact and ensures stable production.

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. We are currently working to deliver test equipment and full-scale mass-production ozone generators to our customers.

Closed Recirculating Aquaculture System



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. Specifically, regarding (2) "solution of social challenges through business activities," the Group is working to contribute to solving various social issues through pursuing and developing precision technology and precision manufacturing, 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.

From now on, we will make sustainability the axis of our management in order for the Group to grow sustainably with society in the future. Based on Sumitomo's Business Philosophy and the Corporate Principles of the Sumitomo Precision Products Group, through our corporate and business activities, we plan to establish material issues that we should prioritize by leveraging our strengths and set medium- and long-term targets for each material issues.

CSR Activities of the Sumitomo Precision Products Group

Examples of activities			Description	SDGs Relating to Overall Business Activities and Company-Wide Activities
Business activity (Products/services)	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 national 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).	
		Development of electric landing gear extension & retraction systems and electric gear pumps	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. We are independently working in research to utilize an airborne electric gear pump for the aircraft central hydraulic source based on our gear pump technology, which is one of our strengths, to supersede the conventional piston-type, engine-driven pumps.	
	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 CO_2 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.	
		Successful development of new CPU/GPU air-cooler	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.	
		Hydrogen and Ammonia Value Chain Initiatives	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, as well as our analysis technology cultivated in our aircraft heat exchangers business.	
		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.	
	ICT Business	**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.	
		Remote support services for MEMS and semiconductor manufacturing equipment	We contribute to the stable operation of equipment indispensable for the manufacture of various semiconductor devices that will play a key role in the future IoT and DX society through a remote support service using a shared vision function through smart glasses, voice calls, and a digital shielding function utilizing XR (cross-reality) technology.	
		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
Company-wide activity	E Environment	**Environmental initiatives** • **Environmental Policy and Environmental Management** • **Respond to the climate change issue**	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.	
	S Society	**Quality**	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.	
		Supply chain	We continue striving to build a sustainable supply chain while keeping our stakeholders' expectations in mind.	
		Human rights	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.	
		Diversity commitment	While ensuring our continued diversity commitment, we will strengthen our capability to address diversified social needs and challenges.	
		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, 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.	
		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.	
		Health management	We strive to maintain and boost the health of employees through multiple initiatives to improve health indicators, conducted in collaboration with a health insurance association.	
		Relations with Society and Local Communities	We contribute to 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.	
	G Governance	**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.	

Environment

SDGs related to our products

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.

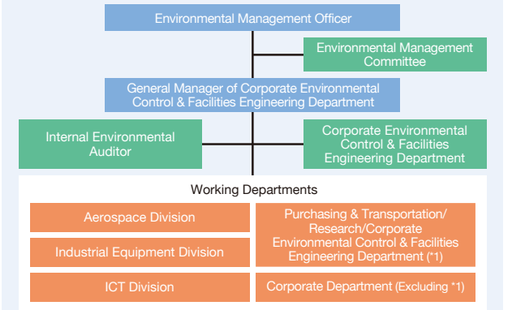
We implement environmental management based on ISO 14001 (environmental management systems) to reduce our load on the environment in various ways, for example, by conserving natural resources, saving energy consumption, promoting the 3R’s (reduce/reuse/recycle), and developing eco-friendly technologies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



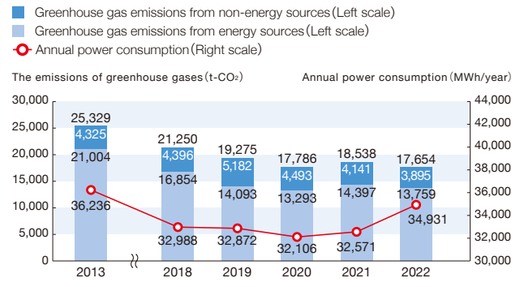
Environmental targets and results for fiscal 2022 and environmental targets for fiscal 2023

For fiscal 2022, as shown on the right, we did not meet some of the targets for reducing greenhouse gas emissions from energy sources, but we were able to achieve the other targets. In particular, the target for reducing waste emissions was significantly exceeded.

In fiscal 2023, being conscious of growing interest in preventing global warming worldwide, we have added targets not only for reducing greenhouse gas emissions from energy sources but also for reducing greenhouse gas emissions from non-energy sources. We will also continue our efforts to reduce the use of substances subject to the PRTR system. Through these activities, we will strive to promote global environmental conservation.

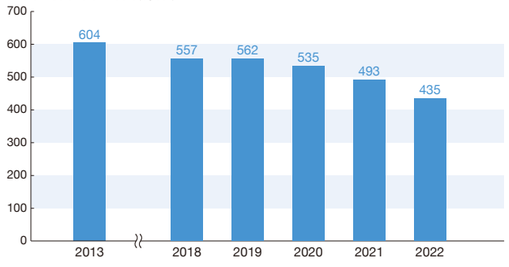
Initiatives		Fiscal 2022 Target	Fiscal 2022 Results	Fiscal 2022 Evaluation	Fiscal 2023 Target
General environmental preservation	Retain ISO 14001 certification	Continue to retain certification	Continue to retain certification (Passed external maintenance review)	○	Continue to retain certification (Passed external maintenance review)
Prevention of Global Warming	Reduction greenhouse gas emissions from energy sources	Reduce greenhouse gas emissions by more than 210t-CO_2	Reduce greenhouse gas emissions by more than 120t-CO_2	×	Electricity consumption per unit of production 1% reduction from the previous year
	Reduction greenhouse gas emissions from non-energy sources	–	–	–	Introduction of the first equipment to remove SF_6 exhausted gas
Resource Conservation / Recycling	Reduce waste emissions	Waste emissions per unit of production 1% improvement from the previous fiscal year (1.27 tons/100 million yen or less)	Waste emissions per unit of production Actual: 1.07 tons/100 million yen	○	Waste emissions per unit of production 1% improvement from the previous fiscal year (1.06 tons/100 million yen or less)
Emission limitation	Prevention of environmental pollution	No exceedance of environmental regulatory standards	No exceedance of environmental regulatory standards	○	No exceedance of environmental regulatory standards
	Reduction in the use of substances subject to the PRTR system	Determination of specific measures to reduce trichloroethylene use	Study of specific measures to reduce trichloroethylene use	–	Determination of specific measures to reduce trichloroethylene use

Annual greenhouse gas emissions(Scope1+2)



- Calculate Scopes 1 and 2 by using CO_2 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

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

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
Reduction greenhouse gas emissions from non-energy sources	We will reduce greenhouse gas emissions from non-energy sources as well as from energy sources by promoting introduction of the equipment to remove SF_6 exhausted gas in the manufacturing process, etc.
Switch to LED lighting for plants	Gradually increase the rate of LED usage in main buildings (about 39% at present) and aim for 100% by fiscal 2030
Increase the ratio of CO_2 free electricity	Consider gradually increasing the ratio of CO_2-free electricity in the future by installing solar power generation facilities and purchasing CO_2-free electricity
Electrification of forklifts	We will promote the electrification of forklifts and other transportation vehicles used in the plants to reduce CO_2 emissions.
Reduce fluorocarbons	We will replace air conditioning equipment using HCFC (R22 refrigerant, among others) with equipment using fluorocarbon substitutes that are low in ozone depletion coefficient and global warming coefficient and aim to upgrade all of them by fiscal 2030.

Tokyo Head Office 100% renewable energy

Since November 2021, Sumitomo Corporation Takebashi Bldg., where the Tokyo Head Office is located, has been using electricity generated from 100% renewable energy sources by Summit Energy Corporation, an electric power company of Sumitomo Corporation Group, at its own power plant. As a result, in fiscal 2022, we achieved zero CO_2 emissions associated with electricity consumption at the Tokyo Head Office.

Initiatives to realize a carbon-free society through business activities

The Group handles a number of products that consider lowering environmental load throughout the entire life cycle. At the same time, the Group is working on the development of new technologies and products.

In the Mid-Term Management Plan for fiscal 2021 to fiscal 2023, we are actively engaged in various initiatives to realize a carbon-free society through business activities. The various initiatives include development toward the following markets: CPU and GPU coolers for servers in data centers in the thermal management field; heat exchangers for various applications, such as “make, transport, and use” in the hydrogen and ammonia value chain; and cooling of electric motors for moving vehicle use such as electric aircraft and for general industrial use such as wind power generation, construction machinery, and machine tools.

Examples of Initiatives	Applicable page
Development of new CPU･GPU air-cooler	P.11,12 Business expansion and strategic fields —Thermal Management
Conclusion of joint development agreement for open-rack vaporizers for liquefied hydrogen to realize a hydrogen energy society	
Technology development for Electric motors and other electric equipment for electrified aircraft	
Technology development of engine combustors and systems for hydrogen aircraft	P.16 Aerospace Business Initiatives toward a sustainable society
Development of electric landing gear extension & retraction systems and electric gear pumps	

Society

Quality

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, operated the Group Quality Committee, and conducted quality audits in accordance with quality compliance items.

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.

In addition, the Company supports the purport of the Partnership Building Declaration, established by the Council on Promoting Partnership Building for Cultivating the Future, whose members include the Chairman of the Keidanren, the Chairman of the Japan Chamber of Commerce and Industry, the President of the Japanese Trade Union Confederation (RENGO), and relevant ministers (Cabinet Office, Ministry of Economy, Trade and Industry, Ministry of Health, Labour and Welfare, Ministry of Agriculture, Forestry and Fisheries, and Ministry of Land, Infrastructure, Transport and Tourism), and has made the declaration public.

We will strive to build a sustainable partnership by promoting cooperation/coexistence and co-prosperity with our business partners.

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

❶ We fully comply with laws and regulations as well as social norms.
❷ We build a sound environment for competition based on fair business relationships.
❸ 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

❶ 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.

❷ 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.

❸ 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.

❹ 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.

❺ 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 (here inafter 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.

❶ 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.

❷ 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.

❸ 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.

❹ 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.

❺ 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.

❻ 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.

❼ 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 and education of diverse human resources

The Company has promoted the recruitment of diverse human resources from the viewpoint that utilizing the ideas of human resources with diverse personalities is essential for responding to changes in the business environment and developing sustainable businesses. In addition to hiring new graduates, we are expanding mid-career hiring in each business unit and at each level to secure human resources with diverse senses of values, opinions, and backgrounds.

We also want to create a relationship in which each employee and the Company can continuously enhance each other by allowing employees with diverse personalities to engage in their work with free thinking and maximize their individual skills and abilities. Therefore, we provide education on the theme of diversity and inclusion, as well as education to enhance psychological safety in the workplace, which is essential for realizing it, not only for management-level personnel such as executives and managers but also for each level of employees.

University/College Graduates Employed via Regular Recruiting

Fiscal 2019-2023	Male	Female	Total
Employees	32	12	44
Share	72.7%	27.3%	100%
(International employees)	(1)	(2)	(3)

Number of employees with disabilities

Number of employees as of April 1, 2023	(Reference) Number of legally required employees
33	31

Number of overseas human resources enrolled (as of April 1, 2023)

Aerospace Business	1(Croatia)
Industrial Equipment Business	1(China)、7(the Philippines)
ICT Business	1(Korea)、1(Vietnam)、1(Taiwan)

Realization of diverse working styles

We have introduced programs designed to enable flexible working, including a flexible time working system and a system of shorter working hours (for employees involved in 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 achieve their work-life balance and maximize performance in their workplace.

System to support diverse working styles

Item	Contents
Work system	Flextime system, short working hours for childcare, exemption from prescribed working hours during childcare and nursing care, restriction of overtime work and late working hours during childcare and nursing care, labor consideration for childcare (change of starting time of work and hours of employment), telecommuting system (for employees engaged in childcare and nursing care)
Leave and vacation system	Childcare leave system, postpartum father leave (childcare leave at birth), family care leave system, half-day paid leave, hourly paid leave, WLB (work-life balance) leave, birth of spouse special leave (paid)

Fostering corporate culture in which diverse human resources can play an active role

The Company strives to create a workplace environment where each employee can make maximally exert their skills by acknowledging each other's personalities and possibilities. As part of this move, we have been working to enhance mutual understanding among employees; for example, we provided education to promote understanding and dissemination of the handbook for preventing harassment. We will raise the awareness of each and every employee through continuing education, 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 and the rate of male employees taking childcare leave in a corporate newsletter.

Eruboshi label conferred under PWPAW (two stars)

Kurumin-mark certification under the Act on Measures to Support the Development of the Next Generation

Percentage of male employees taking childcare leave

Fiscal Year	Acquisition Rate
2022	68.2%
2021	67.7%

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.

This year (2023), we formulate a BCP for earthquakes and flood disasters at the Shiga Plant. After formulating the BCP, we will endeavor to improve our emergency response capabilities by conducting first-response training.

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 used a safety confirmation service and conducted regular training to allow us to confirm the safety of employees in the event of an emergency, such as a natural disaster.

Scene of BCP training

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 2023, 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 system and reducing industrial accident risks," and "Enhancement of health management activities."

Last year (2022), human error was a major cause of accidents and disasters. We are working to prevent accidents and disasters by taking various measures to improve safety sensitivity through the effective use of "Pointing and Calling," (which is a method in occupational safety for avoiding mistakes by pointing at important indicators and calling out the status) and safety experience education.

Year	Accidents resulting in leave	Accidents not resulting in leave
2021	2	3
2022	3	3
2023 (As of end of June)	0	1

Safety experience education

Health management

The Sumitomo Precision Products Group Health Management Declaration

The Sumitomo Precision Products Group aims to realize a workplace where all employees can work with energy (iki-iki), excitement (waku-waku) in a safe and secure environment with good physical and mental health.
Based on the Company's corporate principles, "respecting our human resources, we will provide a supportive environment that encourages each individual's fulfillment and harmony among all employees," we will actively support all employees in maintaining and improving their health so that each and every one of them can realize the Group's 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."

This year (2023), we newly established the above health management declaration and will actively work on health management.

At the same time, we strive to maintain and boost the health of employees through multiple initiatives to improve health indicators, conducted in collaboration with a health insurance association.

As part of our health management efforts, we make it mandatory for employees who have reached a certain age to undergo a comprehensive health checkup to improve their comprehensive health checkup attendance rate. By adopting a mobile comprehensive health checkup, we have established a system that allows employees to easily receive health checkup at our workplace, providing employees with opportunities for prevention of lifestyle diseases and early detection and treatment of serious diseases.

We also hold lectures on metabolic syndrome by outside lecturers to prevent lifestyle and other diseases among our employees.

In addition, at least 98% of all employees take stress checks conducted once a year as a form of self-care to address mental health issues.

As care by line, we provide education, etc., to new managers for the purpose of improving their understanding of the workplace environment. Additionally, as care by on-site industrial health staff, etc., industrial physicians and human resource staff provide support for returning to work.

In addition, as care by a resource outside the workplace, the Company 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.

Scene of a comprehensive health checkup at the workplace

Relations with Society and Local Communities

Educational support

The Company supports the All Japan Student's Indoor Flying Robot Contest hosted by the Japan Society for Aeronautical and Space Sciences. Examples of the contest's missions include a competition of student-designed flying robots to transport emergency supplies to disaster-stricken areas. The contest supports students' design, manufacturing, and manufacturing education and contributes greatly to the development of aerospace technology and human resource development in Japan.

Also, since 2021, we have been offering visit class sessions once a year at a nearby elementary school as career education. Last year, a manager from our Company gave a lecture on its products and challenging work experiences. The elementary school student who attended the lecture said, "Although I learned that there is a lot of hard work involved, I felt that the manufacturing industry offers such a joy of making things for someone else and connecting with people through those things." In addition, we also support a supplementary reader (Work Notebook) for third- and fourth-grade students that introduces local industries with specific examples as the voices of actual workers to familiarize them with local industries. Through these efforts, we are also working to provide educational support to children who will lead the future.

Scene of the All Japan Student's Indoor Flying Robot Contest

Visit class session in progress at an elementary school

Work Notebook (distributed to elementary schools in Amagasaki City)

Interaction with society and local communities

In addition to the education support mentioned above, we also interact with our neighbors, who are always helping us on a daily basis through donations to local events and invitations to events in our company.

Social contribution activities

Our biannual blood donation events attracted a total of 193 contributors in fiscal 2022.

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.

Corporate Governance

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.

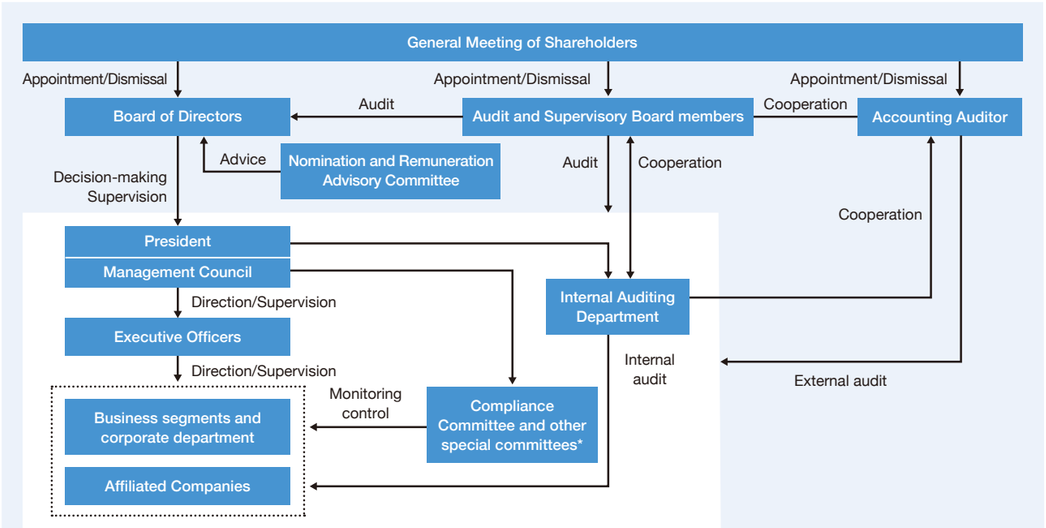
We believe that appropriate practice of this principle will lead to sustainable growth and the improvement of corporate value over the medium to long term, and will benefit all stakeholders including customers, business partners, employees, local communities and shareholders. Thus, we will continue to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

Corporate Governance System

In addition to the appointment of two highly independent outside directors, the Company has received two directors (Non-Executive) dispatched by its parent company, Sumitomo Corporation, since April 2023. The Company works to further strengthen governance by deepening cooperation with its parent company. Additionally, in order to be able to flexibly design an audit system that can respond to changes in the business environment, the Company has changed its organizational design from a company with Audit & Supervisory Board to a company with company auditors by a resolution of the General Meeting of Shareholders in June 2023.

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 company-wide meetings that discuss the management of each business (divisional meetings), 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 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.



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

(As of June 26, 2023)

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.

❶ Compliance

Sumitomo Precision Products promotes its activity concerning compliance with laws and regulations by appointing the General Manager of the Corporate Management 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. We also continue to restructure the quality management system as part of our quality compliance promotion activities.

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 Legal Compliance Department, and the General Manager of the Audit & Supervisory Boad Members' Office, which is independent of business execution, as well as externally by an attorney and the parent company. 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.

❷ 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.

❸ Business execution

Sumitomo Precision Products determines important management matters by holding Board of Directors meetings where executive directors regularly report their job execution statuses. In addition, 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 review the operation of the Board of Directors as appropriate. In addition, we hold Management Council and divisional meetings on a regular basis to thoroughly discuss important issues. Thus, we have established an appropriate and prompt business promotion system.

❹ 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 (dissemination of “Report immediately” and 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.

❺ 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 receive quarterly reports of audit results from the Internal Auditing Department.

Corporate Governance

Directors, Audit & Supervisory Board Members, and Executive Officers
As of June 26, 2023

Directors

Hideaki TAKAHASHI
Representative Director
President

Masahiro YAMANE
Representative Director
Managing Executive Officer

General Manager,
Corporate Management Division

Takao KUSAKA
Non-Executive Director
Sumitomo Corporation

Kei ANADA
Non-Executive Director
Sumitomo Corporation

Guntaro KAWAMURA
Outside Director

Outside Director,
ICHINEN HOLDINGS CO., LTD

Shigeo MISAKA
Outside Director

Audit & Supervisory Board Members

Ken KOYAMA
Senior Audit &
Supervisory Board Member

Sadaaki TATSUMI
Audit & Supervisory Board Member
Sumitomo Corporation

Executive Officers

Kenro ITAKURA
Executive Vice President

General Manager,
Aerospace Division

Toshihiro HAYAMI
Senior Managing Executive Officer

General Manager,
Corporate Technology Division,
ICT Division

Shogo ISHIMARU
Managing Executive Officer

General Manager,
Corporate Strategy Division

Yasushi NISHIKAWA
Managing Executive Officer

General Manager,
Industrial Equipment Division

Takeshi YADA
Managing Executive Officer

Vice General Manager
Industrial Equipment Division,
Thermal Management Project

Masahiko TANAKA
Managing Executive Officer

Ozone Generators
MEMS/Semiconductor
Manufacturing Equipment

Hiroaki MINAMI
Executive Officer

Sales & Marketing -Aerospace

Masakazu YAGI
Executive Officer

Industrial Hydraulic

Mitsuhiko TAKEMURA
Executive Officer

Industrial Heat Exchangers

Satoru MIYAMOTO
Executive Officer

MEMS Devices/Sensors

Shingo NAKASHIMA
Executive Officer

Corporate Planning,
Information Systems

Susumu TOMIDA
Executive Officer

Thermal Control
Systems-Aerospace

Norio MATSUZAKI
Executive Officer

Production,Engineering&
Development,Quality
Assurance-Aerospace

Consolidated Financial Statements

Consolidated Balance Sheet

(Millions of yen)

	Prior Year [2022/3/31]	Current Year [2023/3/31]
(Assets)		
Current assets	**51,022**	**52,545**
Cash and deposits	10,220	5,174
Notes receivable	883	479
Accounts receivable	10,693	13,323
Contract assets	3,694	2,413
Finished goods	4,103	5,581
Work in process	10,726	13,812
Raw materials and supplies	7,860	7,880
Other current assets	2,869	3,935
Allowance for doubtful accounts	△ 29	△ 57
Non-current assets	**25,623**	**25,809**
Total assets	**76,646**	**78,354**
(Liabilities)		
Current liabilities	**31,484**	**31,560**
Non-current liabilities	**15,944**	**16,495**
Total liabilities	**47,428**	**48,055**
(Equity)		
Shareholders' equity	**27,820**	**29,294**
Share capital	10,311	10,311
Capital surplus	11,350	11,350
Retained earnings	6,261	7,632
Treasury Shares	△ 104	△ 0
Accumulated other comprehensive income	**754**	**338**
Non-controlling interests	**643**	**665**
Total net assets	**29,217**	**30,298**
Total liabilities and net assets	**76,646**	**78,354**

Consolidated Statement of Income

(Millions of yen)

	Prior Year [2021/4/1 ~2022/3/31]	Current Year [2022/4/1 ~2023/3/31]
Net sales	**43,801**	**46,910**
Cost of sales	32,921	35,021
Gross profit	**10,880**	**11,888**
Selling, general and administrative expenses	8,992	9,975
Operating income	**1,887**	**1,912**
Non-operating income	1,114	880
Interest income	5	5
Dividend income	19	22
Foreign exchange gains	513	231
Equity in earnings of associated companies	175	383
Subsidy income	189	-
Gain on sales of investment securities	46	-
Other non-operating income	165	236
Non-operating expenses	431	453
Interest expense	232	325
Loss on abandonment of non-current assets	114	-
Compensation for damage	-	81
Other non-operating expenses	84	46
Ordinary income	**2,571**	**2,339**
Extraordinary income	989	620
Gain on sales of investment securities	296	429
Gain on sales of non-current assets	692	-
Reversal of customer compensation expenses	-	191
Extraordinary loss	1,325	909
Impairment loss	-	909
Provision for environmental measures	105	-
Customer compensation expenses	1,219	-
Income before income taxes	**2,235**	**2,050**
Income taxes	△ 258	325
Net income	**2,493**	**1,725**
Income (loss) attributable to non-controlling interests	181	△ 16
Income attributable to owners of parent	**2,312**	**1,741**

5 Year Consolidated Key Financial Data

		FY2018	FY2019	FY2020	FY2021	FY2022
Consolidated operating results						
Net sales	(Millions of yen)	48,990	51,017	41,459	43,801	46,910
Operating income (loss)	(Millions of yen)	2,390	3,353	△ 500	1,887	1,912
Non-operating income	(Millions of yen)	564	680	463	1,114	880
Non-operating expenses	(Millions of yen)	461	1,051	409	431	453
Ordinary income	(Millions of yen)	2,493	2,982	△ 446	2,571	2,339
Income (loss) before income taxes	(Millions of yen)	△ 3,074	3,291	△ 1,890	2,235	2,050
Income (loss) attributable to owners of parent	(Millions of yen)	△ 2,360	1,002	△ 2,576	2,312	1,741
Operating income to net sales	(%)	4.9	6.6	△ 1.2	4.3	4.1
Ordinary income to total assets	(%)	3.0	3.7	△ 0.6	3.2	3.0
Net income to shareholders' equity (ROE)	(%)	△ 8.1	3.6	△ 9.6	8.4	6.0
Consolidated financial position (years ended)						
Total assets	(Millions of yen)	83,678	77,485	82,561	76,646	78,354
Net assets	(Millions of yen)	28,624	28,635	26,718	29,217	30,298
Equity ratio	(%)	32.8	35.4	31.8	37.3	37.8

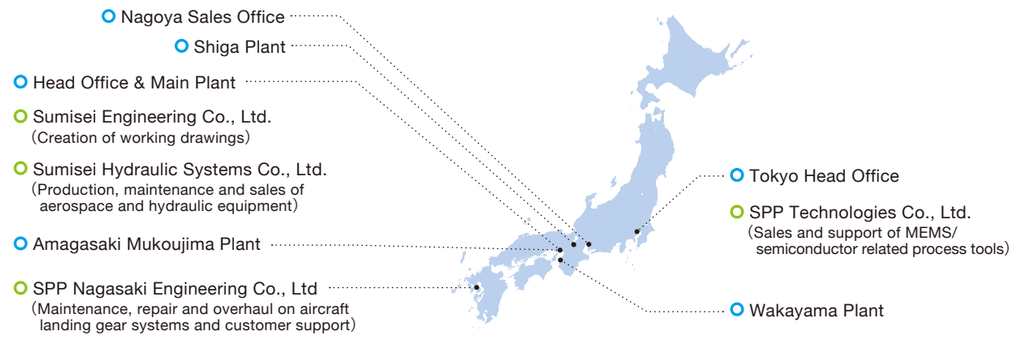
＊ We adapted new accounting regulation "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations for fiscal 2021 and beyond. We did not apply this newly adapted regulation to prior years.
＊ Financial results for fiscal_2018 were restated on September 4, 2020.

Domestic and Overseas Bases / Company Profile

(As of March 31, 2023)

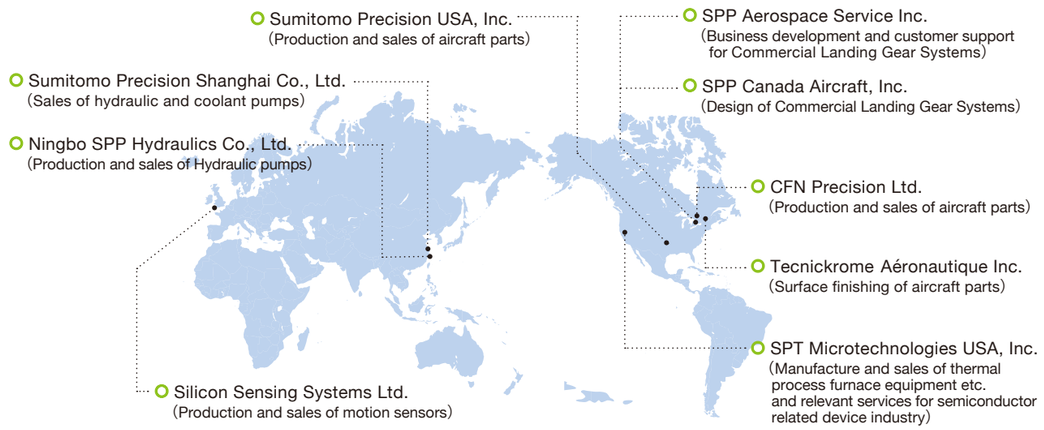
Domestic

Office & Plant ／ Main Affiliated Company



Overseas

Main Affiliated Company



Company Profile

Company Name	Sumitomo Precision Products Co., Ltd.
Established	January, 1961
Paid-in Capital	¥10,311 million
President	Hideaki Takahashi
Number of Employees	1,712 (Consolidated) 1,096 (Non-consolidated)
Head Office	1-10 Fuso-cho, Amagasaki, Hyogo 660-0891, Japan
URL	https://www.spp.co.jp