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Notice of Impairment Loss and Revision of FY2020 Consolidated Full-year Earnings Forecast

SUMIDA CORPORATION (hereafter “the Company”) announces that an impairment loss was booked in the second quarter of consolidated FY2020 based on International Financial Reporting Standards (hereafter “IFRS”). The Company also announces a revision of its consolidated full-year earnings forecast (January 1, 2020 - December 31, 2020) which was published on February 6, 2020.

1. Background and description of the impairment loss booked

As a result of impairment testing based on IFRS in light of a recent strategy change of a customer and its impact on the profit outlook of part of a production facility owned by a subsidiary, the Company booked a 913 million yen impairment loss recognized for unused production lines built for the customer.

2. Impact on the Performance

The above impairment loss has been included under “consolidated operating results” in the consolidated FY2020 financial statements (IFRS) for the second quarter of FY2020.

3. Revision to consolidated full-year earnings forecast (Jan 1, 2020–December 31, 2020)

Millions of yen	Net Sales	Operating Profit	Ordinary Income	Profit attributable to owners of the parent	Basic earnings per share
Previous announced forecast (A)	96,000	4,000	2,800	2,000	73.97
Revised forecast (B)	77,700 ~80,200	Δ220 ~560	Δ1,400 ~Δ620	Δ980 ~Δ270	Δ36.09 ~Δ9.94
Increase/ (Decrease) (B-A)	Δ18,300 ~Δ15,800	Δ4,220 ~Δ3,440	Δ4,200 ~Δ3,420	Δ2,950 ~Δ2,250	
Change % (B/A)	Δ19.1 ~Δ16.5	~Δ86.0	~Δ77.9	–	
(Reference) Previous year results (FY ended December 2019)	94,283	3,543	2,184	1,582	58.36

*Foreign currency exchange rates assumptions used in the forecast: 1 USD=108 JPY, 1 Euro=118 JPY

4. Reasons for the revision

As there is no clear prospect of the full-year earnings due to the COVID-19 pandemic, the Company announces a revision to its consolidated financial forecasts for the fiscal year ending December 31, 2020 from the previous forecasts announced on February 6, 2020. At the time of the announcement of the first quarter financial results on April 28, 2020, the Company did not revise the consolidated financial forecasts for the fiscal year ending December 31, 2020, as the impact of the COVID-19 pandemic on the Company's business performance was not clear, the calculation of which was very difficult. Addressing the COVID-19 pandemic is a highly urgent matter, the Company applied measures to protect against the COVID-19. Employees work from home where possible, thorough preventive measures were taken in all locations and efforts were taken to resume normal operation. To ensure an efficient operation during the COVID-19 pandemic, all business processes – except for the factories - have been reviewed. With the lifting of lockdowns in several countries thereafter, and the loosening of restrictions, the Company gathered information currently available from its subsidiaries to make a forecast, and a decision was made to announce it publicly. With respect to the automotive-related business, which slowed down significantly in the first half of the current fiscal year, recovery has been achieved in China up to the level of prior to the COVID-19 pandemic. The factories of the customers in North America and in Europe resumed operations in June, and the sales income has been recovering since then. The industry-related and consumer electronics-related businesses are expected to remain steady as in the first half of the fiscal year. Nevertheless a so-called second wave of the COVID-19 pandemic may cause another

downturn in the automotive-business etc. in several countries, and if public restrictions are applied again, these may have an impact on the movement of people and goods.

The lower limit of the revised forecast is based on the assumption that recovery in June and July will slow down from August, whereas the upper limit is based on the assumption that recovery will continue until the end of the fiscal year.

However, the following 3 items are not included in the revised forecast.

- Compensation of the impairment loss related to the above mentioned production facility, is under negotiation with a smartphone producer. However, details are not decided yet.
- Risk of goodwill and intangible assets impairment loss related to the previous year acquired subsidiary Pontiac Coil, Inc., as it is premature to foresee the coming mid- and long-term impact of the COVID-19 pandemic on its main customer General Motors Company.
- Recurrence of closure of car and OEM factories as experienced in last April and May, as it remains to be seen whether there will be further factory closures in future due to the COVID-19 pandemic.

A performance-based compensation is applied at the Company. With respect to Executive Officers and members of the management, the cash-based compensation will decrease between 23% and 51% depending on the business results.

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