



# NOTICE OF THE 65TH ANNUAL GENERAL MEETING OF SHAREHOLDERS

**Time and Date:**

**1:00 p.m., Wednesday, March 25, 2020 (JST)**

(The reception desk will open at 12:30 p.m., JST.)

**Venue:**

HAKUHO, 4th floor, Hotel Mariners Court Tokyo  
4-7-28 Harumi, Chuo-ku, Tokyo

**Items to be resolved:**

**Agenda 1: Election of nine (9) directors**

**Agenda 2: Issuance of performance-linked share acquisition rights**

Please kindly note that the Company does not distribute presents on the day to the shareholders who attend the General Meeting of Shareholders. We greatly appreciate your understanding.

SUMIDA CORPORATION

Stock Code: 6817

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*This is a translation of the original notice in Japanese. In the event of any discrepancy, the original notice in Japanese shall prevail.*

(Stock Code: 6817)

March 2, 2020

## **NOTICE OF THE 65TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

SUMIDA CORPORATION (the “Company”) hereby would like to inform you that the 65th Annual General Meeting of Shareholders will be held as outlined below. Please accept our cordial invitation to this meeting.

If you are unable to attend the meeting in person, you may exercise your voting rights in writing or via the Internet. Please examine the appended “Reference Materials for Annual General Meeting of Shareholders” and exercise your voting rights in accordance with the instructions given on page 3.

Yours faithfully,

Shigeyuki Yawata

Director, Representative Executive Officer and CEO

SUMIDA CORPORATION

Harumi Island Triton Square Office Tower X 14/F,

1-8-10 Harumi, Chuo-ku, Tokyo

**1. Time and Date:** 1:00 p.m., Wednesday, March 25, 2020 (JST)

(The reception desk will open at 12:30 p.m., JST.)

**2. Venue:** HAKUHO, 4th floor, Hotel Mariners Court Tokyo

4-7-28 Harumi, Chuo-ku, Tokyo

### **3. Meeting Agenda:**

#### *- Items to be reported*

1. Business Report, Consolidated Financial Statements and reports on the audited results of the Consolidated Financial Statements by the independent auditors and the Audit Committee for the 65th term (January 1 to December 31, 2019)
2. Non-consolidated Financial Statements for the 65th term (January 1 to December 31, 2019)

#### *- Items to be resolved*

Agenda 1: Election of nine (9) directors

Agenda 2: Issuance of performance-linked share acquisition rights

#### 4. Decisions Made for the Meeting

- (1) If a shareholder does not indicate acceptance or rejection of the agenda items when exercising a voting right in writing or via the Internet, the Company will treat such cases as indications of acceptance.
- (2) In the event that a shareholder exercises a voting right via the Internet, even if the voting form is returned to us by mail, the Company will treat the shareholder's vote via the Internet as the effective exercise of the voting right.
- (3) If a shareholder exercises a voting right in writing, the shareholder is requested to return the voting form to us by mail by 5:00 p.m. on Tuesday, March 24, 2020 (JST).
- (4) If a shareholder exercises a voting right via the Internet, the shareholder is requested to do so by 5:00 p.m. on Tuesday, March 24, 2020 (JST).
- (5) In the event that a shareholder exercises voting rights diversely, the shareholder is requested to submit his/her intention to do so and the reason for the diverse exercise of voting rights to the Company in writing by three days before the meeting.

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\*If attending the meeting in person, please hand in the enclosed voting form, completed, to the receptionist at the meeting. In the interest of saving resources, please bring this notice with you to the meeting.

\*The information contained in this notice has been disclosed on the Company's website before dispatching this notice with the objective of providing the information promptly.

\*Of the attached documents to the notice of the General Meeting of Shareholders, notes to Consolidated Financial Statements in the Consolidated Financial Statements and notes to Non-consolidated Financial Statements in the Non-consolidated Financial Statements have been posted on the Company's website (<https://www.sumida.com>) under laws and regulations and Article 15 of the Company's Articles of Incorporation, and are accordingly not included with this notice and the attached documents thereto. Consolidated Financial Statements and Non-consolidated Financial Statements, which have been audited by the independent auditors and the Audit Committee, shall include not only the documents stated in the attached documents to this notice, but also notes to the Consolidated Financial Statements and notes to the Non-consolidated Financial Statements, which are posted on the above website.

\*If the Reference Materials for Annual General Meeting of Shareholders, Business Report, and Non-consolidated and Consolidated Financial Statements are subsequently revised, the revisions shall be posted on the Company's website (<https://www.sumida.com>).

\*Please note that the Company is not planning to hold any company presentation or reception after the meeting.

**<Concerning the Exercise of Voting Rights>**

- \* Shareholders attending the meeting in person are requested to submit the voting form enclosed with this notice at the reception desk on the day of the meeting.
- \* A shareholder may exercise his/her voting rights by designating one proxy who is another shareholder of the Company with voting rights pursuant to Article 17 of the Articles of Incorporation. In such cases, please submit to the Company a document proving the proxy's power of representation (power of attorney).
- \* If you are unable to attend the meeting in person, please exercise your voting rights using either of the below methods.

[Exercising Voting Rights by Mail (in Writing)]

After indicating your acceptance or rejection of the agenda items on the voting form enclosed with this notice, return it without affixing a stamp.

**Votes to be received by: 5:00 p.m., Tuesday, March 24, 2020 (JST)**

[Exercising Voting Rights by electromagnetic method (via the Internet)]

Please access the Website for Exercising Voting Rights (<https://evote.tr.mufig.jp/>) with a computer, smartphone, or mobile phone, and enter the log-in ID and temporary password shown on the voting form enclosed with this notice. Follow the instructions given on the screen to indicate your acceptance or rejection.

In addition, you can exercise voting rights from the Website for Exercising Voting Rights for smartphones, which does not require the entry of the log-in ID and temporary password, by scanning the QR code shown on the voting form with your smartphone or other devices.

**Votes to be given by: 5:00 p.m., Tuesday, March 24, 2020 (JST)**

1. Please note that shareholders are to bear any and all telecommunications charges, including call charges and connection charges to be paid to Internet service providers when accessing the Website for Exercising Voting Rights.
2. For shareholders who intend to exercise voting rights via mobile phones or smartphones, please note that it may not be possible to do so using certain models.
3. In the event that a shareholder exercises a voting right on multiple occasions via the Internet, the Company will treat the shareholder's final vote as the effective exercise of the voting right.

Please direct any inquiries you may have concerning the exercise of voting rights via the Internet to:

Shareholders' Register Manager: Transfer Agent Department (Help Desk), Mitsubishi UFJ Trust and Banking Corporation  
Tel: 0120-173-027 (Toll-free, available only in Japan)  
Operating hours: 9:00 a.m. to 9:00 p.m. (JST)

[To All Institutional Investors]

In the event that you apply for the use of the platform for electronic exercise of voting rights (the so-called TSE platform) operated by ICJ, you may use it as your electronic method for exercising voting rights at the Company's General Meetings of Shareholders, in addition to the above-mentioned electronic methods via the Internet.

## Reference Materials for Annual General Meeting of Shareholders

### Agenda 1: Election of nine (9) directors

The terms of office of eight (8) directors will expire at the conclusion of this Annual General Meeting of Shareholders. The Company hereby requests the election of nine (9) directors including seven (7) outside directors as nominated by the Nomination Committee.

The candidates for the directors' positions are as follows. Seven (7) of the candidates for director, namely Messrs. Johji Sato, Pak Hong Auyang, Yukihiro Moroe, Atsushi Kato, Dr. Michael Mühlbayer, Dr. Masako Miyatake and Mr. Tatsuo Umemoto, seek the positions as outside directors as stipulated in Article 2, paragraph (3), item (vii) of the Regulation for Enforcement of the Companies Act.

#### [Reference] List of candidates

No.	Name	Positions and duties at the Company	
1	Shigeyuki Yawata	Director (Chairman of the Board of Directors), Representative Executive Officer and CEO, and Chairman of the Risk Management Committee	[Re-election]
2	Johji Sato	Director and member of the Audit Committee	[Re-election] [Outside] [Independent]
3	Pak Hong Auyang	Director, Chairman of the Nomination Committee and Compensation Committee	[Re-election] [Outside] [Independent]
4	Yukihiro Moroe	Director, member of the Nomination Committee and Compensation Committee	[Re-election] [Outside] [Independent]
5	Atsushi Kato	Director, Chairman of the Audit Committee and member of the Risk Management Committee	[Re-election] [Outside] [Independent]
6	Michael Mühlbayer	Director, member of the Nomination Committee and Compensation Committee	[Re-election] [Outside] [Independent]
7	Masako Miyatake	Director, member of the Audit Committee and Risk Management Committee	[Re-election] [Outside] [Independent]
8	Tatsuo Umemoto	Director and member of the Audit Committee	[Re-election] [Outside] [Independent]
9	Tomoharu Suseki	Representative Executive Officer and President, member of the Risk Management Committee	[New election]

No.	Name (Date of birth)	Brief personal profile and positions and duties at the Company (Important concurrent occupations or positions at other organizations)	Number of shares held in the Company
1 Re-election	Shigeyuki Yawata (October 28, 1951)  Rate of attendance at the Board of Directors meetings in FY2019: 9/9	<p><b>(Brief personal profile)</b></p> <p>Nov. 1977    Joined the Company</p> <p>Mar. 1988    Director</p> <p>Mar. 1990    Representative Director and Senior Managing Director</p> <p>Apr. 1991    Representative Director and Vice President</p> <p>Mar. 1992    Representative Director and President</p> <p>Apr. 2003    Director, Representative Executive Officer and CEO (To date)</p> <p>Dec. 2005    Managing Director, Sumida Holding Germany GmbH (Currently SUMIDA Europe GmbH) (To date)</p> <p><b>(Positions and duties at the Company)</b></p> <p>Director (Chairman of the Board of Directors), Representative Executive Officer and CEO, and Chairman of the Risk Management Committee</p> <p><b>(Important concurrent occupations or positions at other organizations)</b></p> <p>Managing Director, SUMIDA Europe GmbH</p>	0

**<Reasons for the election of candidate nominated for director>**

Mr. Shigeyuki Yawata possesses abundant experience and a proven track record in regard to not only his service in the executive management of the Sumida Group but also his role in operating and developing global business operations. The Company proposed him as a candidate for director because it expects Mr. Yawata not only to offer his extensive insight regarding the electronic components industry but also to continue to strengthen the function of the Board of Directors as he has served the executive management role in the Company of Representative Executive Officer and CEO.

No.	Name (Date of birth)	Brief personal profile and positions and duties at the Company (Important concurrent occupations or positions at other organizations)	Number of shares held in the Company
2 Re-election/ Outside/ Independent	Johji Sato (November 20, 1953)  Rate of attendance at the Board of Directors meetings in FY2019: 9/9	<p><b>(Brief personal profile)</b></p> <p>Apr. 1982    Joined Chuo Coopers &amp; Lybrand Associates, Inc.</p> <p>Sep. 1985    Assigned to London Office, Coopers &amp; Lybrand UK (Currently PricewaterhouseCoopers LLP)</p> <p>Oct. 1989    Partner (International Corporate Tax Division), London Office, Coopers &amp; Lybrand UK (Currently PricewaterhouseCoopers LLP)</p> <p>Jul. 1995    Lead Partner (Japanese Business Group in Europe, the Middle East and Africa), London Office, Coopers &amp; Lybrand UK (Currently PricewaterhouseCoopers LLP)</p> <p>Jul. 2002    Chair Partner, Japanese Business Steering Committee, Central Cluster (Europe, the Middle East, Africa and India), PricewaterhouseCoopers LLP</p> <p>May 2012    Executive Senior Director (Global Japanese Business), PricewaterhouseCoopers Co., Ltd.</p> <p>Mar. 2013    Outside Director of the Company (To date)</p> <p>Feb. 2018    Independent Director and Member of the Audit and Risk Committee, OUE Lippo Healthcare Limited (To date)</p> <p><b>(Positions and duties at the Company)</b></p> <p>Director and member of the Audit Committee</p> <p>Independent Director and Member of the Audit and Risk Committee, OUE Lippo Healthcare Limited</p>	0

<Reasons for the election of candidate nominated for outside director>

Mr. Johji Sato has been involved in the provision of advice regarding taxation and investment to global corporations over many years, and has held various posts including partner at PricewaterhouseCoopers LLP. The Company proposed him as a candidate for outside director because it expects him to oversee and check management based on the managerial knowledge and experience that he has accumulated throughout his career, especially in the fields of accounting and taxation. He currently serves as outside director of the Company. The length of his service as outside director will be seven (7) years at the conclusion of this Annual General Meeting of Shareholders.



No.	Name (Date of birth)	Brief personal profile and positions and duties at the Company (Important concurrent occupations or positions at other organizations)	Number of shares held in the Company
3 Re-election/ Outside/ Independent	Pak Hong Auyang (December 24, 1967)  Rate of attendance at the Board of Directors meetings in FY2019: 9/9	<p><b>(Brief personal profile)</b></p> <p>Sep. 1991    Joined Computime Group Limited  Sep. 2002    CEO, Computime Group Limited  Nov. 2009    Chairman, Vida Nova Ventures  Jul. 2010    Co-CEO &amp; Executive Director, Touchmedia  Dec. 2012    Outside Director, Grayhill (Hong Kong) Company Limited (To date)  Mar. 2013    Outside Director of the Company (To date)  Dec. 2015    CEO, Altis Technology Limited (To date)  Jun. 2018    Director, CT Nova Limited (To date)  Nov. 2018    Director, ZADAS Limited (To date)  Nov. 2019    Independent Non-executive Director, Lever Style Corporation (To date)  Jan. 2020    Non-executive Director, Computime Group Limited (To date)</p> <p><b>(Positions and duties at the Company)</b></p> <p>Director, Chairman of the Nomination Committee and Compensation Committee</p> <p><b>(Important concurrent occupations or positions at other organizations)</b></p> <p>CEO, Altis Technology Limited  Director, CT Nova Limited  Independent Non-executive Director, Lever Style Corporation  Non-executive Director, Computime Group Limited</p>	0

**<Reasons for the election of candidate nominated for outside director>**

Mr. Pak Hong Auyang was engaged in the management of electronic control products manufacturer Computime Group Limited of Hong Kong, and currently serves as a manager or director at Asian companies mainly in China and Hong Kong. The Company proposed him as a candidate for outside director because it expects him to oversee and check management based on the knowledge and experience as a corporate executive that he has accumulated throughout his career, and his insight into the Asian market. He currently serves as outside director of the Company. The length of his service as outside director will be seven (7) years at the conclusion of this Annual General Meeting of Shareholders.

No.	Name (Date of birth)	Brief personal profile and positions and duties at the Company (Important concurrent occupations or positions at other organizations)	Number of shares held in the Company
4 Re-election/ Outside/ Independent	Yukihiro Moroe (July 18, 1955)  Rate of attendance at the Board of Directors meetings in FY2019: 9/9	<p><b>(Brief personal profile)</b></p> <p>Nov. 1985    Joined The Nomura Securities Co., Ltd.  Jul. 1988    Joined Goldman Sachs Japan  Nov. 1998    Managing Director, Goldman Sachs Japan  Aug. 2008    Representative Director, YUME Capital Co., Ltd. (To date)  Representative Director, Itohan Japan Co., Ltd. (To date)  Jun. 2009    External auditor, Oisix ra daichi Inc. (To date)  Mar. 2014    Outside Director of the Company (To date)  Sep. 2018    Outside Director, JOYFUL HONDA CO., LTD. (To date)</p> <p><b>(Positions and duties at the Company)</b></p> <p>Director, member of the Nomination Committee and Compensation Committee</p> <p><b>(Important concurrent occupations or positions at other organizations)</b></p> <p>Representative Director, YUME Capital Co., Ltd.  Representative Director, Itohan Japan Co., Ltd.  External auditor, Oisix ra daichi Inc.  Outside Director, JOYFUL HONDA CO., LTD.</p>	0

<Reasons for the election of candidate nominated for outside director>

Mr. Yukihiro Moroe has accumulated a wealth of experience in the financial industry over many years, and currently engages in management and serves as director and external auditor at several companies. The Company proposed him as a candidate for outside director because it expects him to oversee and check management based on the experience and insight that he has accumulated throughout his career. He currently serves as outside director of the Company. The length of his service as outside director will be six (6) years at the conclusion of this Annual General Meeting of Shareholders.

No.	Name (Date of birth)	Brief personal profile and positions and duties at the Company (Important concurrent occupations or positions at other organizations)	Number of shares held in the Company
5 Re-election/ Outside/ Independent	Atsushi Kato (April 14, 1943)  Rate of attendance at the Board of Directors meetings in FY2019: 9/9	<p><b>(Brief personal profile)</b></p> <p>Apr. 1968 Established a tax accountant office, Director</p> <p>Oct. 1971 Joined Tokyo Office, Coopers &amp; Lybrand</p> <p>Jul. 1983 Partner, Tokyo Office, Coopers &amp; Lybrand</p> <p>Jul. 1984 Representative Partner, Chuo Audit Corporation (later ChuoAoyama Audit Corporation, a PricewaterhouseCoopers member firm) due to a merger</p> <p>Jul. 2001 Part-time member, Accounting Standards Board of Japan (ASBJ)</p> <p>Sep. 2006 Representative Partner, PricewaterhouseCoopers Aarata (currently, PricewaterhouseCoopers Aarata LLC, a PricewaterhouseCoopers member firm)</p> <p>Feb. 2007 Representative Director and President, Control Solutions International, Inc.</p> <p>Apr. 2009 Full-time Member, Accounting Standards Board of Japan (ASBJ)</p> <p>Apr. 2010 Full-time Vice Chairman, Accounting Standards Board of Japan (ASBJ)</p> <p>Apr. 2013 Certified Public Accountant, Atsushi Kato Certified Public Accountant Office (To date)</p> <p>Mar. 2015 Outside Director of the Company (To date)</p> <p>Jun. 2016 Outside Audit &amp; Supervisory Board Member, UNIZO Holdings Company, Limited (To date)</p> <p><b>(Positions and duties at the Company)</b></p> <p>Director, Chairman of the Audit Committee and member of the Risk Management Committee</p> <p><b>(Important concurrent occupations or positions at other organizations)</b></p> <p>Certified Public Accountant, Atsushi Kato Certified Public Accountant Office</p> <p>Outside Audit &amp; Supervisory Board Member, UNIZO Holdings Company, Limited</p>	0

<Reasons for the election of candidate nominated for outside director>

Mr. Atsushi Kato has been involved in the provision of advice and activities regarding finance, audit, internal control and International Financial Reporting Standards (IFRS) for global corporations over many years, and has held various posts including partner at Coopers & Lybrand (C&L). The Company proposed him as a candidate for outside director because it expects him to oversee and check management based on the managerial knowledge and experience that he has accumulated throughout his career, especially in the fields of accounting and taxation. He currently serves as outside director of the Company. The length of his service as outside director will be five (5) years at the conclusion of this Annual General Meeting of Shareholders.

No.	Name (Date of birth)	Brief personal profile and positions and duties at the Company (Important concurrent occupations or positions at other organizations)	Number of shares held in the Company
6 Re-election/ Outside/ Independent	Michael Mühlbayer (February 22, 1955)  Rate of attendance at the Board of Directors meetings in FY2019: 9/9	<p><b>(Brief personal profile)</b></p> <p>Oct. 1985    Joined Daimler AG</p> <p>Apr. 1994    Manager, Treasury Control, MTU Friedrichshafen GmbH, Daimler AG Group</p> <p>Apr. 1997    Executive Vice President, TEMIC TELEFUNKEN Mikroelektronik GmbH, Daimler AG Group</p> <p>Nov. 1998    Executive Vice President, New York Office, Mercedes-Benz Credit Corp, U.S., Daimler AG Group</p> <p>Nov. 1998    Executive Vice President, Detroit Office, Chrysler Financial Corp, U.S.</p> <p>Aug. 2000    Senior Vice President (Treasury), DaimlerChrysler AG</p> <p>Jul. 2005    Senior Vice President (Investor Relations &amp; Treasury), Daimler AG</p> <p>Mar. 2015    Outside Director of the Company (To date)</p> <p><b>(Positions and duties at the Company)</b></p> <p>Director, member of the Nomination Committee and Compensation Committee</p>	0

**<Reasons for the election of candidate nominated for outside director>**

Dr. Michael Mühlbayer has been involved in finance of Daimler AG, a German automobile manufacturer, over many years. The Company proposed him as a candidate for outside director because it expects him to oversee and check management based on the knowledge and experience as a corporate executive that he has accumulated throughout his career, especially in the field of finance, and his insight into the automobile and electric and electronics industries and the European and U.S. markets. He currently serves as outside director of the Company. The length of his service as outside director will be five (5) years at the conclusion of this Annual General Meeting of Shareholders.

No.	Name (Date of birth)	Brief personal profile and positions and duties at the Company (Important concurrent occupations or positions at other organizations)	Number of shares held in the Company
7 Re-election/ Outside/ Independent	Masako Miyatake (August 19, 1958)  Rate of attendance at the Board of Directors meetings in FY2019: 7/7	<p><b>(Brief personal profile)</b></p> <p>Apr. 1983    Joined The Chase Manhattan Bank N.A.</p> <p>Oct. 2002    Registered as Attorney (Daini Tokyo Bar Association); Erasion of the registration in 2011 to study abroad, Reregistration in 2014</p> <p>Oct. 2002    Joined Koga &amp; Partners</p> <p>Jun. 2004    Joined Nishimura &amp; Asahi (formerly Asahi &amp; Koma Law Offices)</p> <p>Nov. 2014    Joined Nakano Law Office</p> <p>Nov. 2014    Reconciliator, Dispute Reconciliation Center for Nuclear Damage Compensation regarding Fukushima Nuclear Plant, Ministry of Education, Culture, Sports, Science and Technology (To date)</p> <p>Apr. 2015    Conciliation Commissioner, Tokyo Family Court (To date)</p> <p>Apr. 2018    Joined Blakemore &amp; Mitsuki (To date)</p> <p>Dec. 2018    Deputy Secretary-General, Japan International Dispute Resolution Center (To date)</p> <p>Mar. 2019    Outside Director of the Company (To date)</p> <p>Apr. 2019    Visiting Professor, Keio University Law School (To date)</p> <p><b>(Positions and duties at the Company)</b></p> <p>Director, member of the Audit Committee and the Risk Management Committee</p> <p><b>(Important concurrent occupations or positions at other organizations)</b></p> <p>Attorney</p> <p>Partner, Blakemore &amp; Mitsuki</p> <p>Visiting Professor, Keio University Law School</p> <p>Deputy Secretary-General, Japan International Dispute Resolution Center</p>	0

<Reasons for the election of candidate nominated for outside director>

Dr. Masako Miyatake has accumulated a wealth of experience as an international lawyer over many years. She currently works as a lawyer with accumulated expertise in the fields of international transactions, finance, corporate governance, and litigation, arbitration and conciliation. The Company proposed her as a candidate for outside director because it expects her to oversee and check management based on her insight which is especially informed by her experience in international transactions and her global perspective. The Company judges she will appropriately fulfill her duties as an outside director based on the above reasons. She currently serves as outside director of the Company. The length of her service as outside director will be one (1) year at the conclusion of this Annual General Meeting of Shareholders.

No.	Name (Date of birth)	Brief personal profile and positions and duties at the Company (Important concurrent occupations or positions at other organizations)	Number of shares held in the Company
8 Re-election/ Outside/ Independent	Tatsuo Umemoto (September 14, 1956)  Rate of attendance at the Board of Directors meetings in FY2019: 7/7	<p><b>(Brief personal profile)</b></p> <p>Apr. 1979 Joined Nippon Telegraph and Telephone Public Corporation (Currently NIPPON TELEGRAPH AND TELEPHONE CORPORATION)</p> <p>Aug. 1985 Joined Bain &amp; Company Japan, Inc.</p> <p>Sep. 1991 Joined Schroeder PTV Partners Co., Ltd.</p> <p>Apr. 1995 Joined SAZABY Inc. (Currently SAZABY LEAGUE, Ltd.) as Director of Corporate Planning Office Project Leader for start-up of Starbucks Coffee Japan Co., Ltd. Corporate Leader for the “second startup” (business re-establishment activities) project Chief Planning Officer (from 2000)</p> <p>Jan. 2005 Established iGRAM Inc., Representative Director (To date)</p> <p>Aug. 2011 Established LEAGUE MILLION INC., Representative Director</p> <p>Apr. 2015 Specially Appointed Professor at Graduate School of Social Design Studies, Rikkyo University (To date)</p> <p>Jun. 2015 Councilor, THE KIYOSHI HAYAKAWA FOUNDATION</p> <p>Apr. 2017 Outside Director, Forum Engineering Inc. (To date)</p> <p>Mar. 2019 Outside Director of the Company (To date)</p> <p><b>(Positions and duties at the Company)</b> Director, member of the Audit Committee</p> <p><b>(Important concurrent occupations or positions at other organizations)</b> Specially Appointed Professor, Graduate School of Social Design Studies, Rikkyo University Representative Director, iGRAM Inc. Outside Director, Forum Engineering Inc.</p>	0

**<Reasons for the election of candidate nominated for outside director>**

Mr. Tatsuo Umemoto has accumulated a wealth of international experience as a management consultant and corporate executive over many years. He has played leading roles in the launches of multiple companies, including Starbucks Coffee Japan Co., Ltd., and he currently works as an advisor in various fields and as a Specially Appointed Professor at Graduate School of Rikkyo University. The Company proposed him as a candidate for outside director because it expects him to oversee and check management based on his insight which is especially informed by his experience in business strategy, business planning, new business development, organization personnel, competency development, and marketing and branding. He currently serves as outside director of the Company. The length of his service as outside director will be one (1) year at the conclusion of this Annual General Meeting of Shareholders.

No.	Name (Date of birth)	Brief personal profile and positions and duties at the Company (Important concurrent occupations or positions at other organizations)	Number of shares held in the Company
9 New election	Tomoharu Suseki (February 18, 1957)	<p><b>(Brief personal profile)</b></p> <p>Apr. 1979 Joined Sumitomo Electric Industries, Ltd.  Oct. 1990 Joined Raychem Corporation (Currently Tyco Electronics Japan G.K.)  Jan. 1997 Director, Raychem Corporation  Nov. 2001 Representative Director, Raychem Corporation  Apr. 2003 Executive Officer, D&amp;M Holdings Inc.  Oct. 2004 Joined OCC Corporation  Nov. 2004 Representative Director, President and CEO, OCC Corporation  Sep. 2006 Retired from OCC Corporation  Nov. 2006 Joined Sumida Electric Co., Ltd.  Jan. 2007 Representative Director and President, Sumida Electric Co., Ltd.  Mar. 2007 Executive Officer and COO of the Company  Sep. 2010 Representative Executive Officer and President (To date)  Feb. 2012 Managing Director, SUMIDA Europe GmbH (To date)</p> <p><b>(Positions and duties at the Company)</b>  Representative Executive Officer and President, member of the Risk Management Committee</p> <p><b>(Important concurrent occupations or positions at other organizations)</b>  Managing Director, SUMIDA Europe GmbH</p>	20,000

<Reasons for the election of candidate nominated for director>

Mr. Tomoharu Suseki has been involved for many years in business management at major electric and electronic companies, including foreign affiliates. He has also served as Representative Executive Officer and President of the Sumida Group for many years, has demonstrated strong leadership as a corporate executive, and has made significant contributions to business expansion and improvements in business performance. The Company proposed him as a candidate for director because it expects him to work to share information on the Board of Directors, and contribute to strengthening the decision-making and supervisory functions of the Board of Directors by leveraging his abundant experience and proven track record.

Notes:

1. SUMIDA Europe GmbH is a subsidiary of the Company. Among other things, the Company loans funds to the subsidiary.
2. There are no special interest relationships between the candidates and the Company.
3. If the seven (7) candidates for outside director, Messrs. Johji Sato, Pak Hong Auyang, Yukihiro Moroe, Atsushi Kato, Dr. Michael Mühlbayer, Dr. Masako Miyatake and Mr. Tatsuo Umemoto are elected as originally proposed, the Company plans that these persons will be independent directors in accordance with the provisions of the Tokyo Stock Exchange.

Reasons for the election:

Eight (8) of the candidates nominated for director, Messrs. Shigeyuki Yawata, Johji Sato, Pak Hong Auyang, Yukihiro Moroe, Atsushi Kato, Dr. Michael Mühlbayer, Dr. Masako Miyatake and Mr. Tatsuo Umemoto have sufficiently served as directors who determine basic management policies and supervise operations. The Company therefore requests to reelect them as directors. Furthermore, the Company believes that Mr. Tomoharu Suseki will sufficiently serve as director who determines basic management policies and supervises operations, and therefore requests to newly elect him as director.

Reasons for the election of candidates nominated for outside director, independence as outside directors and the explanation of liability limitation contracts with outside directors are as follows.

(1) Reasons for the election of candidates nominated for outside director

The Company is a company employing a committee-based corporate governance structure, called a company with nomination committee, etc. At a company with nomination committee, etc., the board of directors specializes in supervising management, while a committee, a majority of which consists of outside directors, is established to improve the transparency of management and executive officers are installed as an organ to work full-time for the execution of operations. Thus, a company with nomination committee, etc. clearly separates “supervision of management” from “execution of operations” to make them function effectively. Such a company generally needs to elect multiple outside directors. To further enhance the functions of the board of directors, the Company is to make outside directors account for a majority of directors, and hereby requests the election of seven (7) outside directors.

(2) Independence of candidates for outside director

- (i) None of the candidates for outside director have been managing members of the Company or business operators that have specific relations with the Company in the past.
- (ii) None of the candidates for outside director have received or plan to receive a large amount of money or other property from the Company or business operators that have specific relations with the Company.
- (iii) None of the candidates for outside director have relatives in the third degree or closer with managing members of the Company or business operators that have specific relations with the Company.

(3) Liability limitation contracts with outside directors

The Company has entered into liability limitation contracts with outside directors of the Company, Messrs. Johji Sato, Pak Hong Auyang, Yukihiro Moroe, Atsushi Kato, Dr. Michael Mühlbayer, Dr. Masako Miyatake and Mr. Tatsuo Umemoto. (Outline of the contracts is stated on page 42 of the Business Report.) In case of their re-election, the Company will continue the above liability limitation contracts with them.



## **Agenda 2: Issuance of performance-linked share acquisition rights**

The Company requests approval for the determination of offering terms for share acquisition rights to be issued as share options to directors and employees of the Company's subsidiaries in accordance with the provisions of Articles 236, 238 and 239 of the Companies Act, to be entrusted to the board of directors of the Company (the "Board of Directors") or to the executive officer of the Company delegated by resolution of the Board of Directors.

### **1. Reasons for the need to solicit subscribers for share acquisition rights on particularly favorable terms**

In aiming for the Sumida Group to achieve the targets for the three-year period from the fiscal year ending December 31, 2020 to the fiscal year ending December 31, 2022, realize sustainable growth, and enhance medium- to long-term corporate value, the Company will issue share acquisition rights without contribution to directors and employees of the Company's subsidiaries, upon exercise of which shares are delivered on stipulation that the value of property to be contributed upon exercise of the share acquisition rights is one (1) yen per share, as a medium-term incentive plan to further boost motivation and morale of directors and employees of the Company's subsidiaries.

These share acquisition rights may be exercised only when the conditions stipulated in 2. (3) "(viii) Terms and conditions for exercising share acquisition rights" below are fulfilled, and the extent to which they become exercisable shall be determined by the level of fulfillment. Therefore, their contents include commitments toward the Group's business results targets to be assumed by the directors and employees of the Company's subsidiaries eligible to receive the share acquisition rights.

In addition, it is the Company's policy that if the Company holds treasury shares upon exercise of the share acquisition rights, the Company will deliver treasury shares rather than issuing new shares to the extent possible.

### **2. Details of, maximum number of, and matters regarding payment for share acquisition rights for which offering terms may be determined based on the decision of this Annual General Meeting of Shareholders**

- (1) Maximum number of share acquisition rights for which offering terms may be determined based on this entrustment

The maximum number of the share acquisition rights under the terms specified in (3) below shall be 4,500.

The maximum number of shares to be granted upon exercise of the share acquisition rights shall be 450,000 shares of ordinary shares of the Company. In the event that the number of such shares to be granted is adjusted pursuant to (3) (i) below, the maximum number of shares to be granted upon exercise of share acquisition rights shall be the number obtained by multiplying the number of shares granted after adjustment by the maximum number of share acquisition rights as provided for above.

- (2) Amount to be paid in for share acquisition rights for which offering terms may be determined based on this entrustment

Monetary payment is not required for the share acquisition rights as they are issued without contribution.

(3) Details of the share acquisition rights for which offering terms may be determined based on this entrustment

(i) Class and number of shares to be delivered upon exercise of share acquisition rights

The class of shares to be delivered upon exercise of the share acquisition rights shall be ordinary shares and the number of shares to be delivered upon exercise of one (1) share acquisition right (hereinafter the “Number of Shares Granted”) shall be 100.

Notwithstanding the foregoing, in the event that the Company carries out a share split (including any allotment of shares without contribution; the same shall apply hereinafter) or a share consolidation of ordinary shares of the Company after the date of the resolution at the General Meeting of Shareholders (hereinafter the “Resolution Date”), the Number of Shares Granted for share acquisition rights that are unexercised as of the time of the share split or share consolidation shall be adjusted according to the following formula. Any fraction of less than one (1) share resulting from this adjustment shall be discarded.

$$\begin{array}{rcccl} \text{Number of Shares} & & \text{Number of Shares} & & \text{Ratio of share split or} \\ \text{Granted after} & = & \text{Granted before} & \times & \text{consolidation} \\ \text{adjustment} & & \text{adjustment} & & \end{array}$$

In addition, in the event that it is necessary for the Company to make an adjustment to the Number of Shares Granted in cases where the Company carries out a merger, company split, share exchange, share transfer, etc., the Company may make an appropriate adjustment taking into account the merger ratio and other conditions, to the extent reasonable.

(ii) Value of property to be contributed upon exercise of share acquisition rights

The value of property to be contributed upon exercise of one (1) share acquisition right shall be the amount obtained by multiplying one (1) yen, which is the amount to be paid in per one (1) share to be delivered upon exercise of the share acquisition rights (hereinafter the “Exercise Price”), by the Number of Shares Granted. Notwithstanding the foregoing, if the Company carries out a share split or share consolidation of ordinary shares of the Company after the Resolution Date, the Exercise Price for share acquisition rights that are unexercised as of the time of the share split or share consolidation shall be adjusted according to the following formula. Any fraction of less than one (1) yen resulting from this adjustment shall be rounded up to the nearest yen.

$$\begin{array}{rcccl} \text{Exercise Price after} & = & \text{Exercise Price before} & \times & \frac{1}{\text{Ratio of share split}} \\ \text{adjustment} & & \text{adjustment} & & \text{or consolidation} \end{array}$$

In addition, in the event that it is necessary for the Company to make an adjustment to the Exercise Price in cases where the Company carries out a merger, company split, share exchange, share transfer, etc., the Company may make an appropriate adjustment taking into account the merger ratio and other conditions, to the extent reasonable.

(iii) Exercise period of the share acquisition rights

April 1, 2023 to March 31, 2038

- (iv) Matters concerning capital stock and legal capital surplus increases in event of issuance of shares upon exercise of share acquisition rights
  - (a) The amount of capital stock increase in the event of an issuance of shares upon exercise of the share acquisition rights shall be half the maximum amount of increase in capital stock, etc., calculated in accordance with the provision of Article 17, paragraph (1) of the Regulation on Corporate Accounting. Any fraction of less than one (1) yen resulting from the calculation shall be rounded up to the nearest yen.
  - (b) The amount of legal capital surplus increase in the event of an issuance of shares upon exercise of the share acquisition rights shall be the amount obtained by subtracting the capital stock increase stipulated in (a) above from the maximum amount of increase in capital stock, etc., described in (a) above.
- (v) Restriction on the transfer of share acquisition rights

Any acquisition of the share acquisition rights by way of transfer shall be subject to the approval of the Board of Directors.
- (vi) Cases of acquisition of share acquisition rights by the Company
  - (a) In the event that any of the agenda items set forth in 1), 2), 3), 4) and 5) below is approved at a General Meeting of Shareholders of the Company (or, if a resolution at a General Meeting of Shareholders is not required, is resolved by the Board of Directors or determined by the executive officer of the Company delegated by resolution of the Board of Directors), the Company may acquire the share acquisition rights without contribution on the date to be separately determined by the Board of Directors or determined by the executive officer of the Company delegated by resolution of the Board of Directors:
    - 1) Agenda item for approval of a merger agreement under which the Company shall become a disappearing company;
    - 2) Agenda item for approval of absorption-type company split agreement or incorporation-type company split plan under which the Company shall become a split company;
    - 3) Agenda item for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly owned subsidiary;
    - 4) Agenda item for approval of an amendment to the Articles of Incorporation in order to establish the provision that all shares to be issued by the Company shall require the approval of the Company for acquiring by way of transfer; and
    - 5) Agenda item for approval of an amendment to the Articles of Incorporation in order to establish the provision that a class of shares to be delivered upon exercise of the share acquisition rights shall require the approval of the Company for acquiring by way of transfer or that all of such class of shares may be acquired by the Company by resolution at a General Meeting of Shareholders.
  - (b) In the event that an individual who has been allotted share acquisition rights (“Share Acquisition Rights Holder”) or the inheritor of share acquisition rights set forth in (viii) (e) below is no more possible to exercise his/her share acquisition rights due to the provisions

set forth in (viii) below or by other reasons before exercising his/her rights, the Company may acquire the share acquisition rights without contribution.

(vii) Handling of share acquisition rights in relation to an act of structural reorganization

In the event that the Company carries out a merger (limited to cases where the Company disappears due to the merger), an absorption-type or incorporation-type company split (limited to cases where the Company becomes a split company), or a share exchange or transfer (limited to cases where the Company becomes a wholly owned subsidiary) (collectively, the “Act of Structural Reorganization”), the Company shall, in each of the above cases, deliver the share acquisition rights of any of the relevant companies set forth in Article 236, paragraph (1), items (viii), (a) to (viii), (e) of the Companies Act (hereinafter referred to as the “Reorganized Company”) to the Share Acquisition Rights Holder remaining as of the effective date of the relevant Act of Structural Reorganization (hereinafter the “Remaining Share Acquisition Rights”) in accordance with the following terms and conditions. In this case, the Remaining Share Acquisition Rights shall be extinguished and the Reorganized Company shall issue new share acquisition rights; provided, however, that the foregoing shall be on the condition that delivery of such share acquisition rights of the Reorganized Company in accordance with the following terms and conditions is stipulated in a merger agreement, an absorption-type company split agreement, an incorporation-type company split plan, a share exchange agreement or a share transfer plan.

(a) Number of share acquisition rights of the Reorganized Company to be delivered

A number equal to the number of the Remaining Share Acquisition Rights held by the Share Acquisition Rights Holder shall be delivered to each such holder.

(b) Class of shares of the Reorganized Company to be delivered upon exercise of share acquisition rights

Ordinary shares of the Reorganized Company

(c) Number of shares of the Reorganized Company to be delivered upon exercise of share acquisition rights

To be determined in accordance with (i) above, taking into consideration the conditions, etc. of the Act of Structural Reorganization.

(d) Value of property to be contributed upon exercise of share acquisition rights

The value of property to be contributed upon exercise of each share acquisition right to be delivered shall be the amount obtained by multiplying the amount per share to be paid in after reorganization obtained by adjusting the Exercise Price set forth in (ii) above by the number of shares of the Reorganized Company to be delivered upon exercise of relevant share acquisition rights as determined in accordance with (c) above, taking into consideration the conditions, etc. of the Act of Structural Reorganization.

(e) Exercise period of the share acquisition rights

From and including whichever is the later of the commencement date of the period during which the share acquisition rights may be exercised as provided for in (iii) above (hereinafter the “Exercise Period”) or the effective date of the Act of Structural

Reorganization, to and including the expiry date of the Exercise Period.

- (f) Terms and conditions for exercising share acquisition rights

To be determined in accordance with (viii) below.

- (g) Matters concerning capital stock and legal capital surplus increases in event of issuance of shares upon exercise of share acquisition rights

To be determined in accordance with (iv) above.

- (h) Matters concerning acquisition of share acquisition rights

To be determined in accordance with (vi) above.

- (i) Restriction on acquisition of share acquisition rights by way of transfer

Acquisition of the share acquisition rights by way of transfer shall be subject to the approval by resolution of the board of directors of the Reorganized Company (or a director of the Reorganized Company if the Reorganized Company is not a company with a board of directors).

- (viii) Terms and conditions for exercising share acquisition rights

- (a) Provided that the three conditions of (i) operating profit recorded in consolidated statement of profit or loss in the annual securities report (hereinafter referred to as “Performance Assessment Level”) reaches 8,000 million yen or more, in any fiscal year of the Company, from the fiscal year ending December 31, 2020 to the fiscal year ending December 31, 2022 (hereinafter referred to as “Target Fiscal Years”), (ii) the return on equity attributable to owners of parent reaches 7.5% or higher for two fiscal years or longer during the Target Fiscal Years, and (iii) the return on equity attributable to owners of parent for the fiscal year ending December 31, 2022 reaches 10% or higher, are met, the maximum number of share acquisition rights that each Share Acquisition Rights Holder may exercise shall be the number of share acquisition rights held by each holder multiplied by exercisable ratio (calculated by dividing the largest amount achieved during Target Fiscal Years (the Performance Assessment Level can only be a maximum of 10,000 million yen even if operating profit recorded in consolidated statement of profit or loss in the annual securities report exceeds 10,000 million yen) by 10,000 million yen (any fraction of less than one (1) unit shall be discarded). However, if a significant change occurs in the concept of index to be referred to, the Board of Directors shall determine another index to be referred to.

- (b) Share Acquisition Rights Holder must be in a position of director or employee of the Company or its subsidiary (collectively, the “Required Position”) until the time of exercise of the share acquisition rights on a continuing basis.

- (c) With regard to Share Acquisition Rights Holders, there must not be a situation where dismissal of director has been adopted at a general meeting of shareholders of the relevant subsidiary of the Company, or where punitive dismissal has been decided pursuant to the rules of employment of the Company or its subsidiary, or a similar situation, as of the time of exercise of the share acquisition rights.

- (d) Notwithstanding (b) above, share acquisition rights may be exercised even when a Share Acquisition Rights Holder has lost the Required Position, if the reason for the loss of the

Required Position is mandatory retirement at the age limit, retirement because of reaching contractual age-limit, retirement assigned by company, retirement mainly because of physical disability resulting from occupational injury or illness, dismissal because of unavoidable operational reason (layoff) or resignation or retirement similar to these. In this case, the holder may exercise share acquisition rights only from and including whichever is later of the date of loss of the Required Position or the commencement date of the Exercise Period, to and including the date on which two (2) years have elapsed from the aforesaid date on the condition that the last day is on or before the expiration date of the Exercise Period. However, if the date of loss of the Required Position is prior to the commencement date of the Exercise Period, the number of share acquisition rights that can be exercised is calculated based on the following formula (any fraction of less than one (1) unit shall be discarded):

$$\text{Number of exercisable share acquisition rights} = \text{Limit number of (a) above} \times \frac{\text{The number of days from the allotment date to the date of loss of the Required Position}}{\text{The number of days from the allotment date to the day immediately preceding the commencement date of the Exercise Period of the share acquisition rights}}$$

(e) Share acquisition rights may not be exercised by inheritors of share acquisition rights.

(f) Any fraction of a share acquisition right less than one (1) may not be exercised.

(ix) Handling of fractions of less than one (1) share resulting from exercise of share acquisition rights

Any fraction of less than one (1) share included in the number of shares to be delivered to a Share Acquisition Rights Holder who exercised share acquisition rights shall be discarded.

(4) Other matters regarding share acquisition rights

If there are finer details of the aforementioned or any other matters relating to the subscription of share acquisition rights, these shall be determined by the Board of Directors of the Company or by executive officers of the Company who have been delegated by resolution of the Board of Directors.

(Reference)

In aiming for the Sumida Group to achieve the targets for the three-year period from the fiscal year ending December 31, 2020 to the fiscal year ending December 31, 2022 and realize sustainable growth and enhance medium- to long-term corporate value, the Company also plans to issue share acquisition rights to executive officers of the Company with terms and conditions for exercise that are similar to the incentive plan to directors and employees of the Company's subsidiaries as a medium-term incentive plan to further boost motivation and morale of executive officers of the Company. With regard to share acquisition rights to be allotted to executive officers of the Company, the paid-in amount will be the amount obtained by multiplying the fair value of a share acquisition right calculated by the formula of the Black-Sholes Model by the number of share acquisition rights to be allotted to each executive officer. The Compensation Committee will, on the

condition that this agenda item is approved and adopted, grant to each executive officer remuneration at the same amount as the amount to be paid in, where each executive officer's right to claim the remuneration from the Company and each executive officer's obligation to pay the amount to be paid in will offset each other. In addition, the details of share acquisition rights regarding specifics of individual remuneration, etc. of executive officers will be similar to those set forth in 2. (3) above.

# Business Report

for the 65th term

(January 1 to December 31, 2019)

Shigeyuki Yawata  
Director, Representative Executive Officer and CEO  
SUMIDA CORPORATION



## **Business Report**

(January 1 to December 31, 2019)

### **1. Matters Concerning the Current Status of the Sumida Group**

#### **(1) Business conditions for the fiscal year under review**

##### **(i) Progress and results of the business**

A large shadow was cast on the global economy in the current fiscal year from challenging conditions in the form of trade friction between the U.S. and China throughout the year, a slowdown in global trade, and curtailed capital investments. In China, economic stimulus policies failed to stop the economic slowdown, and in Europe, in addition to confusion over Brexit, signs of decline were seen in the German economy, the driver of the E.U. economy, in the form of depressed exports. Furthermore, there are also multiple geopolitical risks including the increasingly complicated tension in the Middle East and the prolonged, intensifying demonstrations in Hong Kong, which have led to increasing uncertainty over the future of the global economy.

The electronic devices market has been stagnant since the end of the last fiscal year, and amid concerns in the current fiscal year over economic slowdown due to intensifying trade friction between the U.S. and China, overall, challenging conditions continued, and orders were sluggish.

In terms of smartphone demand, sales of high-end models were sluggish, and inventory adjustments continued for Chinese-made smartphones. Automotive-related demand was slow due to stagnant global new vehicle sales including sales in Europe and China, and concern over the economic slowdown led to continued stagnation in electronic components demand for FA equipment and industrial equipment amid curtailed capital investment.

In the current fiscal year, the Group did not see a recovery in the slowdown in demand for components that began at the end of the last fiscal year. Consumer electronics related products trended strongly with the launch of new smartphone-related products. In automotive-related products, demand grew due to the rise in the rate of automotive electrification from orders for xEV and particularly HEV. However, in Europe and China, demand slowed due to slowed new vehicle sales, which had a large impact on the Group's financial results. In industry-related products, amid increasing uncertainty over the future of the economy, the move to curtail capital investment gained strength, and demand for FA equipment and industrial equipment came to a standstill.

Amid these conditions, the Group aimed to expand business in India, a regional strategy forming part of the Mid-Term Business Plan initiatives, opening a business base in Bengaluru. In India, the Group worked to expand our customers in the automotive-related (including two-wheeled vehicles) and smartphone-related businesses.

The Group's financial results for the current fiscal year were as follows.

Revenue of the Group for the current fiscal year decreased by 3.3% year on year to 94,283 million yen. Revenue from consumer electronics related products increased year on year due to steady growth in smartphone-related products. However, in automotive-related products, new vehicle sales struggled globally, and yen appreciation and euro depreciation in the foreign exchange market led revenue to decline year on year, while revenue for industry-related products also declined. Operating profit decreased by 34.2% year on year to 3,543 million yen. This was

largely due to reduced factory operation levels caused by the sales mix and struggling orders, despite reduction of expenses and costs in the EU from the second half, higher productivity in the Asian region, lower costs for raw materials such as copper, and yen appreciation/yuan depreciation. Foreign exchange fluctuations and interest payments led to net finance income/finance expenses of negative 1,358 million yen. Net profit before taxes decreased by 46.2% year on year to 2,184 million yen, and net profits for the year attributable to owners of parent decreased by 34.6% year on year to 1,582 million yen.

(Reporting segment information)

The following is the business performance in the current fiscal year by reporting segment.

**1) Asia Pacific Business**

In the Asia Pacific Business, revenue for the current fiscal year increased by 1.6% year on year to 60,073 million yen, supported by increased revenue of consumer electronics related products due to strong sales of smartphone-related products, in spite of the sluggish demand of automotive-related products. Segment profit decreased by 28.6% year on year to 2,651 million yen due to factors such as sales mix and lowered operation level.

**2) EU Business**

In the EU Business, revenue for the current fiscal year decreased by 11.0% year on year to 34,210 million yen, because of the sluggish demand for automotive-related products amid slowing growth of the number of new car sales in Europe. Segment profit decreased by 39.1% year on year to 1,495 million yen due to factors such as lowered operation level.

Business segment	Revenue (million yen)
Asia Pacific Business	60,073
EU Business	34,210
Total	94,283

(ii) Plant and equipment investment

The Group continuously makes investments to expand facilities and enhance research and development for rationalization of production, quality improvement and increasing demand. For the current fiscal year, total investment amounted to 8,302 million yen, including constant investments related to the development and manufacturing of new products, enhancement of automotive-related facilities to meet active demand, and production automation and expansion of facilities in China.

(iii) Fund procurement

1) Loan commitment agreements

In order to raise working capital effectively, the Group has concluded loan commitment agreements with eleven of its financing banks during the current fiscal year. Total amount of specified in loan commitment agreements, outstanding borrowings and unused loan commitments at the end of the current fiscal year are as follows:

(Million yen)

Total amount specified in loan commitment agreements	11,666
Outstanding borrowings	7,979
Balance	3,687

2) Multi-currency commitment line agreements

In order to make it possible to raise working capital effectively, the Group has concluded multi-currency commitment line agreements with five of its financing banks. Total amount specified in multi-currency commitment line agreements, outstanding borrowings and unused multi-currency commitment lines based on the said agreements at the end of the current fiscal year are as follows:

(Million yen)

Total amount specified in multi-currency commitment line agreements	5,000
Outstanding borrowings	—
Balance	5,000

(iv) Acquisition or disposal of shares, other stakes or share acquisition rights of other companies

There were no relevant issues.

## (2) Summary of assets, profit and losses

	62nd term (ended Dec. 2016)		63rd term (ended Dec. 2017)	64th term (ended Dec. 2018)	65th (current) term (ended Dec. 2019)
	Japanese GAAP	IFRS	IFRS	IFRS	IFRS
Net sales, or revenue (million yen)	81,052	81,052	90,153	97,538	94,283
Operating profit (million yen)	5,696	6,270	6,217	5,383	3,543
Profit attributable to owners of parent, or net profits for the year attributable to owners of parent (million yen)	3,087	3,666	4,504	2,420	1,582
Basic earnings per share (yen)	133.02	157.97	176.41	90.24	58.36
Total assets (million yen)	67,034	69,007	84,366	94,277	96,561
Net assets, or total equity (million yen)	19,903	22,022	30,122	35,438	34,593
Net assets per share, or equity attributable to owners of parent per share (yen)	790.14	888.78	1,069.67	1,250.01	1,216.08
ROE (Return On Equity, or return on equity attributable to owners of parent) (%)	17.3	18.5	18.3	7.8	4.7

### Notes:

1. Starting from the 63rd term, International Financial Reporting Standards (IFRS) has been applied for the preparation of consolidated financial statements. For your reference, figures for the 62nd term in accordance with IFRS are also noted.
2. When there is difference in presentation of line items between Japanese GAAP and IFRS, both are noted.
3. Basic earnings per share is calculated based on the average number of shares issued in each fiscal term, and net assets per share, or equity attributable to owners of parent per share, is calculated based on the total number of shares issued at the end of each fiscal term.

In calculating basic earnings per share and net assets per share, or equity attributable to owners of parent per share, treasury shares are excluded from the average number of shares issued during each fiscal term and from the total number of shares issued at the end of each fiscal term.

### (3) Significant matters of the parent company and subsidiaries

(i) Parent company

There were no relevant issues.

(ii) Significant subsidiaries

Company name	Capital		Voting rights of the Company (%)	Key business
Sumida Electric Co., Ltd.	460,000	thousand yen	100	Manufacture, sale and research & development of coils
Sumida Corporate Service Incorporated	25,000	thousand yen	100	Control of Group management
Sumida Power Technology Co., Ltd.	301,000	thousand yen	100	Manufacture and sale of coils
Dongguan Sumida (Tai Ping) Electric Co., Ltd.	305,000	thousand Hong Kong dollars	100 (100)	Manufacture of coils
SUMIDA ELECTRIC (GUANGXI) CO., LTD.	17,561	thousand yuan	100 (100)	Manufacture of coils
Sumida Electric (H.K.) Company Limited	560,000	thousand Hong Kong dollars	100 (100)	Manufacture and research & development of coils
SUMIDA TRADING PTE. LTD.	6,000	thousand Singapore dollars	100	Sale of coils
SUMIDA AMERICA COMPONENTS INC.	6,350	thousand U.S. dollars	100	Sale of coils
SUMIDA TRADING (SHANGHAI) COMPANY LIMITED	8,070	thousand yuan	100 (100)	Sale of coils
TAIWAN SUMIDA TRADING COMPANY LIMITED	30,000	thousand Taiwan dollars	100	Sale of coils
SUMIDA TRADING (KOREA) COMPANY LIMITED	2,000,000	thousand Korea won	100	Sale of coils
SUMIDA Europe GmbH	25	thousand euro	100	Control of the EU Business
SUMIDA Components GmbH	105	thousand euro	97.8 (97.8)	Manufacture and sale of coils
SUMIDA AG	7,344	thousand euro	97.8 (97.8)	Intermediate holding company of the EU Business
SUMIDA Components & Modules GmbH	25	thousand euro	97.8 (97.8)	Manufacture, sale and research & development of coils
SUMIDA EMS GmbH	25	thousand euro	97.8 (97.8)	Controlling company of EMS
SUMIDA Lehesten GmbH	1,100	thousand euro	97.8 (97.8)	EMS

Company name	Capital		Voting rights of the Company (%)	Key business
SUMIDA COMPONENTS DE MEXICO, S.A. DE C.V.	50	thousand Mexico peso	72.3 (72.3)	Manufacture of coils
SUMIDA ROMANIA S.R.L.	3,101	thousand euro	97.8 (97.8)	Manufacture of coils
SUMIDA electronic Shanghai Co., Ltd.	37,904	thousand yuan	97.8 (97.8)	Manufacture and sale of coils
SUMIDA Slovenija, d.o.o.	503	thousand euro	72.3 (72.3)	Manufacture of coils
vogtronics GmbH	25	thousand euro	72.3 (72.3)	Manufacture and sale of coils
SUMIDA flexible connections GmbH	25	thousand euro	97.8 (97.8)	Manufacture and sale of flat cables
SUMIDA FLEXIBLE CONNECTIONS ROMANIA S.R.L.	156	thousand euro	97.8 (97.8)	Manufacture and sale of flat cables
Sumida Electric (Thailand) Co., Ltd.	205,000	thousand baht	100	Development, manufacture and sales of power electronics related coils
ISMART GLOBAL LIMITED	6,308	thousand euro	100	Intermediate holding company
Sumida Finance B.V.	20	thousand euro	100	Financial control company
SUMIDA ELECTRONIC VIETNAM CO., LTD.	2,000	thousand U.S. dollars	100	Manufacture of coils
Sumida Electric (Changde) Co., Ltd.	17,664	thousand yuan	100 (100)	Manufacture of coils
Sumida Electric (JI'AN) Co., Ltd.	124,242	thousand yuan	100 (100)	Manufacture of coils
Guangzhou Sumida Electric Co., Ltd.	272,807	thousand yuan	100 (100)	Manufacture of coils
SUMIDA Electronic SuQian Co., Ltd.	4,500	thousand yuan	97.8 (97.8)	Manufacture of coils
SUMIDA ELECTRONIC QUANG NGAI CO., LTD.	3,000	thousand U.S. dollars	100	Manufacture of coils
Sumida Insurance Corporation	5,000	thousand U.S. dollars	100	Control and management of group insurance
SUMIDA AMERICA HOLDINGS INC.	100	thousand U.S. dollars	100	Intermediate holding company
Pontiac Coil, Inc.	21	U.S. dollars	100	Manufacture, sale and research & development of coils
Sumida Electric (India) Private Limited	30,000	thousand Indian rupee	100	Sale of coils

Notes:

1. Figures shown in parentheses in the column of voting rights are the percentages held indirectly.
2. On January 8, 2019, the Company established Sumida Electric (India) Private Limited and made it a consolidated subsidiary.

#### **(4) Issues to address**

##### Increasingly unstable global economy

In terms of the U.S.-China trade talks that had intensified, the U.S. and China reached a phase one trade deal late last year, and it seems that the worst time has passed. The U.S.-China trade friction is nevertheless still unresolved, and moreover, it is expected that there will be economic turmoil in the EU after Brexit. Global economic uncertainty has increased with the impact of the global spread of a novel coronavirus (COVID-19) in addition to geopolitical risks such as ongoing Hong Kong demonstrations and the volatile Middle East situation including the U.S.-Iran conflict.

##### (i) Promoting the Mid-Term Business Plan

###### Improving corporate value

With the aim of further growth in sales and profits, the Group will strive to expand the target market and product lineup, and further strengthen management foundation.

(Enhancing consumer electronics related products and taking initiative for new field)

While further expanding the automotive-related products and industry-related products sector, the Group will strengthen product-related markets other than coils to promote the expansion of businesses. Moreover, the expansion of business lineup in the fields other than coils will be also promoted to drive its growth.

In the automotive-related product fields, the Group will focus on areas of EV/HEV and actuator to accelerate the growth in the field. In the industry-related products sector, in addition to its existing focus areas such as industrial equipment, RFID, and medical and healthcare, initiatives for the IoT area will be strengthened. In the consumer electronics related products, the Group will boost sales of metal inductors by reviewing the product lineup of them, in addition to promoting products which it has been focusing on.

(Regional strategies)

The Group will newly position North America and India as its key bases for business expansion, and expand business functions thereof. In North America, efforts will be made for the upgrade of technical centers and the enhancement of manufacturing bases. In India, the Group will take steps to establish technical support and manufacturing bases, beginning with the establishment of sales offices as the first step.

(Manufacturing strategies)

The Group will continue to make high-level capital investment, centering on the strengthening of the automotive-related products and the consumer electronics related products sector. Also, reduction of purchase cost will be pursued by further enhancing global procurement system. At existing manufacturing bases, capital investment will be increased in order to achieve greater increase in productivity than rise in labor costs.

(For further growth)

The Sumida Group's Code of Conduct: Global • Speed • Focus

- Global  
Strive for further globalization in all areas that include not only markets and customers, but also management, personnel composition and production department
- Speed  
Become a flexible organization suited for prompt response and decision-making
- Focus  
Aim for business expansion in the fields other than coils, while maintaining its focus on the electronic components

(Finance)

The Sumida Group has completed the construction of frameworks for internal management and internal controls required to support Stage III of the Mid-Term Business Plan

1. Foreign exchange control
  - (a) Natural hedge: Unify currencies used for manufacturing and sales
  - (b) Consolidate foreign exchange exposure of each group company at a company in Hong Kong
2. Unification of accounting systems
  - (a) The Sumida Group has nearly completed group-wide introduction
3. Strengthening of internal control of overseas group companies
  - (a) Financial figures solely prepared for each subsidiary shall not be used for the evaluation of business performance
  - (b) Profitability is managed by management-accounting units called business units that span multiple subsidiaries

(ii) Continuing focus on strengthening corporate governance system

In 2003, to make clear the separation of management and supervision, the Company changed into a company with committees, etc. as the first listed company in Japan. Furthermore, seven of our eight directors are outside directors with diversified expertise, two of whom are foreigners from Europe and China, where the Company does a relatively large proportion of its business, and one of whom is a woman. The Company has been working to further strengthen corporate governance including such structure of the Board of Directors.

(iii) Pursuing CSR

CSR (corporate social responsibility) remains one of the top priority issues to the Company. By performing business based on the principles of integrity, discipline and common sense, the Group fulfills its social responsibilities to the expectations and requirements of the society toward the three elements of ESG consisting of Environment, Society and Governance, aiming for the creation of a better society and sustainable development of companies. At the same time, the Group are taking measures including reinforcement of the legal and compliance functions and various commitments to environmental and social issues.

For the information on the Company's CSR, please refer to the URL below.

URL: <https://www.sumida.com/about/index.php?lang=en&categoryId=5&parentId=369&aboutId=369&jobId=>



**(5) Major business lines (as of December 31, 2019)**

Lines of business	Key products
Asia Pacific Business	DC/DC converter transformers, switching power supply transformers, stroboscopic oscillating transformers, noise filter coils, DC/DC converter units, power inductors, IFT/RF coils, keyless entry antenna coils, ADSL modem transformers, data line filters, antenna coils, video filters, signal inductors, RF-ID, four-way valve coils, CCFL driving inverter transformers, ABS coils, injection coils, antenna coils, sensor coils, noise filers, solenoid coils for automotive air conditioner, high-frequency transformers, high-frequency choke coils, edge-wise coils, stick coils, motor coils for HDD, low-frequency transformers, harmonic preventive reactors, reactors, common mode coils
EU Business	Antenna coils, sensor coil modules, ignition coil modules, noise filters, xDSL splitter modules, DC/DC converter transformers, keyless entry antenna coils, Xenon igniters, power steering control units, GPS antennas, anti-theft control units, diesel engine control units, power supplies, high-frequency transformers, high-frequency choke coils, edge-wise coils, stick coils, motor coils for HDD, low-frequency transformers, harmonic preventive reactors, reactors, common mode coils

**(6) Major business offices of the Sumida Group (as of December 31, 2019)**

**Headquarters:** Chuo-ku, Tokyo (the Company)

**Business supervising companies:**

SUMIDA Europe GmbH (Germany), SUMIDA AG (Germany), Sumida Corporate Service Incorporated (Chuo-ku [Tokyo]), Sumida Finance B.V. (Netherlands), SUMIDA INSURANCE CORPORATION (Micronesia), SUMIDA AMERICA HOLDINGS INC. (U.S.)

**Domestic sales offices:**

Sumida Electric Co., Ltd. (Chuo-ku [Tokyo], Saitama-shi [Saitama], Kawasaki-shi [Kanagawa], Osaka-shi, Nagoya-shi, Natori-shi [Miyagi], Komoro-shi [Nagano]), Sumida Power Technology Co., Ltd. (Komoro-shi [Nagano])

**Overseas sales offices:**

Sumida Electric (H.K.) Company Limited (Hong Kong), SUMIDA TRADING PTE. LTD. (Singapore), SUMIDA AMERICA COMPONENTS INC. (U.S.), SUMIDA Components GmbH (Germany), SUMIDA TRADING (SHANGHAI) COMPANY LIMITED (China), SUMIDA Components & Modules GmbH (Germany), vogtronics GmbH (Germany), SUMIDA Lehesten GmbH (Germany), SUMIDA flexible connections GmbH (Germany), SUMIDA TRADING (KOREA) COMPANY LIMITED (South Korea), TAIWAN SUMIDA TRADING COMPANY LIMITED (Taiwan), Sumida Electric (Thailand) Co., Ltd. (Thailand), SUMIDA electronic Shanghai Co., Ltd. (China), Pontiac Coil, Inc. (U.S.), **Sumida Electric (India) Private Limited (India)**

**Domestic production bases:**

Sumida Electric Co., Ltd. (Mutsu-shi [Aomori]), Sumida Power Technology Co., Ltd. (Komoro-shi [Nagano])

**Overseas production bases:**

Sumida Electric (H.K.) Company Limited (Hong Kong), Dongguan Sumida (Tai Ping) Electric Co., Ltd. (China), SUMIDA Components GmbH (Germany), SUMIDA Components & Modules GmbH (Germany), SUMIDA ROMANIA S.R.L. (Romania), SUMIDA COMPONENTS DE MEXICO, S.A. DE C.V. (Mexico), SUMIDA Slovenija, d.o.o. (Slovenia), SUMIDA Lehesten GmbH (Germany), SUMIDA electronic Shanghai Co., Ltd. (China), SUMIDA flexible connections GmbH (Germany), SUMIDA ELECTRIC (GUANGXI) CO., LTD. (China), Sumida Electric (Thailand) Co., Ltd. (Thailand), SUMIDA FLEXIBLE CONNECTIONS ROMANIA S.R.L. (Romania), SUMIDA ELECTRONIC VIETNAM CO., LTD. (Vietnam), Sumida Electric (JI'AN) Co., Ltd. (China), Sumida Electric (Changde) Co., Ltd. (China), Guangzhou Sumida Electric Co., Ltd. (China), SUMIDA Electronic SuQian Co., Ltd. (China), SUMIDA ELECTRONIC QUANG NGAI CO., LTD. (Vietnam), Pontiac Coil, Inc. (U.S.)

**Domestic R&D centers:**

Sumida Electric Co., Ltd. (Natori-shi [Miyagi], Chuo-ku [Tokyo], Komoro-shi [Nagano])

**Overseas R&D centers:**

Sumida Electric (H.K.) Company Limited (Hong Kong), SUMIDA AMERICA COMPONENTS INC. (U.S.), SUMIDA Components GmbH (Germany), SUMIDA Components & Modules GmbH (Germany), SUMIDA flexible connections GmbH (Germany), Pontiac Coil, Inc. (U.S.)

**(7) Employees (as of December 31, 2019)****(i) Employees of the Sumida Group**

Business segments	Number of employees	Changes from the end of the previous fiscal year
Asia Pacific Business	14,887	Decrease by 1,867
EU Business	3,126	Decrease by 708
Company-wide (common)	102	Decrease by 3
Total	18,115	Decrease by 2,578

Notes:

1. The number of employees is the number of persons who engage in work in the Sumida Group.
2. "Company-wide (common)" indicates the number of employees posted in Sumida Corporate Service Incorporated which carries out a headquarter and support function, in Sumida Electric (H.K.) Company Limited and in the Service Department of Sumida Electric Co., Ltd.
3. The number of employees includes those in the consigned processing companies.

**(ii) Employees of the Company**

The Company is a pure holding company and it has no employees.

**(8) Major lenders (as of December 31, 2019)**

Lenders	Amount borrowed (million yen)
Sumitomo Mitsui Banking Corporation	18,954
MUFG Bank, Ltd.	8,261
Mizuho Bank, Ltd.	4,332
Sumitomo Mitsui Trust Bank, Limited	3,477
Resona Bank, Limited	2,255

**(9) Basic strategy for capital policy and policy on determination of dividends of surplus**

(i) Basic strategy for capital policy

Using Return on Equity (ROE) as a target management benchmark in Stage III of the Mid-Term Business Plan, the Company will strive to increase profits by executing the strategies in the Mid-Term Business Plan as well as to maximize corporate value through the effective use of shareholders' equity.

The Company's basic policy for the return of profits to shareholders is to implement the profit distribution through dividends, based on the "Policy on determination of dividends of surplus" below.

(ii) Policy on determination of dividends of surplus

The Company's basic policy for the return of profits to shareholders is to deliver dividends in consideration of a consolidated dividend payout ratio (25% to 30%) with top priority on the profit distribution through dividends.

When it is inappropriate to deliver dividends in accordance with the basic policy based on consolidated business results for the current fiscal year, the Company will work to enhance shareholder returns up to the amount of distributable surplus after considering Dividend on Equity (DOE) and other measures.

The Company stipulates in the Articles of Incorporation that it may allocate dividends of surplus upon a resolution of the Board of Directors, and it is the Company's basic policy to pay dividends four times a year.

Regarding the payment method of dividends, the Company pays the amount determined in each quarter from the first quarter through the third quarter. In addition, the Company's policy for the fourth quarter is to pay year-end dividend in order to have dividends reflect the consolidated business results of the current fiscal year and to have annual dividend in line with the above dividend policy.

The Company will utilize internal reserve funds to strengthen its financial structure and keep growth power for the future.

Regarding the dividends of surplus in the current fiscal year, the Company paid 6 yen in each quarter from the first quarter through the third quarter of the current fiscal year. The Company resolved at the meeting of the Board of Directors held on February 21, 2020 to pay a year-end dividend of 6 yen per share.

Details of dividends of surplus for the current fiscal year are as follows:

Date of Board of Directors resolution	Term	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Date of commencement of payment
May 7, 2019	The 1st quarter	162	6.00	March 31, 2019	May 31, 2019
July 31, 2019	The 2nd quarter	162	6.00	June 30, 2019	August 26, 2019
October 30, 2019	The 3rd quarter	162	6.00	September 30, 2019	November 28, 2019
February 21, 2020	The 4th quarter	162	6.00	December 31, 2019	March 3, 2020

Note:

Pursuant to Article 459 of the Companies Act, the Company stipulates in the Articles of Incorporation that it shall be entitled to allocate dividends of surplus on predetermined record dates (March 31, June 30, September 30 and December 31) by a resolution of the Board of Directors.

**(10) Other important matters concerning the Sumida Group**

There were no relevant issues.

## 2. Matters Concerning the Company

### (1) Shares of the Company (as of December 31, 2019)

- (i) Number of shares issuable: 70,000,000 shares
- (ii) Total number of shares issued: 27,444,317 shares (including treasury shares)
- (iii) Number of shareholders as of December 31, 2019: 5,840
- (iv) Major shareholders (top 10 shareholders, excluding treasury shares)

Name of shareholders	Number of shares held (thousand shares)	Ratio of the number of shares held (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	8,689	32.01
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,941	7.15
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,334	4.92
Yawata Building Co., Ltd.	1,112	4.10
Yawata Zaidan Limited	959	3.53
GOVERNMENT OF NORWAY	777	2.86
BBH/SUMITOMO MITSUI TRUST (UK) LIMITED FOR SMT TRUSTEES (IRELAND) LIMITED FOR JAPAN SMALL CAP FUND CLT AC	669	2.47
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM	653	2.41
JUNIPER	572	2.11
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	334	1.23

Note:

The ratio of the number of shares held has been calculated excluding treasury shares (296,624 shares).

- (v) Other significant matters concerning shares

There were no relevant issues at the end of the current fiscal year.

## (2) Matters concerning the Company's share acquisition rights

- (i) Share acquisition rights granted to and held by three (3) executive officers of the Company as compensation for exercise of their duties at the end of the current fiscal year

Date of resolution to issue	March 25, 2018 Resolution at the Compensation Committee	March 25, 2018 Resolution at the Compensation Committee
Category and number of grantees	2 executive officers of the Company	3 executive officers of the Company
Class of share subject to share acquisition rights	Same as left	Same as left
Number of shares	198,800 shares	100,800 shares
Amount to be paid in per share upon exercise of share acquisition rights	1,218 yen	1 yen
Exercise period of share acquisition rights	from April 1, 2022 through March 31, 2026	from April 1, 2022 through March 31, 2026
Terms and conditions for exercising share acquisition rights	(Note 1)	Same as left
Status of holding	Number of share acquisition rights: 1,988 units	Number of share acquisition rights: 1,008 units
	Number of shares subject to share acquisition rights: 198,800 shares	Number of shares subject to share acquisition rights: 100,800 shares
	Number of holders: 2	Number of holders: 3

Note:

Terms and conditions for exercising share acquisition rights

- (a) Based on operating profit recorded in consolidated statement of profit or loss in "V. Financial information, Consolidated financial statements" of the annual securities report and the return on equity attributable to owners of parent recorded in "I. Overview of the Company, Trends in principal management benchmarks"; and provided that the two conditions of (i) operating profit recorded in consolidated statement of profit or loss in the annual securities report (hereinafter referred to as "Performance Assessment Level") reaches 8,000 million yen or more, in any fiscal year of the Company, from the fiscal year ended December 31, 2018 to the fiscal year ending December 31, 2021 (hereinafter referred to as "Target Fiscal Years"), and (ii) the average return on equity attributable to owners of parent recorded in "I. Overview of the Company, Trends in principal management benchmarks" reaches 11% or higher during the Company's fiscal years from the fiscal year ended December 31, 2019 to the fiscal year ending December 31, 2021, are met; the maximum number of share acquisition rights that each holder of the share acquisition rights may exercise shall be the number of share acquisition rights held by each holder multiplied by exercisable ratio (calculated by dividing the largest amount achieved during Target Fiscal Years (the Performance Assessment Level can only be a maximum of 10,000 million yen even if operating profit recorded in consolidated statement of profit or loss in the annual securities report exceeds 10,000 million yen) by 10,000 million yen) (any fraction of less than one (1) unit shall be discarded). However, if a significant change occurs in the concept of index to be referred to, the Board of Directors shall determine another index to be referred to.
- (b) Holder of the share acquisition rights must be in a position of director or employee of the Company or its subsidiary (collectively, the "Required Position") until the time of exercise of the share acquisition rights on a continuing basis.
- (c) With regard to holders of the share acquisition rights, there must not be a situation where dismissal of director has been adopted at a General Meeting of Shareholders of the relevant subsidiary of the Company, or where punitive dismissal has been decided pursuant to the rules of employment of the Company or its subsidiary, or a similar situation, as of the time of exercise of the share acquisition rights.
- (d) Notwithstanding (b) above, share acquisition rights may be exercised even when a holder of the share acquisition rights has lost the Required Position, if the reason for the loss of the Required Position is mandatory retirement at the age limit, retirement because of reaching contractual age-limit, retirement assigned by company, retirement mainly because of physical disability resulting from occupational injury or illness, dismissal because of

unavoidable operational reason (layoff) or resignation or retirement similar to these. In this case, the holder may exercise share acquisition rights only from and including whichever is later of the date of loss of the Required Position or the commencement date of the Exercise Period, to and including the date on which two (2) years have elapsed from the aforesaid date on the condition that the last day is on or before the expiration date of the Exercise Period.

- (e) Share acquisition rights may not be exercised by inheritors of share acquisition rights.
- (f) Any fraction of a share acquisition right less than one (1) may not be exercised.

(ii) Share acquisition rights granted to executive officers and employees, etc. as compensation for exercise of their duties during the current fiscal year  
There were no relevant issues.

(iii) Other important matters concerning share acquisition rights  
There were no relevant issues.



### (3) Matters concerning corporate officers of the Company

#### (i) Directors and executive officers (as of December 31, 2019)

Position at the Company	Name	Duties at the Company and important concurrent occupations or positions at other organizations
Director, Representative Executive Officer and CEO	Shigeyuki Yawata	Chairman of the Board of Directors Chairman of the Risk Management Committee Managing Director, SUMIDA Europe GmbH
Director (Independent director)	Johji Sato	Member of the Audit Committee Independent Director and Member of the Audit and Risk Committee, OUE Lippo Healthcare Limited
Director (Independent director)	Pak Hong Auyang	Chairman of the Nomination Committee and Compensation Committee CEO, Altis Technology Limited Director, CT Nova Limited Independent Non-executive Director, Lever Style Corporation
Director (Independent director)	Yukihiro Moroe	Member of the Nomination Committee and Compensation Committee Representative Director, YUME Capital Co., Ltd. Representative Director, Itohan Japan Co., Ltd. External auditor, Oisix ra daichi Inc. Outside Director, JOYFUL HONDA CO., LTD.
Director (Independent director)	Atsushi Kato	Chairman of the Audit Committee and member of the Risk Management Committee Certified Public Accountant, Atsushi Kato Certified Public Accountant Office Outside Audit & Supervisory Board Member, UNIZO Holdings Company, Limited
Director (Independent director)	Michael Mühlbayer	Member of the Nomination Committee and Compensation Committee
Director (Independent director)	Masako Miyatake	Member of the Audit Committee and Risk Management Committee Attorney, Partner, Blakemore & Mitsuki Visiting Professor, Keio University Law School Deputy Secretary-General, Japan International Dispute Resolution Center
Director (Independent director)	Tatsuo Umemoto	Member of the Audit Committee Specially Appointed Professor, Graduate School of Social Design Studies, Rikkyo University Representative Director, iGRAM Inc. Outside Director, Forum Engineering Inc.
Representative Executive Officer and President	Tomoharu Suseki	Member of the Risk Management Committee Managing Director, SUMIDA Europe GmbH
Representative Executive Officer and CFO	Yoshiyuki Honda	Member of the Risk Management Committee Managing Director, SUMIDA Europe GmbH External Auditor, McDonald's Holdings Company (Japan), Ltd.

Notes:

- Messrs. Johji Sato, Pak Hong Auyang, Yukihiro Moroe, Atsushi Kato, Dr. Michael Mühlbayer, Dr. Masako Miyatake and Mr. Tatsuo Umemoto are outside directors set forth in Article 2, item (xv) of the Companies Act.
- Messrs. Johji Sato, Pak Hong Auyang, Yukihiro Moroe, Atsushi Kato, Dr. Michael Mühlbayer, Dr. Masako Miyatake and Mr. Tatsuo Umemoto have been designated as independent directors of the Company in accordance with the rules of the Tokyo Stock Exchange and their names have been notified to the said stock exchange.
- Aside from statutory committees (Nomination, Audit and Compensation Committees), the Company has voluntarily set up a Risk Management Committee.
- Mr. Johji Sato, member of the Audit Committee, has been involved in the provision of advice regarding taxation and investment to global corporations over many years while Mr. Tatsuo Umemoto, member of the Audit Committee, has been involved in running several companies and Mr. Atsushi Kato, Chairman of the Audit Committee and a certified public accountant, served as full-time Vice Chairman of the Accounting Standards Board of Japan. As such, all three

members of the Audit Committee have considerable financial and accounting knowledge. Furthermore, Dr. Masako Miyatake, member of the Audit Committee, is an Attorney and has considerable legal knowledge on international transactions, litigation and compliance.

5. As all four members of the Audit Committee are outside directors, the Company has not appointed any standing members of the said Committee. Therefore, although none of them serve on a full-time basis, the Corporate Office and Internal Audit Office take charge of internal control of not only the Company, but also the Group and oversees compliance and risk management operations, while Internal Audit Office performs internal audits working closely with the Audit Committee in order to enhance the effectiveness of the audit.

(ii) Executive officers who retired during the current fiscal year

There were no relevant issues.

(iii) Policy to determine the amount of compensation for directors and executive officers by the Compensation Committee

1. Scope of decision and extent of disclosure

“The amount of individual compensation for directors and executive officers” that the Compensation Committee defines and discloses shall be the total amount of compensation paid by the Sumida Group in order to enhance its transparency. It shall be disclosed separately for directors and executive officers.

2. Directors’ compensation

The directors’ compensation shall be determined by reflecting the position and responsibility of each director, and in consideration of the economic trends and the business environment of the Company. Directors’ compensation is composed of the following two elements and this will not be paid to those who serve as executive officer concurrently.

1) Basic compensation

Compensation for the responsibilities as director (including the compensation for the responsibilities of the members of the Nomination and Compensation Committees)

2) Compensation of Audit Committee members

Compensation for the responsibilities as the member of the Audit Committee

3. Executive officers’ compensation

For executive officers’ compensation, incentive compensation (corporate performance-linked compensation) shall be adopted in addition to the basic compensation (fixed compensation) in order to maintain and raise the motivation for the execution of operations. Executive officers’ compensation is composed of the following five elements:

1) Basic compensation

Basic compensation shall be on a fixed basis in consideration of the position and responsibility as an executive officer within the Company, and any additional post as an officer at subsidiaries. The amount of compensation shall be determined by taking into account the previous operational performance and comparison with the actual compensation for the previous fiscal year.

2) Short-term incentives

These compensations are intended to maintain and raise the short-term motivation, and the base amount shall be determined depending on the position and responsibility of each executive officer. The amount to be paid will be changed in accordance with the target performance set at the beginning of the term and the actual performance and

execution of duties of the Group as a whole or the function in charge. Additional bonuses may be paid to any distinguished achievement for which the Compensation Committee gives credit.

3) Share options

The Company shall grant performance-linked share acquisition rights in accordance with the Mid-Term Business Plan.

4) Long-term incentives

The Company shall grant this compensation to maintain and raise the medium- and long-term motivation of executive officers, and to prevent the loss of such officers.

5) Pension plans

The Company shall grant this compensation as additional benefit to public pension in consideration of their service period in order to help eligible retired executive officers have stable lives after retirement.

(iv) Total amount of compensation paid to directors and executive officers  
(Period: January 1 to December 31, 2019)

Category	Number of payees (person)	Basic compensation (million yen)	Short-term incentive (million yen)	Long-term incentive (million yen)	Pension plan (million yen)	Total (million yen)
Executive officers	3	136	77	44	13	271
Directors	(Note 1)	–	–	–	–	–
Outside directors	7	38	–	–	–	38
Total	10	175	77	44	13	310

Notes:

- During the current fiscal year, the Company has three executive officers, one director and seven outside directors. One of the three executive officers serves as a director concurrently. Accordingly, the total number of officers is ten. Directors' compensations are not paid to those who concurrently serve as executive officer and director, and therefore, they are included in the figures shown in the row of executive officers and excluded from the figures indicated in the row of directors.
- The figures are consolidated compensation of the Group. Compensation relating to the Group consists of 136 million yen for three executive officers, and 38 million yen for seven outside directors.
- Short-term incentive compensation  
The amount paid was calculated in accordance with the achievement rate of consolidated operating profit target for the current fiscal year.
- Long-term incentive compensation  
Phantom stocks depending on the positions of the executive officers for the next fiscal year shall be granted, with underlying assets calculated by multiplying the total amount of dividends for the current fiscal year by the rate designated by the Company.
- The cell of outside directors in the basic compensation column indicates the sum of basic compensation and compensation of the Audit Committee members.
- In addition to the above compensations, the Group paid fringe benefits totaling 25 million yen (including 3 million yen paid by the Company) to three eligible executive officers.

(v) Outline of liability limitation contracts

In order to obtain excellent directors from outside, the Company has made provisions limiting liability for damages under Article 423, paragraph (1) of the Companies Act in the Articles of Incorporation pursuant to the provisions under Article 427, paragraph (1) of the said act. In accordance with the aforementioned provisions, the Company has entered into liability limitation contracts with seven outside directors. The limit of liability for damages under such contracts has been set at the minimum liability provided for under Article 425, paragraph (1) of the Companies Act. However, liability limitation is applied only when the relevant outside directors have carried out their duties, for which they are supposed to assume liability, in good faith or without gross negligence.

(vi) Matters concerning outside directors

1. Important concurrent occupations or positions at other organizations

This is as described in the list of (i) Directors and executive officers above. There are no business relationships between the Company and other organizations where they hold the additional posts.

2. Relatives of managing members of the Company or business operators that have specific relations with the Company such as main clients

- 1) None of the outside directors have been managing members of the Company or business operators that have specific relations with the Company in the past.
- 2) None of the outside directors have relatives in the third degree or closer with managing members of the Company or business operators that have specific relations with the Company.

3. Main activities during the current fiscal year

1) Attendance of outside directors

Name	The Board of Directors meetings	Audit Committee meetings	Nomination Committee meetings	Compensation Committee meetings	Risk Management Committee meetings
Johji Sato	9/9	10/10	–	–	–
Pak Hong Auyang	9/9	–	6/6	6/6	–
Yukihiro Moroe	9/9	–	6/6	6/6	–
Atsushi Kato	9/9	10/10	–	–	4/4
Dr. Michael Mühlbayer	9/9	–	6/6	6/6	–
Dr. Masako Miyatake	7/7	7/7	–	–	3/4
Tatsuo Umemoto	7/7	6/7	–	–	–

Note:

The Company established the Risk Management Committee. Members include executive officers, chairman of the Audit Committee and members of the Audit Committee.

The attendance shown for Dr. Miyatake and Mr. Umemoto is their attendance at meetings held after their appointment as director on March 24, 2019.

2) Statements of each outside director

(a) Mr. Johji Sato

At the meetings of the Board of Directors, he made necessary remarks in deliberations from time to time, mainly from the perspective of a financial strategy expert.

At the Audit Committee meetings, he led the deliberations from the perspective of promoting compliance management through audits and leveraging it to enhance the corporate value, and performed audits of the Business Report, the Non-consolidated Financial Statements, the Consolidated Financial Statements, etc.

(b) Mr. Pak Hong Auyang

At the meetings of the Board of Directors, he made necessary remarks in deliberations from time to time, mainly from the perspective of a corporate business executive.

As chairman of the Nomination Committee meetings, he made necessary remarks in deliberations on a timely basis, from the standpoint of examining and actualizing the lineup and organization of the Board and executive officers appropriate and required for the business development of the Company.

As chairman of the Compensation Committee, he led the deliberations from the perspective of determining fairly and properly the compensation bases for directors and executive officers, and defined the policy on the details and amount of individual compensation received by directors and executive officers.

(c) Mr. Yukihiro Moroe

At the meetings of the Board of Directors, he made necessary remarks in deliberations from time to time, mainly from the perspective of a corporate business executive.

At the Nomination Committee meetings, he made necessary remarks in deliberations on a timely basis, from the standpoint of examining and actualizing the lineup and organization of the Board and executive officers appropriate and required for the business development of the Company.

At the Compensation Committee meetings, he made necessary and timely remarks in deliberations in order to fairly and properly determine the compensation bases for directors and executive officers.

(d) Mr. Atsushi Kato

At the meetings of the Board of Directors, he made necessary remarks in deliberations from time to time, mainly from the perspective of an accounting expert.

As chairman of the Audit Committee meetings, he made necessary and timely remarks in deliberations from the perspective of promoting compliance management through audits and leveraging it to enhance the corporate value.

At the Risk Management Committee meetings, he made necessary remarks in risk identification and planning of risk-averse measures on a timely basis.

(e) Dr. Michael Mühlbayer

At the meetings of the Board of Directors, he made necessary remarks in deliberations from time to time, mainly from the perspective of a corporate business executive.

At the Nomination Committee meetings, he made necessary remarks in deliberations on a timely basis, from the standpoint of examining and actualizing the lineup and organization of the Board and executive officers appropriate and required for the business development of the Company.

At the Compensation Committee meetings, he made necessary and timely remarks in deliberations in order to fairly and properly determine the compensation bases for directors and executive officers.

(f) Dr. Masako Miyatake

At the meetings of the Board of Directors, she made necessary remarks in deliberations from time to time, mainly from the perspective of an attorney.

At the Audit Committee meetings, she made necessary and timely remarks in deliberations from the perspective of promoting compliance management through audits and leveraging it to enhance the corporate value.

At the Risk Management Committee meetings, she made necessary remarks in risk identification and planning of risk-averse measures on a timely basis.

(g) Mr. Tatsuo Umemoto

At the meetings of the Board of Directors, he made necessary remarks in deliberations from time to time, mainly from the perspective of a business executive.

At the Audit Committee meetings, he made necessary and timely remarks in deliberations from the perspective of promoting compliance management through audits and leveraging it to enhance the corporate value.

4. Total amount of compensations received from the subsidiaries  
There were no relevant issues.

5. Criteria and policy relating to independence

Outside directors of the Company who do not fall under any of the following items are to be judged to have independence.

1. Person who is currently a managing member of the Company, one of its subsidiaries, or affiliates (hereinafter the “Sumida Group”), or who has been a managing member at any point in the ten years prior to appointment as a director.

“Managing Member” refers to the following persons. The same shall apply hereinafter.

- (a) Managing director, executive officer, or officer who executes business of other corporations.
- (b) Member who executes business, person who is to execute duties specified in Article 598, paragraph (1) of the Companies Act, or other person who is in an equivalent position.
- (c) Employee

2. Person whose spouse or relative is within the second degree of kinship is currently a managing member of the Sumida Group, or held a position of managing member at any time during the five years prior to the assumption of office as director.

3. Person who is a major shareholder of the Company or a managing member thereof.

“Major shareholder” refers to a shareholder who holds 10% or more of the voting rights of the Company either directly or indirectly.

4. Major business partner of the Sumida Group or a managing member thereof or a person whose major business partner is the Sumida Group or a managing member thereof.

“Major business partner” refers to a corporation, etc. which received from or made payments to the Sumida Group in the amount of 2% or more of consolidated revenue of the Sumida Group or the corporation, etc. in any one of the past five fiscal years.

5. Person who receives from the Sumida Group a large amount of monetary payment or other property benefits other than officer compensation (such as lawyer, accounting or tax specialist, and consultant). If the receiver of a large amount of monetary payment or other property benefits is an organization, such as a corporation or association, a person belonging to the organization.

“A large amount” refers to the case where the annual amount of monetary payment or other property benefits exceeded 5 million yen in any one of the past three fiscal years. (hereinafter the same)

6. Person who receives from the Sumida Group a large amount of donations in monetary payment or other property benefits, or a person belonging to the organization, such as a corporation or association that receives such donations.

7. Spouse or relative within the second degree of kinship of the person who falls under the preceding four items.

8. Any other person who possesses potential conflicts of interest with ordinary shareholders of the Company and is deemed to be under circumstances that affect the fulfillment of duties as an independent outside director.

**(4) Independent auditors**

(i) Name: KPMG AZSA LLC

(ii) Amount of compensations:

	Amount to be paid (million yen)
Amount of compensations for the current fiscal year	61
Total amount of money and other property benefits to be paid by the Company and its subsidiaries to independent auditors	61

Note:

Since in the audit agreement concluded between the Company and the independent auditor, compensation for audits is not clearly classified into compensation based on the Companies Act and compensation in accordance with the Financial Instruments and Exchange Act, and since that compensation cannot substantially be divided either, the item “Amount of compensations for the current fiscal year” shows the sum of these amounts.

(iii) Basis of consent to the amount of compensations for independent auditor by the Audit Committee

The Audit Committee of the Company, based upon the Practical Guidelines for Cooperation with Independent Auditors released by the Japan Audit & Supervisory Board Members Association, conducted confirmation of auditing system and auditing plans of the independent auditor, the status of execution of duties by the independent auditor, the status of quality control system of the audit corporation, the grounds for calculation of compensation estimates and other matters, and having investigated these, gave consent to compensation, etc. for the independent auditor in accordance with Article 399, paragraph (1) of the Companies Act, upon judging it to be a rational level for maintaining and improving audit quality.

(iv) Auditing of consolidated subsidiaries

Subsidiaries of the Company, such as Sumida Electric (H.K.) Company Limited and SUMIDA AG, were audited by either a certified public accountant or an auditing firm who is not an independent auditor at the Company.

(v) Details of non-audit services

The non-audit services involved advisory services related to lease accounting and foreign exchange control.

(vi) Policy on determination of dismissal or non-reappointment of the independent auditor

The Audit Committee will annually discuss whether to reappoint the independent auditor in consideration of the quality of the audit performed by the independent auditor and the effectiveness and efficiency of its audit performance. When dismissal or non-reappointment of the independent auditor is deemed appropriate, the Audit Committee will determine the content of an agenda to be proposed to the General Meeting of Shareholders concerning the dismissal or non-reappointment of the independent auditor based on the rules of the Audit Committee.

When the Audit Committee finds that any of the items in Article 340, paragraph (1) of the



Companies Act apply to the independent auditor, after adequate deliberations with respect to the appropriateness of the dismissal, that independent auditor shall be dismissed with the consent of all the committee members. In such case, a member of the Audit Committee designated by the said Committee shall report the dismissal of the independent auditor and the reason for it at the first General Meeting of Shareholders convened after the dismissal.

**(5) System to secure properness of operations and operation status of the system**

- (i) System to ensure that executive officers, and, directors and employees of the Group comply with the applicable laws, regulations and the Articles of Incorporation with regard to their duties

The Group has established “Sumida Business Principles (hereinafter, the ‘Principles’)” which embodies the Group’s vision, management principles, commitment, code of conduct, corporate governance principles, and environment policy. Representative executive officers shall build up a system to monitor for compliance which enables to ensure that the executive officers, and, directors and employees of the Group perform their duties in accordance with the Principles. Details are as follows:

- (a) All directors, officers and employees shall always be reminded to understand and embody the Principles. The Principles, which is written in four languages, Japanese, English, Chinese and German, is permanently posted on the Group’s intranet, so that all members of the Group can check and confirm the Principles. The Corporate Office\* and Internal Audit Office shall be responsible for monitoring and verifying how the Principles have been observed.
- (b) While compliance is recognized as the base of corporate governance, SUMIDA regards it in a more proactive manner rather than simply limiting the issue to the observance of laws and regulations, by defining it as activities to positively fulfill our Corporate Social Responsibility (CSR) based on integrity, discipline and common sense. The Corporate Office and Internal Audit Office shall be primarily responsible for the enhancement of the Group’s overall system and monitoring its activities.
- (c) The Corporate Office and Internal Audit Office shall report the situation of the aforementioned activities to the representative executive officers and the Audit Committee, and a summary of which shall be reported to the Board of Directors.
- (d) Representative executive officers shall verify the effectiveness of internal control, including compliance, and shall send reports to the Board of Directors.

\* The Corporate Office is under direct control of representative executive officers and made up of the Risk Management Office and Compliance Office.

- (ii) System regarding the preservation and management of information pertaining to the performance of duties by executive officers

Representative executive officers shall centrally manage important information related to execution of duties with clarifying the level of importance of information as well as the period and place of safekeeping, in accordance with the rules and regulations regarding information and document management. Documents are available to the directors at all times.

- (iii) System regarding the reporting of matters concerning the performance of duties by directors of the Group  
Directors of the Group shall report regularly the financial information, matters concerning risk and compliance and other material matters of subsidiaries to the Company in accordance with group company management rules.
- (iv) System and regulations with regard to risk management of the Group  
Representative Executive Officer and CEO as the Chief Risk Management Officer who takes the highest responsibility for risk management, has established the Risk Management Committee, which is responsible for overseeing risk management, and set up the Risk Management Office, which is responsible for executing the duties of said Committee, within the Corporate Office. The Risk Management Office has set out the internal risk management rules and thereby identifies and analyzes potential risks and formulates and manages preventive measures from a global business perspective through placement of a risk management monitoring system in major business bases of the Group including overseas sites. In the event that a risk materializes, the Risk Management Office shall discuss countermeasures to minimize losses. Executive officers, and, directors and employees of the Group shall perform their duties in compliance with the rules. The Corporate Office and Internal Audit Office shall monitor and evaluate the implementation of the above, and shall report the situation to the representative executive officers and the Audit Committee, and deliver a summary to the Board of Directors.
- (v) System to ensure the effectiveness and efficiency of the performance of duties by the executive officers, and, directors and employees of the Group  
Executive officers shall set up a system based on the Principles to ensure a proper decision-making process of the Group and surveillance of individual activities and thereby enhance the operating efficiency. Details are as follows:
- (a) Each representative executive officer shall set up an Advisory Board as the need arises, with whom they shall consult and engage in sufficient discussion when making important decisions.
  - (b) Representative executive officers shall set out the authority and regulations for decision-making process of the Group and conduct regular reviews of the situation.
  - (c) Representative executive officers shall make regular reviews of the achievement and progress of businesses they are responsible for decision-making of the Group thereof and ensure further propriety and efficiency of management and execution of operation by giving feedback of the results of the review.
  - (d) Representative executive officers shall ensure a proper and quick decision-making process of the Group by smoothly collecting, analyzing, communicating, sharing and archiving the necessary information on SUMIDA's business activities.
- (vi) System to ensure the propriety of business of the Group  
SUMIDA CORPORATION is a pure holding company with business activities conducted by its group companies. In light of this, executive officers and directors of the Group shall always perform their duties with the view of group governance. The Corporate Office oversees compliance and risk management operations. The Internal Audit Office performs internal audits and then submits the results to the representative executive officers and the Audit Committee as internal audit reports. The Audit Committee shall carry out its audit in

cooperation with the Internal Audit Office. The Corporate Office and Internal Audit Office shall take charge of internal control of the entire Group.

- (vii) Matters concerning employees who assist the Audit Committee, matters concerning the independence of those employees from executive officers and to ensure effectiveness of instruction of the Audit Committee to those employees

The Corporate Office shall be responsible for the secretariat of the Audit Committee. However, any decisions with regard to changes or transfers of personnel, reorganization, disciplinary action or any other considerations shall require the prior approval of the Audit Committee. Furthermore, when employees who assist the Audit Committee receive the instruction of the Audit Committee, those employees shall exclusively follow its directions and instructions.

- (viii) System whereby executive officers, and, directors and employees of the Group report to the Audit Committee, and to ensure individuals who make the reports are not treated unfavorably

The rules that Representative executive officers, executive officers, and directors and employees of the Group are to report the following matters to the Audit Committee shall be set out and thereby the matters shall be reported to the Audit Committee. Furthermore, the prohibition of disadvantageous treatment of the individuals who make the reports for making those reports, etc. shall be stipulated in the rules and disseminated to all parties involved. A summary of the report shall be reported to the Board of Directors.

- (a) Incidents, which may cause material losses and/or gains to, or material damage and/or benefit to, the Company
  - (b) When there arises any material fact or possibility thereof involving misconduct or malpractice, breach of laws and regulations or Articles of Incorporation in relation to the execution of duties of the directors or executive officers, such fact
  - (c) Monthly accounting statements on a consolidated basis
  - (d) Internal audit report
  - (e) Monthly reports from the main operating divisions
  - (f) Other important matters
- (ix) Procedures for prepayment or reimbursement of costs arising from the execution of duties of the Audit Committee members and other matters concerning policy related to the handling of costs or liabilities arising from the execution of such duties
- When the Company is asked by the Audit Committee members to prepay expenses for the execution of their duties as provided for in Article 404, paragraph (4) of the Companies Act, the Company shall promptly handle the costs or liabilities, except in cases where it can prove the costs or liabilities were unnecessary for the execution of duties by the claiming Audit Committee members.
- (x) System to ensure the effectiveness of audits executed by the Audit Committee members
- (a) The Internal Audit Office shall have prior consultations with the Audit Committee when setting out the annual audit policies and plans. The Internal Audit Office shall also report the progress and results of internal audit to the Audit Committee. The Audit Committee may request the Internal Audit Office for an additional audit if necessary.

- (b) Independent auditors shall explain to the Audit Committee its auditing plan at the outset of the fiscal year and report to the Audit Committee the progress of its interim audit and the end-term audit results, etc. Furthermore, the independent auditors may have consultations and discussions with the Audit Committee if needed.
- (c) In order to ensure the independence of independent auditors from the executive officers, as well as to guarantee the implementation of the audit activities, decisions on the independent auditors' compensation shall require the Audit Committee's prior consent.
- (xi) Evaluation of the implementation of system to ensure the propriety of business of the Group  
The Board of Directors shall make regular reviews of the implementation of system to ensure the propriety of business of the Group.
- (xii) Basic policy toward exclusion of antisocial forces  
The Company shall take a firm stance against antisocial forces that threaten the social order or safety of civil society.
- (xiii) Overview of the implementation of system to ensure properness of operations  
The Board of Directors held nine meetings in the current fiscal year and strove to strengthen and put into practice its supervisory function through such actions as formulating basic management policies, making decisions on prescribed legal matters and conducting regular reviews of the status of operating execution. The Nomination Committee held six meetings, and it formulated the election criteria for director candidates and decided the candidates for director. The Audit Committee held 10 meetings; it carried out audits related to various matters, including the suitability of the process for preparing financial statements related to financial results of regular accounting periods, the internal audit and internal control system, the information disclosure system, the risk management system, and the compliance system; and it reported the results of these audits to the Board of Directors. The Compensation Committee held six meetings, and it decided the policy for deciding compensation for directors and executive officers as well as the compensations, etc. for each individual. It was confirmed that the Company and the Board of Directors will undertake the following initiatives to further increase the effectiveness of the Board of Directors.
- To further enhance discussions by the Board of Directors concerning strategic matters and other key management issues, efforts will be made to improve the quality of information provided, by such means as increasing the time spent on discussions and devising materials for distribution beforehand.
  - To enable outside directors to gain a deeper understanding of the business of the Company and the Group, more creative approaches will be taken in the provision of information concerning business and the status of the execution of duties.

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Note: The amounts of money and the numbers of shares described in this Business Report are rounded down to the nearest units.

Consolidated Financial Statements (IFRS) and  
Non-consolidated Financial Statements (Japanese GAAP)  
for the 65th term  
(January 1 to December 31, 2019)

Consolidated Statement of Financial Position  
Consolidated Statement of Profit or Loss  
Consolidated Statement of Changes in Equity  
Non-consolidated Balance Sheet  
Non-consolidated Statement of Income  
Non-consolidated Statement of Changes in Shareholders' Equity

Shigeyuki Yawata  
Director, Representative Executive Officer and CEO  
SUMIDA CORPORATION

## Consolidated Statement of Financial Position

(Millions of yen)

	65th term As of December 31, 2019	(Reference) 64th term As of December 31, 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,286	4,098
Trade and other receivables	18,826	19,102
Inventories	16,877	18,983
Other assets	4,041	4,109
<b>Total current assets</b>	<b>43,032</b>	<b>46,292</b>
<b>Non-current assets</b>		
Property, plant and equipment	35,668	33,754
Right-of-use assets	3,938	-
Goodwill	4,176	4,266
Intangibles	6,151	6,183
Financial assets	1,104	1,075
Deferred tax assets	2,140	2,225
Other assets	348	477
<b>Total non-current assets</b>	<b>53,528</b>	<b>47,984</b>
<b>Total assets</b>	<b>96,561</b>	<b>94,277</b>

Note: The amounts of money described above are rounded down to the nearest million yen.

## Consolidated Statement of Financial Position

(Millions of yen)

	65th term As of December 31, 2019	(Reference) 64th term As of December 31, 2018
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	10,184	10,392
Short-term interest bearing debts	9,303	9,350
Long-term interest bearing debts due within one year	6,367	6,038
Current portion of lease obligations	807	152
Provisions	128	37
Income tax payables	393	343
Accrued expenses	2,257	2,669
Other liabilities	1,188	1,171
<b>Total current liabilities</b>	<b>30,630</b>	<b>30,155</b>
<b>Non-current liabilities</b>		
Long-term interest bearing debts	23,707	24,280
Lease obligations	3,462	386
Retirement benefit liabilities	1,569	1,417
Other provisions	18	18
Deferred tax liabilities	1,259	1,369
Other liabilities	1,318	1,210
<b>Total non-current liabilities</b>	<b>31,337</b>	<b>28,682</b>
<b>Total liabilities</b>	<b>61,967</b>	<b>58,838</b>
<b>EQUITY</b>		
<b>Equity attributable to owners of parent</b>		
Capital stock	10,150	10,150
Capital surplus	9,898	9,898
Other equity instruments	5,000	5,000
Retained earnings	12,322	12,385
Share acquisition rights	48	180
Treasury shares	(616)	(792)
Other components of equity	(3,789)	(2,992)
<b>Total equity attributable to owners of parent</b>	<b>33,013</b>	<b>33,829</b>
<b>Non-controlling interests</b>	<b>1,579</b>	<b>1,609</b>
<b>Total equity</b>	<b>34,593</b>	<b>35,438</b>
<b>Total liabilities and equity</b>	<b>96,561</b>	<b>94,277</b>

Note: The amounts of money described above are rounded down to the nearest million yen.

## Consolidated Statement of Profit or Loss

(Millions of yen)

	65th term Year ended December 31, 2019	(Reference) 64th term Year ended December 31, 2018
<b>Revenue</b>	<b>94,283</b>	<b>97,538</b>
Cost of sales	(81,414)	(82,229)
<b>Gross profit</b>	<b>12,868</b>	<b>15,308</b>
Selling, general and administrative expenses	(9,330)	(9,891)
Other income	85	173
Other expenses	(80)	(207)
<b>Operating profit</b>	<b>3,543</b>	<b>5,383</b>
Finance income	27	52
Finance expenses	(1,385)	(1,374)
<b>Net profit before taxes</b>	<b>2,184</b>	<b>4,061</b>
Income taxes	(588)	(1,530)
<b>Net profits for the year</b>	<b>1,596</b>	<b>2,531</b>
<b>Attributable to:</b>		
Owners of parent	1,582	2,420
Non-controlling interests	13	110

Note: The amounts of money described above are rounded down to the nearest million yen.



**Consolidated Statement of Changes in Equity**  
**Year ended December 31, 2019**

(Millions of yen)

	Equity attributable to owners of parent					
	Capital stock	Capital surplus	Other equity instruments	Retained earnings	Share acquisition rights	Treasury shares
Balance as of Jan. 1, 2019	10,150	9,898	5,000	12,385	180	(792)
Changes in accounting policies				(586)		
Balance after restatements	10,150	9,898	5,000	11,799	180	(792)
Net profits for the year				1,582		
Other comprehensive income						
Total comprehensive income for the year	-	-	-	1,582	-	-
Dividends				(731)		
Dividends to owners of other equity instruments				(202)		
Acquisitions of treasury shares						(0)
Disposal of treasury shares		(124)			(51)	176
Transfer of difference on disposal of treasury shares		124		(124)		
Change in ownership interest of parent due to transactions with non-controlling interests						
Share-based payments		(0)			(80)	
Total transactions with owners	-	(0)	-	(1,059)	(131)	176
Balance as of Dec. 31, 2019	10,150	9,898	5,000	12,322	48	(616)

Note: The amounts of money described above are rounded down to the nearest million yen.

(Millions of yen)

	Equity attributable to owners of parent					Total equity attributable to owners of parent	Non-controlling interests	Total equity
	Accumulated other comprehensive income				Total accumulated other comprehensive income/ (loss)			
	Re-measurement of defined benefit plans	Gains or losses on financial assets measured at fair value through other comprehensive income	Cash flow hedges	Translation differences of foreign operation				
Balance as of Jan. 1, 2019	(475)	41	4	(2,564)	(2,992)	33,829	1,609	35,438
Changes in accounting policies					-	(586)		(586)
Balance after restatements	(475)	41	4	(2,564)	(2,992)	33,242	1,609	34,851
Net profits for the year					-	1,582	13	1,596
Other comprehensive income	(127)	(0)	(84)	(583)	(796)	(796)	(43)	(839)
Total comprehensive income for the year	(127)	(0)	(84)	(583)	(796)	786	(29)	757
Dividends					-	(731)		(731)
Dividends to owners of other equity instruments					-	(202)		(202)
Acquisitions of treasury shares					-	(0)		(0)
Disposal of treasury shares					-	0		0
Transfer of difference on disposal of treasury shares					-	-		-
Change in ownership interest of parent due to transactions with non-controlling interests					-	-	(0)	(0)
Share-based payments					-	(80)		(80)
Total transactions with owners	-	-	-	-	-	(1,015)	(0)	(1,015)
Balance as of Dec. 31, 2019	(603)	41	(79)	(3,147)	(3,789)	33,013	1,579	34,593

Note: The amounts of money described above are rounded down to the nearest million yen.

## Non-consolidated Balance Sheet

(Millions of yen)

	65th term As of December 31, 2019	(Reference) 64th term As of December 31, 2018
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and deposits	151	955
Prepaid expenses	122	124
Short-term loans receivable	9,507	10,591
Advances paid	133	138
Accounts receivable-other	18	80
Other	2	9
<b>Total current assets</b>	<b>9,936</b>	<b>11,900</b>
<b>Non-current assets:</b>		
<b>Property, plant and equipment</b>		
Buildings	809	792
Structures	5	6
Tools, furniture and fixtures	1	2
Vehicles	0	1
Land	503	503
<b>Total property, plant and equipment</b>	<b>1,320</b>	<b>1,305</b>
<b>Intangible assets:</b>		
Telephone subscription right	3	3
Software	16	28
<b>Total intangible assets</b>	<b>20</b>	<b>31</b>
<b>Investments and other assets:</b>		
Shares of subsidiaries and associates	25,834	25,496
Long-term loans receivable	10,287	10,652
Long-term prepaid expenses	197	309
Insurance funds	758	745
Other	20	65
Allowance for doubtful accounts	-	(44)
<b>Total investments and other assets</b>	<b>37,097</b>	<b>37,223</b>
<b>Total non-current assets</b>	<b>38,438</b>	<b>38,560</b>
<b>Total assets</b>	<b>48,374</b>	<b>50,460</b>

Note: The amounts of money described above are rounded down to the nearest million yen.

## Non-consolidated Balance Sheet

(Millions of yen)

	65th term As of December 31, 2019	(Reference) 64th term As of December 31, 2018
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Short-term loans payable	1,412	881
Current portion of long-term loans payable	3,708	4,716
Accounts payable-other	140	78
Accrued expenses	57	87
Income taxes payable	13	34
Deposits received	649	706
Other	25	-
<b>Total current liabilities</b>	<b>6,007</b>	<b>6,505</b>
<b>Non-current liabilities:</b>		
Long-term loans payable	18,299	19,440
Deferred tax liabilities	992	711
Other	140	81
<b>Total non-current liabilities</b>	<b>19,431</b>	<b>20,233</b>
<b>Total liabilities</b>	<b>25,439</b>	<b>26,739</b>
<b>NET ASSETS</b>		
<b>Shareholders' equity:</b>		
Capital stock	10,150	10,150
Capital surplus	9,963	9,963
Legal capital surplus	9,963	9,963
Retained earnings	3,384	4,179
Legal retained earnings	264	264
Other retained earnings	3,119	3,915
Retained earnings brought forward	3,119	3,915
Treasury shares	(616)	(792)
<b>Total shareholders' equity</b>	<b>22,881</b>	<b>23,501</b>
<b>Valuation and translation adjustments</b>		
Deferred gains or losses on hedges	5	26
<b>Total valuation and translation adjustments</b>	<b>5</b>	<b>26</b>
<b>Share acquisition rights</b>	<b>48</b>	<b>193</b>
<b>Total net assets</b>	<b>22,935</b>	<b>23,721</b>
<b>Total liabilities and net assets</b>	<b>48,374</b>	<b>50,460</b>

Note: The amounts of money described above are rounded down to the nearest million yen.

## Non-consolidated Statement of Income

(Millions of yen)

	65th term Year ended December 31, 2019	(Reference) 64th term Year ended December 31, 2018
<b>Operating revenue</b>	<b>1,338</b>	<b>2,125</b>
<b>Operating expenses</b>	<b>647</b>	<b>984</b>
<b>Operating profit</b>	<b>690</b>	<b>1,141</b>
<b>Non-operating income:</b>		
Interest income	350	311
Dividends income	-	1
Gain on valuation of securities	-	59
Other	28	1
<b>Total non-operating income</b>	<b>378</b>	<b>373</b>
<b>Non-operating expenses:</b>		
Interest expenses	553	310
Interest on bonds	-	0
Amortization of bond issuance cost	-	0
Commission fee	49	53
Foreign exchange losses	2	5
Other	1	0
<b>Total non-operating expenses</b>	<b>606</b>	<b>371</b>
<b>Ordinary profit</b>	<b>462</b>	<b>1,143</b>
<b>Profit before income taxes</b>	<b>462</b>	<b>1,143</b>
Income taxes-current	111	1
Income taxes-deferred	290	458
<b>Profit</b>	<b>61</b>	<b>683</b>

Note: The amounts of money described above are rounded down to the nearest million yen.

**Non-consolidated Statement of Changes in Shareholders' Equity**  
**Year ended December 31, 2019**

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Treasury shares
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings	Total retained earnings	
					Retained earnings brought forward			
Balance as of Jan. 1, 2019	10,150	9,963	-	9,963	264	3,915	4,179	(792)
Changes of items during period								
Profit						61	61	
Dividends of surplus						(731)	(731)	
Purchase of treasury shares								(0)
Disposal of treasury shares			(124)	(124)				176
Transfer of loss on disposal of treasury shares			124	124		(124)	(124)	-
Net changes of items other than shareholders' equity		-						
Total changes of items during period	-	-	-	-		(795)	(795)	176
Balance as of Dec. 31, 2019	10,150	9,963	-	9,963	264	3,119	3,384	(616)

Note: The amounts of money described above are rounded down to the nearest million yen.

(Millions of yen)

	Shareholders' equity	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Total shareholders' equity	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance as of Jan. 1, 2019	23,501	26	26	193	23,721
Changes of items during period					
Profit	61				61
Dividends of surplus	(731)				(731)
Purchase of treasury shares	(0)				(0)
Disposal of treasury shares	51			(51)	0
Transfer of loss on disposal of treasury shares	-				-
Net changes of items other than shareholders' equity	-	(20)	(20)	(93)	(114)
Total changes of items during period	(619)	(20)	(20)	(145)	(785)
Balance as of Dec. 31, 2019	22,881	5	5	48	22,935

Note: The amounts of money described above are rounded down to the nearest million yen.

## **(Translation)**

### **Audit Report**

The Audit Committee has audited the performance of duties by directors and executive officers for the 65th term from January 1, 2019 to December 31, 2019. We report the methods and the results of the audit as follows.

#### **1. Methods used in audits and content of audits**

With respect to the resolutions of the Board of Directors regarding the organization of the system stipulated in Article 416, paragraph (1), item (i), (b) and (e) of the Companies Act and the status of the system based on said resolutions (internal control systems), the Audit Committee received reports from directors, executive officers, employees and others periodically, requested explanations on those reports, when necessary, expressed an opinion concerning the establishment and operation of the system, and inspected in cooperation with the internal control division the process and content of the decision making at significant meetings, the content of the major authorization documents and other important documents related to business operations, the business performance of the executive officers, and the Company's operation and condition of property in accordance with the auditing policies established by the Audit Committee, the segregation of duties and others. With respect to subsidiaries, the Audit Committee took steps to facilitate communication with the directors and others of subsidiaries and, when necessary, received reports from subsidiaries on the status of their businesses.

In addition, the Audit Committee also monitored and verified whether the independent auditor was maintaining its independence and was carrying out its audits in an appropriate manner. The Audit Committee received reports from the independent auditor on the execution of its duties and, when necessary, requested explanations regarding those reports. The Audit Committee also received notification from the independent auditor that it implemented the "system for ensuring the proper execution of its duties" (as enumerated in items of Article 131 of the Regulation on Corporate Accounting) in compliance with the "Quality Control Standards Relating to Auditing" (adopted by the Business Accounting Deliberation Council on October 28, 2005). When necessary, the Audit Committee requested explanations on the notification.

Based on the foregoing methods, the Audit Committee also examined the Business Report, the Consolidated Financial Statements (Consolidated Statement of Financial Position prepared with some disclosure items required under IFRS omitted pursuant to the provisions of the latter part of Article 120, paragraph (1) of the Regulation on Corporate Accounting, Consolidated Statement of Profit or Loss, Consolidated Statement of Changes in Equity, and notes to Consolidated Financial Statements), and the Non-consolidated Financial Statements (Non-consolidated Balance Sheet, Non-consolidated Statement of Income, Non-consolidated Statement of Changes in Shareholders' Equity, and notes to Non-consolidated Financial Statements) and supporting schedules related to the fiscal year.



## 2. Results of the audit

### (1) Results of audit of Business Report

- (i) In our opinion, the Business Report and supporting schedules fairly present the situation of the Company, in compliance with the provisions of applicable laws and regulations, and the Articles of Incorporation.
- (ii) Neither improper actions in the execution of duties by directors and executive officers, nor material facts in violation of the provisions of applicable laws and regulations or the Articles of Incorporation, were found.
- (iii) In our opinion, the content of the resolution by the Board of Directors regarding internal control systems was appropriate; furthermore, nothing was pointed out regarding the contents of the Business Reports with respect to executing internal control systems and the execution of duties by directors and executive officers.

### (2) Results of the audit of Consolidated Financial Statements

In our opinion, the auditing methods used by the independent auditor, KPMG AZSA LLC and the results of its audit were appropriate.

### (3) Results of the audit of Non-consolidated Financial Statements and supporting schedules

In our opinion, the auditing methods used by the independent auditor, KPMG AZSA LLC and the results of its audit were appropriate.

February 19, 2020

Audit Committee  
SUMIDA CORPORATION

Atsushi Kato (Seal)  
Member of the Audit Committee

Johji Sato (Seal)  
Member of the Audit Committee

Masako Miyatake (Seal)  
Member of the Audit Committee

Tatsuo Umemoto (Seal)  
Member of the Audit Committee

Note: The four members of the Audit Committee are outside directors as stipulated in Article 2, item (xv) and Article 400, paragraph (3) of the Companies Act.