

Last Update: June 26, 2023

SUMITOMO BAKELITE CO., LTD.

Kazuhiko Fujiwara, Representative Director and President

Contact: Corporate General Affairs & Legal
Department, Corporate General Affairs
Division

Securities code: 4203

<https://www.sumibe.co.jp/english/>

The corporate governance of SUMITOMO BAKELITE CO., LTD. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

(Basic Views on Corporate Governance)

As a pioneer in plastics, the Company brings “delight” to customers through the creation of new advanced functions in plastics and through the use of its products, with the goal of contributing to value creation for customers and various other stakeholders. For this reason it is important to earn the trust of society and be needed by society, and therefore, the Company is establishing efficient and effective structures for achieving management that are highly compatible with society and environment and for addressing risks facing management, including rigorous compliance.

(Basic Policy on Corporate Governance)

- The Company strives to substantially ensure shareholder rights and to develop an appropriate environment that facilitates the exercise of those rights at the General Meeting of Shareholders.
- The Company respects its stakeholders and seek to secure sustainable growth by enhancing value and contributing to society through its business activities.
- The Company ensures management transparency by appropriately disclosing information in accordance with laws and regulations and striving to disclose useful information for shareholders and other stakeholders.
- The Board of Directors recognizes its fiduciary responsibility to shareholders and oversees in good faith that internal control is effective and management decisions are made appropriately while fulfilling its role of promoting the active execution of business by the management team.
- Corporate Auditors and the Board of Corporate Auditors recognize their fiduciary responsibility to shareholders and actively fulfil their role by auditing the legality and appropriateness of the duties executed by Directors and expressing opinions that help ensure the effectiveness of the Board of Directors.
- The Company proactively engages in constructive dialogue with shareholders to deepen mutual understanding and pursues initiatives to contribute to the sustainable growth of the Company and the enhancement of corporate value over the medium to long term.

Reasons for Non-compliance with the Principles of the Corporate Governance Code

The Company implements all the principles of the Corporate Governance Code.

Disclosure Based on the Principles of the Corporate Governance Code **Updated**

[Principle 1.4 Cross-Shareholdings]

The Company holds shares of other companies as cross-shareholdings when they are necessary for business operations or for the purpose of maintaining and improving business relationships provided they are deemed to help improve the Company's corporate value over the medium to long term. The Company regularly reviews the necessity of cross-shareholdings based on economic rationale and significance, and will sell them when their necessity has diminished.

The Board of Directors reviews each issue for:

- Holding purpose
- Weighing the benefits and risks of holding against the cost of capital
- Contribution to enhancement of corporate value other than in terms of economic rationale

In fiscal 2022, the Board of Directors reviewed at its meeting held in September 2022 whether each issue contributes to enhancing the Company's corporate value over the medium to long term based on the above policy and review criteria. As a result, the Company decided to sell issues whose necessity to hold was deemed to diminish, and confirmed that other issues had a valid need for cross-shareholding.

The Company exercises voting rights attached to cross-shareholdings upon determining that the details of the proposal are conducive to the corporate value of the investee and will not impair the value of the shares. The Company takes special care in deciding whether to vote for or against the proposal when the issuer's performance is struggling for a long period of time, material scandals have emerged, or it could significantly impair the Company's shareholder value.

[Principle 1.7 Related Party Transactions]

The Company appropriately manages any conflict-of-interest transactions between the Company and its Directors by confirming their existence and content if any in accordance with provisions of laws and regulations, with any instances approved by or reported to the Board of Directors as necessary. Furthermore, any transactions between the Company and major shareholders are disclosed on an annual basis in accordance with the listing regulations stipulated by the Tokyo Stock Exchange.

[Supplementary Principle 2.4.1 Ensuring Diversity in Promoting Core Human Resources]

1. Approach to Ensuring Diversity

The Company upholds the promotion of DE&I (Diversity, Equity, and Inclusion) as one of its priority management actions and based on the "Basic Policy on the Realization of DE&I," which was established in October 2022, engages in initiatives to realize a company where diverse human resources demonstrate their individuality and strengths and individuals are given fair opportunities according to their particular situation and allowed to play an active role under mutual understanding and respect. In April 2023, the DE&I Promotion Department was established as a dedicated department to promote these activities. The Company will make efforts to further promote the active participation of women as well as active engagement of the elderly, the support for caregivers, the recruitment of foreign nationals, expanding the employment of persons with disabilities, and the acceptance of LGBTQ, etc. In terms of manager positions, also, based on the approach of the above basic policy, the Company appoints the right person to the right position based on the abilities of each individual, regardless of gender, nationality, career background, etc., and the Company's policy is to proactively promote human resources who embody the very qualities that the Company is looking for, namely people who are growth-oriented, people with a pro-reform stance, people with a team-oriented approach, and people with professionalism, and those who are autonomously motivated to contribute to the Company's sustainable growth.

The Company pursues the following specific initiatives for ensuring diversity in human resources:

(1) Promoting the active participation of women

As the first step in promoting the active participation of women, the Company is promoting various measures that will allow female employees to achieve the following, which, in turn, will enable them to balance their careers and life events.

- To continue working consistently and in the long term
- To perform at high levels
- To aim for higher positions

In fiscal 2022, to nurture a culture conducive to the active participation of women, the Company conducted diversity promotion training for members of management and diversity management training for department

managers who have female employees in their line of command.

Furthermore, to promote the active participation of women, the Company has set the goal of achieving 5% in the ratio of female managers by April 2025 and as of fiscal 2022, the ratio was 3.8%. The Company to date has been promoting managers regardless of gender but, in addition to the proactive recruitment of women and measures for retention, going forward it will aim to raise the ratio of female managers through various measures based on the promotion of DE&I activities.

Currently, the Company has two female Executive Officers.

(2) The appointment of foreign nationals

Overseas sales currently account for approximately 60% of total Group sales and the role of overseas Group companies is becoming increasingly important. As of April 2023, foreign nationals served in approximately 20% of the 150 or so executive positions at overseas Group companies. In addition, one of the Company's Executive Officers is a foreign national.

To respond to diverse customer needs going forward, the Company intends to create an environment in which foreign nationals can continue to play an active role across the Group.

While the Company recognizes that appointing foreign nationals is vital to the development of its overseas business operations, the Company has not set any specific targets because its policy is to appoint the right person to the right job depending on the business development situation.

(3) The appointment of mid-career recruits

The Company believes it is important to appoint human resources with a variety of skills and experience in order to respond to diverse customer needs. The Company appoints mid-career recruits to manager positions based on the same criteria as new graduate hires.

The Company hired 11 mid-career employees in fiscal 2022 and intends to continue this practice going forward.

However, the Company does not set specific targets for the appointment of mid-career recruits because the number of mid-career hires and the skills and experience required differ depending on prevailing needs and, as mentioned above, the Company appoints mid-career recruits using the same standards as new graduate hires.

2. Developing Human Resources and Building Conducive Internal Environments to Ensure Diversity

The Group, with regard to human capital and diversity, is engaged in the "improvement of human resources development," in addition to the aforementioned "promotion of DE&I," as priority initiatives.

For more details on these initiatives, please refer to the annual securities report and the Integrated Report on the Company website.

Annual securities report: <https://www.sumibe.co.jp/ir/library/report/index.html> (in Japanese only)

Integrated Report: <https://www.sumibe.co.jp/english/csr/report/index.html>

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company manages its corporate pension funds by establishing a Corporate Pension Fund Asset Management Committee, which is chaired by the Director overseeing the personnel, finance and accounting, and IR departments and comprising members of the personnel and finance departments. The Corporate Pension Fund Asset Management Committee regularly monitors the status of asset management and confirms stewardship activities conducted by asset management institutions.

[Principle 3.1 Full Disclosure]

(i) The Company's Goals (Management Principle), Management Strategy, and Management Plan:

The Company discloses an overview of its Business Philosophy and management principle, as well as its management strategies and Mid-term Business Plans on its website.

Business Philosophy and Management Principle:

<https://www.sumibe.co.jp/english/company/philosophy/index.html>

Management Strategy and Mid-term Business Plan:

<https://www.sumibe.co.jp/english/ir/library/presentation/index.html>

(ii) Basic Views and Basic Policy on Corporate Governance:

Please refer to Section I 1. Basic Views above.

(iii) Decisions on Remuneration for Senior Management and Directors:

For more details on the Company's policies and procedures to determine the remuneration for senior management and Directors, please refer to Supplementary Explanation for Applicable Items in Section II Item 1. Incentives of this report.

(iv) Decisions on Election and Nomination of Senior Management, Directors, and Corporate Auditors, and Dismissal of Senior Management:

(Policy on the Election and Nomination of Senior Management, Directors, and Corporate Auditors)

The Company comprehensively considers performance, knowledge, experience, personality, insight, motivation, and other factors in light of the right person for the right job when selecting suitable human resources as candidates for senior management positions, Directors, and Corporate Auditors.

(Procedures for the Election and Nomination of Senior Management, Directors, and Corporate Auditors)

Based on the above policy, senior management, candidates of Directors and Corporate Auditors are discussed at and determined by the Board of Directors after the Representative Directors select suitable human resources as candidates. The Company deploys the Nomination and Remuneration Committee in nominating candidates for senior management and Directors as described below.

(Policies and Procedures for the Dismissal of Senior Management)

If any of the following events occurs in a senior member of the management team, the Board of Directors makes the final decision after deliberations at the Nomination and Remuneration Committee and based on a recommendation from the Committee; provided that, if such events occur in the Director and Chairman or the Director and President, such Director and Chairman or Director and President shall not attend at the Committee of which focuses on the deliberations of dismissal of such Director and Chairman or Director and President:

- (1) if such senior member violates any laws and regulations or the Company's Articles of Incorporation, or makes any actions which are contrary to public policy or morality;
- (2) if such senior member significantly impairs the Company's corporate value due to negligence of its duties;
- (3) if such senior member becomes difficult to continue to serve its duties due to any reasons of health, etc.; or
- (4) if it becomes clear that such senior member does not meet the Company's policy on the election and nomination stated above.

(v) Explanation of Individual Elections and Nominations for Senior Management, Directors, and Corporate Auditors:

The explanations are described in the Reference for the General Meeting of Shareholders of the Notice of the Ordinary General Meeting of Shareholders in the proposals to elect Directors and Corporate Auditors.

[Supplementary Principle 3.1.3 Initiatives on Sustainability]

1. Approach to Sustainability and Sustainability Initiatives

The Group conducts business activities based on its Business Philosophy "Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people's welfare and livelihood through its business activities."

The sustainability to be addressed by the Group is to create new environmental and social value through the implementation of new products and services in society while further expanding the possibility of plastics by the pursuit of the various functions of plastics and raising our contribution to SDGs by the minimization of the environmental burden of existing products. Expanding recognition of the positive and intrinsic value of the plastics provided by the Group to our customers and to society, in general, generates appropriate economic value, and it is through these comprehensive initiatives that the Group will strive to sustainably enhance its corporate value.

In April 2023, the Company established the Sustainability Promotion Department to accelerate sustainability management and to make it its mission to drive the initiatives of the entire Group and the DE&I Promotion Department to build the foundations to change the corporate culture into a culture where every employee takes on the challenge of innovation.

Going forward, the Company in all its business activities will continue to make companywide efforts based on the Business Philosophy to research, develop, manufacture, and sell products and services on the condition that they provide environmental and social value to contribute to the realization of a sustainable society.

Furthermore, in 2021, the Group expressed its support for the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and has been working to switch to renewable-energy-sourced electricity and increasing the proportion of products contributing to SDGs, while also setting up a cross-sectional TCFD task force in the same

year to promote disclosure activities based on the TCFD recommendations. For the specific disclosure details, please refer to the annual securities report (in Japanese only) and the Integrated Report on the Company website.

2. Investment in Human Capital

The details of the Company's initiatives regarding human capital and diversity are as stated in the aforementioned [Supplementary Principle 2.4.1 Ensuring Diversity in Promoting Core Human Resources].

3. Investment in Intellectual Property

The Group seeks to contribute to the improvement of corporate value by enhancing and improving business competitiveness through promoting intellectual property strategies that are integrated with its business and R&D strategies and actively leveraging intellectual property (rights). Also, the Group has designated "highly integrated devices," "automotive and aircraft," and "healthcare" as creation areas in R&D, and devoted around 5% of its revenue as R&D costs to create new products and innovation that help customers address the needs of solving social issues including the SDGs. Promoting digital transformation (DX) is another measure stated in the Mid-term Business Plan. In addition to leveraging DX in R&D and production activities, the Group is also applying it to its sales activities. Through these activities and working on developing human resources and cultivating a culture for promoting DX, the Group will enable it to transform its business model through DX and will lead to the creation of more competitive products and services. The details on Investment in Intellectual Property are also disclosed on the Company website.

Investment in Intellectual Property:

<https://www.sumibe.co.jp/english/research/index.html>

[Supplementary Principle 4.1.1] (Summary of the Scope of Matters Delegated to Management)

Based on the scope of matters to be exclusively determined by the Board of Directors pursuant to laws and regulations and the provisions of the Articles of Incorporation, the Company has established specific standards on business policies, management plans, and important matters relating to business execution required to be submitted to the Board of Directors for its resolution. For any other matters that fall outside this criteria, the Company determines the standard of approval required depending on the degree of importance, and then management makes decisions based on these standards. The Company works to enhance its reporting on the status of business execution in meetings of the Board of Directors as a means of supervising whether the execution of business entrusted to management is being carried out appropriately.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

The Company has determined a Criteria for Independence at Board of Directors meetings and discloses it in Section II Item 1: "Other Matters Concerning Independent Officers" under "Matters Concerning Independent Officers."

[Supplementary Principle 4.10.1] (Adoption of Voluntary Frameworks for Nomination and Remuneration)

The Company had established the Nomination and Remuneration Advisory Committee in fiscal 2016 as a forum for hearing the opinions of Independent Outside Directors (Directors submitted as an Independent Officer to Tokyo Stock Exchange, Inc.) on the nomination and remuneration of senior management and Directors. On June 24, 2021, the Company reinforced the functions of the Committee and reorganized to have a majority of Independent Outside Directors in the Committee as the Nomination and Remuneration Committee. Please refer to Section II, Item 1 of this report entitled "Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee" under "Directors" for the Company's views on the independence, authority and role of the Nomination and Remuneration Committee.

[Supplementary Principle 4.11.1] (Basic View on the Balance of Knowledge, Experience and Skills of the Board of Directors as a Whole, and Diversity and Board Size)

The Company's policy is to operate the Board of Directors consisting of around 10 Directors by inside Directors and Outside Directors with considering the appointment of women and foreign nationals. The Company requires the internal Directors to have the knowledge, experience, and ability to fulfill the responsibility of supervising the execution of business by management in an aim to achieve sustainable growth and enhance corporate value over the

medium to long term, and also expects the Outside Directors to voice opinions on corporate policies and business execution from an objective standpoint.

The correspondence between key knowledge, experiences and abilities, etc. which the Board of Directors requires and the respective Directors and the correspondence between key knowledge, experiences, abilities, etc. which the Board of Corporate Auditors requires and the respective Corporate Auditors are described in the Reference for the General Meeting of Shareholders of the Notice of the Ordinary General Meeting of Shareholders.

[Supplementary Principle 4.11.2] (Concurrent Positions Held by Directors and Corporate Auditors at Other Listed Companies)

The Company lists any concurrent positions held by its Directors and Corporate Auditors at other companies in the Reference for the General Meeting of Shareholders and the Business Report in the Notice of the Ordinary General Meeting of Shareholders.

[Supplementary Principle 4.11.3] (Analysis and Evaluation of the Effectiveness of the Board of Directors)

The Company evaluates the effectiveness of the Board of Directors each year. The Company enhances the effectiveness of the Board of Directors by executing the PDCA cycle of conducting self-evaluations and aggregation of opinions based on a questionnaire survey of all members of the Board of Directors (Directors and Corporate Auditors), holding discussions and exchanges of opinions at meetings based on the analysis results of the survey, summarizing the evaluation results based on these discussions and setting the issues to be addressed, and at the Board of Directors implementing initiatives to resolve these issues. The results of the analysis and evaluation of the effectiveness of the Board of Directors for fiscal 2022 are summarized below.

1. Evaluation Process and Method

- The Company confirmed the progress made in the initiatives to improve the issues recognized based on the results of the evaluation of effectiveness of the previous fiscal year in the Outside Officers' Meeting held in December 2022 (consisting of outside officers, the Director Overseeing the Corporate General Affairs Division and the Corporate Finance & Planning Division, the Executive Officer in charge of the Corporate General Affairs Division, and Standing Corporate Auditors), discussed the policy and implementation method of the effectiveness evaluation for fiscal 2022, and then concluded that the method of self-evaluation using questionnaires, as was the case in the previous fiscal year, was valid and would continue to be adopted.
- Based on the results of the Outside Officers' Meeting above and upon confirming at the Board of Directors meeting held in January 2023 the policy, implementation method, and items in the questionnaire for the effectiveness evaluation of the Board conducted in fiscal 2022, the Company conducted a questionnaire of all Directors and Corporate Auditors in February 2023.
- As in the previous fiscal year, the questionnaire, from a quantitative evaluation perspective, focused on four major areas: "Composition," "Operation," "Matters to be submitted," and "Provision of information." Each question was evaluated on a four-grade rating. Furthermore, a freehand comment section was attached to each question to collect respondents' honest opinions, and a section explaining the intent of the question was added to narrow the focus. To ensure objectiveness and transparency, the questionnaire items were set so as to reflect the issues recognized in the previous fiscal year and the Company's ongoing initiatives in addition to having sought the advice of an external lawyer in the previous fiscal year.
- The results of the above questionnaire were then anonymized and tabulated, and discussions were made based on the aggregated results at the Management Committee (attended by Standing Directors) and the Outside Officers' Meeting held in April 2023. The Board of Directors at the meeting held in May 2023 deliberated on the discussions and opinions extended during these meetings and summarized the results of the evaluation, as well as established newly-recognized issues and a policy for making improvements on the newly-recognized issues, as described in the following paragraphs.

2. Overview of the Evaluation Results and the Status of Addressing the Initiatives Raised in the Previous Fiscal Year

As a result of the survey, the Company concluded that from a quantitative evaluation perspective, the number of points given to each question had improved overall and that the effectiveness of its Board of Directors as a whole

was sufficiently ensured.

Furthermore, in the previous fiscal year, the following items were set as issues to be addressed and as a result of implementing measures in response to these issues, an improvement trend was confirmed in each of the issues.

- Further clarify the main points of reporting materials at the Board meetings and streamline the contents.
(Major measure) Prepare summary documents for each agenda. Discuss at the Board of Directors the possibility of narrowing the focus of the matters to be reported.
- Thoroughly implement the follow-up reports on matters submitted to the Board of Directors.
(Major measure) Ensure that the follow-up reports on investment projects, which had previously only been given at the Management Committee, are also given at the Outside Officers' Meeting and the Board of Directors meetings.
- Deliver materials for the Board of Directors meetings earlier and provide opportunities for newly-appointed officers to acquire the necessary knowledge.
(Major measure) Deliver all documents relating to the matters to be resolved and reported at the Board of Directors meeting to the participants in advance to the extent possible. Conduct lectures by lawyers for the newly-appointed Directors.

3. Newly-recognized Issues and a Policy for its Improvement Initiatives

As described above, despite concluding that the effectiveness of the Board of Directors as a whole was sufficiently ensured, some of the questions scored relatively low points and in connection with these questions, there are requests from the members of enhancement of discussion for the medium- to long-term matters at the Board of Directors and proactive feedback to the Board of Directors regarding the discussions by other meeting bodies such as the Management Committee and the Outside Officers' Meeting. The Company, then, recognized these matters as issues, and decided to further enhance the effectiveness of the Board by establishing the following as the policy for addressing these issues going forward.

- Strengthen discussions of themes contributing to the medium- to long-term enhancement of corporate value at the Board of Directors.
- Promote the sharing of discussions that led to the agenda.

[Supplementary Principle 4.14.2] (Policy on Director and Corporate Auditor Training)

The Company provides necessary training and information to Directors and Corporate Auditors in order to adequately perform their duties as appropriate.

- In addition to providing newly appointed Directors and Corporate Auditors with opportunities, when needed, to fully understand their responsibilities, including training hosted by external organizations, the Company provides the necessary information on its business, finances, and organizational structure to newly appointed Outside Directors and Outside Corporate Auditors.
- The monthly Outside Officers' Meeting attended by Outside Directors and Outside Corporate Auditors shall provide a venue for exchanging information and sharing recognition on the Company's business strategies and management issues with the Director Overseeing the Corporate General Affairs Division, the Executive Officer in charge of the Corporate General Affairs Division, Standing Corporate Auditors, and members of the Corporate General Affairs Division and the Corporate Finance & Planning Division. Tours of its business sites or its subsidiaries and affiliates will also be held as necessary.
- The Company gives Directors and Corporate Auditors training sessions to share necessary information on items such as important changes to laws and regulations involving management and opportunities to attend training hosted by external organizations, as appropriate.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

- The Corporate Communications Department assists the management in holding dialogue with shareholders through interviews and briefings, while the corporate general affairs department, the finance and accounting department, and the corporate planning department cooperate with the operation of the Corporate Communications Department.
- To enhance dialogue with shareholders, the Company holds annual and quarterly financial results briefings for analysts and institutional investors, and the Representative Director and President or the Director Overseeing

Finance and Accounting regularly hold individual meetings with major institutional investors in Japan and overseas.

- The Company proactively discloses information by posting information on its website to facilitate shareholder understanding as necessary, such as news releases, corporate information including on business, R&D and sustainability-related initiatives, in addition to financial results and other IR information.
- Opinions or requests obtained through shareholder dialogue are reported to the management, and important information is regularly shared with the Board of Directors.
- The Company makes decisions on material facts under strict confidentiality based on the rules for managing insider information, and follows clear information management procedures when engaging in dialogue with shareholders. In addition, in order to prevent the leakage of financial results information and ensure fair disclosure, the Company sets a quiet period of generally two weeks prior to the scheduled announcement of full-year and quarterly financial results. During the quiet period, the Company refrains from commenting or answering questions on financial results.

2. Capital Structure

Foreign Shareholding Ratio	20% or more and less than 30%
----------------------------	-------------------------------

Status of Major Shareholders **Updated**

Name	Number of Shares Held	Percentage (%)
Sumitomo Chemical Co., Ltd.	10,509,800	22.34
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,805,000	16.59
Custody Bank of Japan, Ltd. (Trust Account)	3,360,800	7.14
State Street Bank and Trust Company 505001	934,290	1.99
Japan Post Insurance Co., Ltd.	895,000	1.90
Custody Bank of Japan, Ltd. (Retirement Payment Account of Sumitomo Mitsui Trust Bank)	873,200	1.86
Sumitomo Mitsui Banking Corporation	872,121	1.85
Government of Norway	621,463	1.32
HSBC-FUND SERVICES CLIENTS A/C 500 HKMPF 10PCT POOL	604,200	1.28
Sumitomo Life Insurance Company	523,400	1.11

Name of Controlling Shareholder, if applicable
(excluding Parent Company)

Name of Parent Company, if applicable

NA

Supplementary Explanation **Updated**

The Status of Major Shareholders described above is as of March 31, 2023.

The Company has 2,535 thousand treasury shares (5.11%), but these are excluded from the status of major shareholders above.

According to an amendment to its large-scale shareholdings report made available for public inspection on December 6, 2022, Nomura Asset Management Co., Ltd. held 3,408 thousand shares in the Company (6.87%) as of November 30, 2022. However, the Company could not confirm the number of shares substantially held as of March 31, 2023, so this is not included in the status of major shareholders above.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Business Sector	Chemicals
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more and less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Corporate Governance System	Company with Corporate Auditors
-----------------------------	---------------------------------

Directors

Number of Directors Stipulated in Articles of Incorporation	No upper limit
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Officers out of Outside Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Hiroyuki Abe	Academic											
Kazuo Matsuda	From another company											
Etsuko Nagashima	CPA											

*Categories for "Relationship with the Company."

*Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past;

*Use "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/corporate auditor compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Hiroyuki Abe	○	—	Mr. Hiroyuki Abe provides the Company with appropriate opinions and valuable advice from an objective standpoint by utilizing his specialist knowledge, abundant expertise, and wide-ranging insight as a university professor. He meets the Criteria for Independence of Directors and Corporate Auditors set by the Company (See "Other Matters Concerning Independent Officers" below) and the independence standards stipulated by the Tokyo Stock Exchange. Therefore, there is no risk of a conflict of interest with general shareholders, and he proffers advice and opinions from a fair standpoint that is free from bias towards any specific stakeholders.
Kazuo Matsuda	○	—	Mr. Kazuo Matsuda provides the

			<p>Company with appropriate opinions and valuable advice from an objective standpoint by utilizing his wealth of experience and wide-ranging insight cultivated during his tenure managing financial institutions and operating companies. He meets the Criteria for Independence of Directors and Corporate Auditors set by the Company (See “Other Matters Concerning Independent Officers” below) and the independence standards stipulated by the Tokyo Stock Exchange. Therefore, there is no risk of a conflict of interest with general shareholders, and he proffers advice and opinions from a fair standpoint that is free from bias towards any specific stakeholders.</p>
Etsuko Nagashima	○	——	<p>Ms. Etsuko Nagashima provides the Company with appropriate opinions and valuable advice from an objective standpoint by utilizing her professional perspective as a certified public accountant and wide-ranging insight into finance and accounting. She meets the Criteria for Independence of Directors and Corporate Auditors set by the Company (See “Other Matters Concerning Independent Officers” below) and the independence standards stipulated by the Tokyo Stock Exchange. Therefore, there is no risk of a conflict of interest with general shareholders, and she proffers advice and opinions from a fair standpoint that is free from bias towards any specific stakeholders.</p>

Voluntary Establishment of Committee(s) equivalent to

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Remuneration Committee	4	0	1	3	0	0	Inside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Nomination and Remuneration Committee	4	0	1	3	0	0	Inside Director

Supplementary Explanation **Updated**

In order to strengthen the independence, objectivity, and accountability of the Board of Directors' functions with respect to the nomination and remuneration, etc. of Directors, the Company has voluntarily established the Nomination and Remuneration Committee consisting of a majority of Independent Outside Directors (Directors submitted as an Independent Officer to the Tokyo Stock Exchange). The Nomination and Remuneration Committee was reorganized on June 24, 2021 for reinforcing its functions from the Nomination and Remuneration Advisory Committee, which had previously reported to the Board of Directors on matters concerning the nomination of Directors and the determination of remuneration amounts.

With regard to the nomination of Directors, the Nomination and Remuneration Committee discusses the election and dismissal of Directors or Representative Director, and the succession plan for the Representative Director and President and reports the results of that debate to the Board of Directors. With regard to Director remuneration, the Committee has authority to determine matters relating to Director remuneration, etc. (including their system and policy) based on delegation to the Committee by resolution of the Board of Directors. The specific details of those decisions are described below under the section entitled "Policy on Determining Remuneration Amounts and the Calculation Methods Thereof" under "Director Remuneration."

The constituent members and the attendance rates of the Nomination and Remuneration Committee meetings held in fiscal 2022 are as follows. The meetings were chaired by Shigeru Hayashi until the conclusion of the 131st Ordinary General Meeting of Shareholders held on June 23, 2022 and henceforth by Kazuhiko Fujiwara.

Shigeru Hayashi (Representative Director and Chairman): attended two of the two meetings

Kazuhiko Fujiwara (Representative Director and President): attended five of the five meetings

Hiroyuki Abe (Independent Outside Director): attended five of the five meetings

Kazuo Matsuda (Independent Outside Director): attended five of the five meetings

Etsuko Nagashima (Independent Outside Director): attended five of the five meetings

※The position of each constituent member represents the position as of the last day of his or her term of office during the fiscal year.

※Shigeru Hayashi retired from his position of Director at the conclusion of the 131st Ordinary General Meeting of Shareholders held on June 23, 2022, and his attendance rate represents their attendance until such date of retirement

Corporate Auditor *

*Referred to in Corporate Governance Code reference translation as "*kansayaku*"

Establishment of Board of Corporate Auditors	Established
Number of Corporate Auditors Stipulated in Articles of Incorporation	No upper limit
Number of Corporate Auditors	4

Cooperation among Corporate Auditors, Accounting Auditor and Internal Auditing Departments **Updated**

The Board of Corporate Auditors deepens mutual cooperation with the Accounting Auditor, KPMG AZSA LLC (the "Auditor"), and makes efforts to ensure the reliability of accounting audits, not only through reports on the results of quarterly reviews and annual audits but also by discussing and exchanging information with the Auditor on such matters as the Auditor's annual audit plan, risk assessment, audit-related issues, and the progress of audits (10 meetings were held in fiscal 2022), and Standing Corporate Auditors' participation in the on-site inspections of overseas subsidiaries by the Auditor (once during fiscal 2022) and in the meeting for reviewing the result of on-site inspections of domestic business sites and subsidiaries conducted by the Auditor (three meetings in fiscal 2022, including some web-based conferences).

With particular regard to "key audit matters," the Board of Corporate Auditors held repeated discussions on several specific themes that were indicated by the Auditor as candidates for considerations, such as the assessment of goodwill of overseas subsidiaries and the merger of domestic subsidiaries, and engaged in several thorough exchanges of opinions with the Auditor at each stage of the audit process, including the formulation of the audit plan for the fiscal year, the reporting of the results of quarterly review throughout the fiscal year and the reporting of the result of audit at the end of the fiscal year, according to the progress being made in the audit.

Furthermore, the Standing Corporate Auditors, in addition to receiving reports, along with the President, on the individual internal audits, participate in internal audit reviews and attend on-site inspections (20 times in fiscal 2022, including web-based meetings). The Standing Corporate Auditors also provide advice to and exchange opinions with the Internal Audit Department, which conducts the internal audits, through meetings held quarterly, in principle, regarding each stage of the audit process, including the planning, the audit approach, reporting of results, and post-audit follow-ups, to ensure audit effectiveness. The Board of Corporate Auditors maintains a close cooperative relationship with the Internal Audit Department by having the Standing Corporate Auditors report the status of such exchanges to the Board of Corporate Auditors when appropriate and by holding annual meetings together with Outside Corporate Auditors to exchange information between the Internal Audit Department.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	2
Number of Independent Officers out of Outside Corporate Auditors	2

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attributes			Relationship with the Company*
------	------------	--	--	--------------------------------

		a	b	c	d	e	f	g	h	i	j	k	l	m
Kazuhiko Yamagishi	Lawyer													
Noriko Kawate	CPA													

*Categories for “Relationship with the Company.”

*Use “○” when the corporate auditor presently falls or has recently fallen under the category; “△” when the corporate auditor fell under the category in the past;

*Use “●” when a close relative of the corporate auditor presently falls or has recently fallen under the category; and “▲” when a close relative of the corporate auditor fell under the category in the past.

- Person who executes business of the Company or a subsidiary
- A non-executive director or an accounting advisor of the Company or its subsidiaries
- Person who executes business or a non-executive director of a parent company
- A corporate auditor of a parent company of the Company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/corporate auditor compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of f, g, or h above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Corporate Auditors’ Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Kazuhiko Yamagishi	○	—	Mr. Kazuhiko Yamagishi utilizes his professional perspective as a lawyer and wide-ranging insight into management for the Company’s audits. He meets the Criteria for Independence of Directors and Corporate Auditors set by the Company (See “Other Matters Concerning Independent Officers” below) and the independence standards stipulated by the Tokyo Stock Exchange. Therefore, there is no risk of a conflict of interest with general shareholders, and he proffers advice and opinions from a fair standpoint that is free from bias towards any specific stakeholders.
Noriko Kawate	○	—	Ms. Noriko Kawate utilizes her professional perspective as a certified public accountant and tax accountant as well as her wide-ranging insight into finance, accounting and management for the Company’s

			audits. She meets the Criteria for Independence of Directors and Corporate Auditors set by the Company (See “Other Matters Concerning Independent Officers” below) and the independence standards stipulated by the Tokyo Stock Exchange. Therefore, there is no risk of a conflict of interest with general shareholders, and she proffers advice and opinions from a fair standpoint that is free from bias towards any specific stakeholders.
--	--	--	--

Matters Concerning Independent Officers

Number of Independent Officers	5
--------------------------------	---

Other Matters Concerning Independent Officers

The Company has determined the following Criteria for Independence of Directors and Corporate Auditors by resolution of the Board of Directors:

Criteria for Independence of Directors and Corporate Auditors

The criteria determining the independence of Directors and Corporate Auditors shall be as follows:

1. A Director or a Corporate Auditor shall satisfy the requirements for an Outside Officer as stipulated by the Companies Act and shall not fall under any of the following in order to be deemed independent.

(1) A major business partner of the Company (within the past five (5) years)

- An individual whose business accounts for 2% or more of the Company’s annual consolidated revenue for the most recent fiscal year (in the case of a corporation or a group, an executive officer thereof (including an adviser or any other corporate officer)).
- In the case of an individual who has left the position as an executive officer of a major business partner, an individual with less than five (5) years since his/her departure from office.
- In the case of an individual whose major business partner is the Company, determination shall be made based on the actual business status.

(2) Attorneys, certified public accountants, tax accountants, and other consultants and professionals

- An individual who is receiving an annual amount of 10 million yen or more from the Company in money or any other property benefit other than Director’s or Corporate Auditor’s compensations (including any individual belonging to a group such as a law firm, an audit corporation, a tax accounting firm, a consulting firm, or any other corporation or association).
- An individual receiving an annual amount of 10 million yen or more from the Company in donation or subsidy (including a board member or any other executive officer of a corporation, association or any other group).

(3) Major shareholders

- An individual whose shares account for 10% or more of the voting rights (in the case of a corporation or a group, an executive officer thereof (including an adviser or any other corporate officer)).
- An individual who was an executive officer of an aforementioned corporation or any other group during the past five (5) years.

(4) Relatives

- A spouse, or a second-degree or a closer relative of an executive officer of the Company group.
- The independence of the spouse, or the second-degree or the closer relative of an individual falling under any of (1) through (3) shall be determined based on the actual situation.

2. When there are doubts concerning independence due to attributes other than those listed in 1. Above, the Board of Directors shall determine independence on a case-by-case basis.

Incentives

Implementation Status of Measures related to
Incentives Granted to Directors **Updated**

Adoption of performance-based compensation plan, Other

Supplementary Explanation for Applicable Items **Updated**

Regarding matters on the remuneration for Directors including incentives granted to Directors, please refer to Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof in Section II Item 1. Director Remuneration of this report.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

Director Remuneration

Status of Disclosure of Individual Directors'
Remuneration

No Disclosure for any Directors

Supplementary Explanation for Applicable Items **Updated**

1. Total Amount of Remuneration, etc. for Each Officer Category, Total Amount by Type of Remuneration, etc., and Number of Eligible Officers

11 Directors: Total remuneration, etc. of 424 million yen (monthly remuneration: 299 million yen, bonuses: 125 million yen)

4 Corporate Auditors: Total remuneration, etc. of 76 million yen (monthly remuneration: 76 million yen)

The above amounts include a total amount of remuneration, etc. for six Outside Officers of 58 million yen (monthly remuneration: 58 million yen)

In addition to the above amount, based on the resolution at the 115th Ordinary General Meeting of Shareholders held on June 29, 2006, 36 million yen was paid to Mr. Shigeru Hayashi, who retired from his position of Director at the conclusion of the

131st Ordinary General Meeting of Shareholders held on June 23, 2022, as the payment of accrued retirement benefits associated with the abolishment of the retirement benefits system.

2. Total Amount of Remuneration for Each Officer

No persons receive a total remuneration amount, etc. of 100 million yen or more.

3. Significant Salaries of Employees who Concurrently Serve as Company Officers

The Company does not pay employee salaries to Directors.

Policy on Determining Remuneration Amounts and
the Calculation Methods Thereof **Updated**

Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

[Matters Concerning the Policy for Determining the Content of Individual Remuneration, etc. of Directors]

The Company's policy for determining the content of the individual remuneration, etc. for Directors is stipulated by resolution of the Board of Directors held on May 15, 2023 as detailed below.

To provide an incentive to contribute to the sustained improvement of corporate value of the Company, the remuneration of Directors of the Company shall be based on a remuneration system that is linked to performance and shareholder value. Specifically, remunerations shall comprise "monthly remuneration," which is fixed remuneration according to position, "bonuses," which serve as short-term incentives to motivate the Directors to achieve the annual business plans, and "stock compensation," medium- to long-term incentives to encourage the sharing of value with shareholders. However, the remuneration of Outside Directors shall comprise exclusively monthly remuneration. The total maximum amount of monthly remuneration and bonuses to be paid shall be 550 million yen per year and the total maximum amount of stock compensation to be paid shall be 150 million yen per year and are both within the limits resolved by the General Meeting of Shareholders.

A Nomination and Remuneration Committee, the majority of the members of which are Independent Outside Directors (persons who have been submitted to Tokyo Stock Exchange, Inc., as independent officers), shall be established and the authority to determine the amount of individual remuneration, etc., to Directors shall be delegated by resolution of the Board of Directors to the Nomination and Remuneration Committee.

(1) Monthly remuneration

Monthly remuneration shall be a fixed cash payment each month throughout the term of office of the Director, and the amount to be paid to the individual Directors shall be determined according to position by comprehensively taking into account various factors including the management environment and economic conditions.

(2) Bonuses

The amount of bonuses shall be calculated to reflect business performance, and business profit, one of the Company's important indicators to be managed in order to achieve sustainable growth, shall be used as the calculation index. The total amount to be paid shall be calculated by multiplying business profit by a certain percentage, and the amount to be paid to individual Directors shall be calculated by multiplying the total payment amount by a certain percentage according to the Director's position and responsibilities. Bonuses shall be paid in cash each year in June on the day of the ordinary general meeting shareholders.

(3) Stock compensation

Stock compensation shall comprise restricted stock compensation and restricted stock corresponding to the amount to be paid according to the Director's position shall be allotted at a specific time each year after the conclusion of the ordinary general meeting of shareholders. The Transfer Restriction Period of the restricted stock shall be the period until the date of retirement from the post of Director or Executive Officer of the Company. In the event that, during the Transfer Restriction Period, the Director who has received the allotment violates laws and regulations, the internal rules of the Company, the Allotment Agreement, or otherwise falls under any of the reasons set forth by the Board of Directors of the Company, the Company shall automatically acquire all or a part of such Allotted Shares without consideration.

(4) The policy on the determination of the proportion of the amount of each type of remuneration, etc. to the amount of individual remuneration, etc., to Directors

The proportion of each type of remuneration to the total amount of individual remuneration, etc. to be paid to the Directors (excluding Outside Directors) of the Company shall be appropriately determined by taking into account various factors such as the position and responsibilities so that it functions as an incentive to contribute to the sustained improvement of corporate value of the Company.

[Matters Concerning Resolutions of the General Meeting of Shareholders Regarding Remuneration, etc. of Directors]

The total amount of remuneration for Directors was resolved at a maximum of 550 million yen per year at the 115th Ordinary General Meeting of Shareholders held on June 29, 2006. There were eight Directors at the conclusion of that Ordinary General Meeting of Shareholders. In addition, separately from the above remuneration limit, the total maximum amount of monetary compensation to be paid in order to grant restricted stock to Directors (excluding Outside Directors) was resolved at a maximum of 150 million yen per year at the 132nd Ordinary General Meeting of Shareholders held on June 22, 2023. There were six Directors (excluding Outside Directors) at the conclusion of that Ordinary General Meeting of Shareholders.

[Matters Concerning the Delegation of the Determination of Remuneration, etc. for Individual Directors]

The authority to determine the amount of monthly remuneration and the bonus to be paid to each individual Directors is delegated to the Nomination and Remuneration Committee by resolution of the Board of Directors as described below.

(a) Mandataries (the Nomination and Remuneration Committee members)

Kazuhiko Fujiwara— Committee Chair (Representative Director and President)

Hiroyuki Abe (Independent Outside Director)

Kazuo Matsuda (Independent Outside Director)

Etsuko Nagashima (Independent Outside Director)

(b) Scope of Delegated Authority

The determination of amounts for monthly payment according to the position of Directors and the determination of amounts to be paid by position when allocating bonuses.

(c) Reason for Delegation

Determining the amount of remuneration for individual Directors requires an objective and fair evaluation of the execution of duties by each Director that is independent of the Board of Directors as well as a comprehensive view of the Company's overall performance and business environment. For that reason, the Company considers the most appropriate option is to delegate those decisions to the Nomination and Remuneration Committee, which consists of a majority of Independent Outside Directors.

(d) Measures to Ensure that Authority is Appropriately Exercised

The Nomination and Remuneration Committee is composed of a majority of Independent Outside Directors in order to ensure independence and objective and the proper exercising of authority, and resolutions are decided by a majority of the members present.

[Matters Concerning the Determination of Remuneration, etc. for Individual Corporate Auditors]

The remuneration of Corporate Auditors consists of basic remuneration (monthly remuneration). The total amount and the amount to be paid to each individual Corporate Auditor are determined in consultation with the Corporate Auditors within the maximum remuneration limit resolved by the General Meeting of Shareholders.

The remuneration amount for Corporate Auditors was resolved at a maximum of 100 million yen per year at the 115th Ordinary General Meeting of Shareholders held on June 29, 2006. There were four Corporate Auditors at the conclusion of that meeting.

Support System for Outside Directors and/or Outside Corporate Auditors **Updated**

- One auditor assistant (transferred in September 2021) who concurrently serves in the Internal Audit Department and has knowledge of internal audits works under the direction of Corporate Auditors and assists with the activities of the Board of Corporate Auditors and individual Corporate Auditors. Any transfer of personnel assigned as an auditor assistant is always made with the prior consent of the Board of Corporate Auditors.
- The Company holds monthly Outside Officers' Meetings consisting of Outside Directors, Outside Corporate Auditors, the Director Overseeing the Corporate General Affairs Division and the Corporate Finance & Planning Division, the Executive Officer in charge of the Corporate General Affairs Division, Standing Corporate Auditors, and members of the Corporate General Affairs Division and the Corporate Finance & Planning Division. At the meetings, the Company introduces information on the Company's business results, the officer in charge of each segment will introduce its relevant business, and the Company provides advance explanations of items on the agenda for Board of Directors meetings, etc. and exchanges information and share recognition of the Company's strategies and management issues with Outside Directors and Outside Corporate Auditors.

Statutes of Persons who have Retired as Representative Director and President, etc.

Information on Persons Holding Advisory Positions ("Sodanyaku," "Komon," etc.) after Retiring as Representative Director and President, etc.

Name	Job title/ position	Responsibilities	Terms and Conditions of Employment (Full/part time, with/without remuneration, etc.)	Date when former role as president, etc. ended	Term
Naoto Enda	Honorary Advisor (<i>Meiyo Komon</i>)	None in particular	Part time, without remuneration	6/27/2002	Undetermined
Tomitaro Ogawa	Honorary Advisor (<i>Meiyo Komon</i>)	None in particular	Part time, without remuneration	6/27/2014	Undetermined
Shigeru Hayashi	Senior Counselor (<i>Sodanyaku</i>)	Engage in external activities	Part time, with remuneration	6/23/2022	6 years

Number of Persons Holding Advisory Positions (“*Sodanyaku*,” “*Komon*,” etc.) After Retiring as Representative Director and President, etc.

3

Other Related Matters

- Senior Counselor and honorary advisors are not involved in internal decision-making.
- The appointment of senior counselors and honorary advisors is referred to the Nomination and Remuneration Committee and resolved by the Board of Directors.
- In response to requests from management, senior counselors or honorary advisors sometimes can give advice.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) **Updated**

The Company has adopted a company with Corporate Auditors model and has appointed nine Directors and four Corporate Auditors. The Company has also introduced an Executive Officer structure in which Executive Officers appointed by the Board of Directors as the persons responsible for business execution execute business under the direction of the Company President based on the policies determined by the Board of Directors.

Executive Officers’ Meetings are held once a month and attended by Directors, Executive Officers and Corporate Auditors to convey information on policies and important matters decided by the Board of Directors, to receive reports on business performance and the status of business execution from each Executive Officer, and to review important matters and share information.

The Company seeks to separate the determining of important business matters and the execution of business through the Executive Officer structure, enhance the Board’s role in effectively supervising the execution of business, speed up business execution, and clarify responsibilities. The Corporate Auditors monitor the execution of duties by Directors and verify whether the Board of Directors is fulfilling that role properly. The Company believes that it can create corporate governance that earns the trust of shareholders and other stakeholders by getting Directors, Corporate Auditors, and Executive Officers to fulfill their respective responsibilities and roles in this way.

The Company has also established the Nomination and Remuneration Committee as a voluntary committee. For an overview of the committee, please refer to “Supplementary Explanation” in “Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)” under “Directors.” in the previous Section II, Item 1.

The frameworks for the Company’s execution of business, monitoring of management, and internal audit are as shown in the diagram in Section V of this report. The Company has established a Sustainability Promotion Committee as the main body for guiding the continuous and company-wide implementation of the Group’s sustainability activities, including the SDGs, and has established the Risk Management Committee and the Compliance Committee as subordinate committees.

[Status of Board of Directors Activities]

At the monthly Board of Directors meetings, Directors make decisions on important matters of business, receive reports on monthly business performance and progress updates on important business matters from each Director, and listen to the opinions and reports from Corporate Auditors, with the chair of the meeting taking care to ensure sufficient discussion takes place.

In fiscal 2022, the Board of Directors, in addition to determining matters relating to important business execution set forth in laws and regulations, the Articles of Incorporation, the Board of Directors Regulations, etc., received reports on business

performance and the status of each business segment, and received reports and deliberated on matters relating to the promotion of sustainability regarding ESG initiatives, compliance matters including the revision of the internal whistleblower system, risk management matters including the risks surrounding the Company and their countermeasures, matters relating to the promotion of DX including the certification system of data scientists, matters relating to enhancing effectiveness based on the results of the effectiveness evaluation of the Board of Directors, etc.

The constituent members and the attendance rates of the Board of Directors meetings held in fiscal 2022 are as follows. The meetings were chaired by Shigeru Hayashi until the conclusion of the 131st Ordinary General Meeting of Shareholders held on June 23, 2022 and henceforth by Kazuhiko Fujiwara.

Representative Director and Chairman Shigeru Hayashi: 3/3

Representative Director and President Kazuhiko Fujiwara: 14/14

Representative Director Masayuki Inagaki: 14/14

Director Sumitoshi Asakuma: 14/14

Director Takashi Nakamura: 14/14

Director Goichiro Kuwaki: 3/3

Director Takashi Kobayashi: 13/14

Director Keisuke Kurachi: 10/10

Director Hiroyuki Abe: 13/14

Director Kazuo Matsuda: 14/14

Director Etsuko Nagashima: 14/14

Standing Corporate Auditor Tsuneo Terasawa: 14/14

Standing Corporate Auditor Katsushige Aoki: 14/14

Corporate Auditor Kazuhiko Yamagishi: 14/14

Corporate Auditor Noriko Kawate: 14/14

(Note) 1. The position of each constituent member represents the position as of the last day of his or her term of office during the fiscal year.

2. Shigeru Hayashi and Goichiro Kuwaki retired from their positions of Directors at the conclusion of the 131st Ordinary General Meeting of Shareholders held on June 23, 2022, and their attendance rate represents their attendance until such date of retirement.

3. Keisuke Kurachi was elected and took office as a new Director at the 131st Ordinary General Meeting of Shareholders held on June 23, 2022, and his attendance rate represents his attendance after such date of appointment.

[Functions and Roles of Outside Directors]

As stated in the “Reasons for Appointment” column in “Outside Directors’ Relationship with the Company (2)” under “Directors” in Section II, Item 1.

[Status of Audits by Corporate Auditors]

(a) Board of Corporate Auditors Organization and Members

The Board of Corporate Auditors consists of two Standing Corporate Auditors and two Independent Outside Corporate Auditors. The Board of Corporate Auditors intends to maintain the current diverse composition of members with appropriate experience and abilities, including a knowledge of finance, accounting, and legal affairs, and to conduct fair, impartial, and efficient auditing activities going forward.

The attendance of each Corporate Auditor at the Board of Corporate Auditors meetings held in fiscal 2022 is as follows:

Standing Corporate Auditor Tsuneo Terasawa (reappointed June 24, 2019): Board of Auditors 19/19

Standing Corporate Auditor Katsushige Aoki (appointed June 24, 2019): Board of Auditors 19/19

Outside Corporate Auditor Kazuhiko Yamagishi (appointed June 24, 2019): Board of Auditors 19/19

Outside Corporate Auditor Noriko Kawate (appointed June 24, 2021): Board of Auditors 19/19

(b) Status of Board of Corporate Auditors Activities

The Board of Corporate Auditors meeting is held monthly prior to the Board of Directors meeting and also on an ad hoc basis when necessary. In fiscal 2022, the Board of Corporate Auditors met 19 times for an average of 1 hour 13 minutes. The Board of Corporate Auditors reviewed the previous fiscal year's audit activities to enhance the effectiveness of audits and discussed the assessment and verification of effectiveness among all Corporate Auditors. As a result of the assessment and verification of fiscal 2021, the Board of Corporate Auditors concluded that the web-based remote audits conducted under the movement restrictions to prevent the spread of COVID-19 had been highly restrictive, and accordingly in fiscal 2022, it would focus on conducting as many on-site inspections as possible. Thereupon, the Board of Corporate Auditors examined the risks faced by the Company and established an audit plan for fiscal 2022 focused on three points: "the state of compliance with laws and regulations, the Articles of Incorporation and internal rules and regulations," "the state of development and operation of internal control systems," and "the status of control of management risk." It then reported the outline of that plan to the Board of Directors and proceeded with its audit activities with the cooperation of Directors. The main matters determined, discussed, reported, and examined by the Board of Corporate Auditors during fiscal 2022 are as follows:

(The major resolutions and consultations by the Board of Corporate Auditors are as follows)

- It selected the chairperson, Specified Corporate Auditors, and Standing Corporate Auditors for fiscal 2022.
- It evaluated the effectiveness of the audit activities in fiscal 2021, formulated the audit plan for fiscal 2022, and determined the priority audit plan and the allocation of audit activities.
- It reviewed the indicated proposal for the appointment of a Substitute Corporate Auditor and agreed to submit the proposal to the general meeting of shareholders.
- It received audit reports from each Corporate Auditor and prepared the Board of Corporate Auditors' audit report.
- It determined the policy for responding to the Ordinary General Meetings of Shareholders.
- It received reports from the Standing Corporate Auditor on the results of the review of the statements in the annual securities report and confirmed the appropriateness thereof.
- It evaluated the audit firm serving as the Accounting Auditor (the "Auditor") and determined its reappointment.
- It reviewed the appropriateness of the indicated proposal for audit remuneration and agreed to the proposal.
- It reviewed and agreed to the all-inclusive list indicated by the Auditor agreeing to the provision of non-assurance services in and after April 2023 by the Auditor and its network of Auditors, in accordance with the Amended Code of Ethics of the Japanese Institute of Certified Public Accountants, and it will review and agree to individual cases in advance until such list is completed.

(In addition to the resolutions and consultations, the Board of Corporate Auditors reported and reviewed the following)

- Regarding the agenda of the Board of Directors meetings held after the meetings of the Board of Corporate Auditors, it confirmed in advance the agenda, including the partial amendment of the Basic Policy on Internal Control System of March 2023, and conducted the necessary exchange of opinions and review.
- It reported on the status of Standing Corporate Auditor activities (status of important meetings attended, status of monthly meetings with departments that support the internal control systems, confirmation of internal decision-making, status of on-

site inspections, attendance at on-site inspections by the Auditor, attendance at internal audits, etc.) and conducted the necessary exchange of opinions and review.

- It received reports from the Auditor on the audit plan, the results of quarterly reviews, the progress of audits conducted under the Companies Act and the Financial Instruments and Exchange Act, and the results of those audits, and confirmed the appropriateness of such audits.
- It reviewed the disclosure of the Corporate Auditors' knowledge, experience, capabilities, etc.

(Cooperation with Outside Directors)

The Board of Corporate Auditors considers cooperating with Outside Directors to be key for further enhancing the effectiveness of the Board of Directors and the Board of Corporate Auditors' audits, so all Corporate Auditors attend the Outside Officers' Meetings that are held before Board of Directors meetings and attended by Outside Directors, the Director Overseeing the Corporate General Affairs Division and the Corporate Finance & Planning Division, the Executive Officer in charge of the Corporate General Affairs Division, and members of the Corporate General Affairs Division and the Corporate Finance & Planning Division (eleven meetings were held in fiscal 2022 lasting an average 1 hour and 13 minutes). Participants in the meeting exchange opinions on proposals for and reports to the Board of Directors such as important investment projects including M&As, the disposal of important assets, compliance with the Corporate Governance Code, the evaluations of the effectiveness of the Board of Directors, and share various management-related information.

(c) Main Activities of Corporate Auditors

Each of the Corporate Auditors conducts the following audit activities based on this audit plan, brings to the attention of the Board of Directors and operating departments any issues that it has discovered through these audit activities, and makes recommendations.

- Attended Board of Directors meetings, audited the proceedings and the contents of resolutions and reports, raised issues, and made recommendations when appropriate.
- Attended quarterly meetings, in principle, with the Representative Director and President (A total of four meetings were held in fiscal 2022) and exchanged opinions on audit activity reports and various issues relating to the management of the Company).
- Attended important meetings (including the Executive Officers' Meetings (monthly meetings of Executive Officers), Outside Officers' Meetings (monthly meetings of Outside Directors, Outside Corporate Auditors, the Director Overseeing the Corporate General Affairs Division and the Corporate Finance & Planning Division, the Executive Officer in charge of the Corporate General Affairs Division, Standing Corporate Auditors, and members of the Corporate General Affairs Division and the Corporate Finance & Planning Division), Executive Management Meetings (semi-annual meetings of all Executive Officers, management staff, and representatives of subsidiaries), and Budget Deliberation Meetings, etc.), and confirmed the appropriateness of the decision-making process and exchanged opinions with the departments that execute business.
- Interviewed Directors and employees, as necessary, on the status of execution of business.
- Inspected business sites and subsidiaries, mainly those connected to recent M&As and organizational restructuring selected based on the risk-based approach (visits to nine domestic sites (including four subsidiaries) and one overseas subsidiary were conducted in fiscal 2022 with some of the inspections being conducted in a web-conference format).

Among these activities, Standing Corporate Auditors, as full-time auditors in accordance with the allocation of their duties, receive circular memos regarding important matters for approval, as well as participate in important meetings such as the Risk Management Committee (held four times in fiscal 2022) and the Compliance Committee (held three times in fiscal 2022). They

also actively conduct on-site inspections of business sites and subsidiaries and attend similar inspections arranged by the Accounting Auditor and the Internal Auditing Departments. Standing Corporate Auditors hold meetings with the Corporate Auditors of subsidiaries and exchange updates on the implementation of audits in order to deepen cooperation with them.

The Standing Corporate Auditors also hold monthly meetings with departments that support the second line of the Group's internal control system, such as the Corporate General Affairs Division, the Personnel Division, the Corporate Finance & Planning Division, the Information Systems & Data Processing Department, the Corporate Research & Development Division, the Corporate Production Management & Engineering Division, the Corporate Planning Department, and the Internal Audit Department, and also departments that support the third line such as the Internal Audit Department (the Corporate Production Management & Engineering Division met 12 times, the Corporate Research & Development Division met four times, and the other departments met 11 times in total in fiscal 2022) and hold sessions with the Accounting Department once every six months to exchange necessary information, as well as encourage exchanges between the departments of the second and third lines. In addition to that, the Standing Corporate Auditors strive to obtain the latest information on various changes in the business environment, such as institutional changes, by attending external lectures by the Japan Audit & Supervisory Board Members Association and other organizations (46 meetings including web-based conferences in fiscal 2022) and then sharing the information and knowledge obtained through these activities with Outside Corporate Auditors in Board of Corporate Auditors meetings in order to further improve the effectiveness of audit activities based on the Board discussions.

[Status of Internal Audits]

(a) The Organization, Personnel, and Procedures for Internal Audits

The Company's Internal Audit Department (10 members) is a full-time body that reports directly to the President and conducts internal audits on the Company and its affiliated companies including those located overseas at intervals of once every several years. In the internal audits, the status of business execution is examined and evaluated through on-site inspections combined, as necessary, with audits in writing comprising inspections of the results of self-audits by the auditee, from the perspective of compliance, improving management efficiency, and preserving company assets, etc. Furthermore, the Corporate Production Management & Engineering Division also conducts regular internal audits involving comprehensive inspections of all manufacturing processes across the Group from the perspective of safety, the environment, quality, etc. to point out any issues and to recommend improvements.

(b) Mutual Cooperation with Internal Audits, Corporate Auditor Audits, and Accounting Audits and Relationship with Internal Control Departments

The mutual cooperation between internal audits and Corporate Auditor audits is as stated above in [Status of Audits by Corporate Auditors]. Additionally, the Internal Audit Department is not only responsible for conducting internal audits but also for evaluating the effectiveness of internal controls regarding the Group's financial reporting based on the Financial Instruments and Exchange Act. As such, the Internal Audit Department is subject to internal control audits by the Accounting Auditor, KPMG AZSA LLC, and accordingly, it strives to promote mutual cooperation with the Accounting Auditor by holding regular meetings. Furthermore, in addition to conducting internal audits of the departments involved in internal control, such as the Corporate General Affairs Division, the Personnel Division, and the Corporate Finance & Planning Division, the Internal Audit Department also participates in the regular monthly meetings with the Standing Corporate Auditors and the Internal Control Departments, etc., reports on the latest status of internal audits, and exchanges opinions and share information with the Internal Control Departments on the inspection of deficiencies and the promotion of remediation.

(c) Initiatives to Ensure the Effectiveness of Internal Audits

The Internal Audit Department aims to conduct effective audits by formulating audit plans for each fiscal year that include

priority audit themes and the annual audit schedule. In fiscal 2022, also, the Internal Audit Department, in accordance with the audit plan approved by the President, conducted internal audits on 33 organizations in Japan and five organizations overseas. The results of the individual audits are reported to the President and to the Standing Corporate Auditors, as necessary. The Internal Audit Department directly reports the implementation status of internal audits of each fiscal year and the audit results as well as various topics arising from auditing activities to the Board of Directors and strives for internal audits that will contribute to the strengthening of Group governance. Furthermore, with regard to the deficiencies discovered in the internal audits, the departments subject to the audits are required to provide remediation reports in writing, and the Internal Audit Department provides quarterly progress reports to the President, the Executive Officers, and the Standing Corporate Auditors on the remediation of these deficiencies and encourages improvement.

[Status of Accounting Audits]

- Name of Accounting Auditor: KPMG AZSA LLC
- Continuous audit period: since 1975

It is difficult to check back further before that date, so the audits may have been going on before 1975.

- Names of the accountants who executed the audit duties
Designated limited liability partner and engagement partner Hiroshi Shiina
Designated limited liability partner and engagement partner Yuuhi Suzuki

- Persons assisting with audit duties

Persons assisting with audit duties are determined based on the Accounting Auditor's selection criteria, and mainly consist of certified public accountants, persons who have passed the certificated public accountant examination, with the addition of others such as systems specialists.

[The Conclusion of Limited Liability Agreements]

The Company has concluded limited liability agreements with three Directors, Hiroyuki Abe, Kazuo Matsuda, and Etsuko Nagashima, as well as three Corporate Auditors, Katsushige Aoki, Kazuhiko Yamagishi, and Noriko Kawate that limit liability for damages under Article 423, Paragraph 1 of the Companies Act based on the provisions of Article 427, Paragraph 1 of the same Act. The maximum amount of liability for damages based on the agreements is the minimum liability limit stipulated by laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System

As described in above sections.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights Updated

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	The Company has been sending out the Notice three weeks prior to the scheduled date for the Ordinary General Meeting of Shareholders since the meeting held in June 2010. The Company also discloses the Notice early, before the sending date, on the Tokyo Stock Exchange and the Company website.

Scheduling of the General Shareholders Meeting During Non-Peak Days	—
Electronic Exercise of Voting Rights	Voting rights can be exercised via the internet since the Ordinary General Meeting of Shareholders held in June 2008.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has participated in an electronic voting platform since the Ordinary General Meeting of Shareholders held in June 2008.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Company prepares the Notice and the Reference for the General Meeting of Shareholders in English, and discloses them on the same date when the Company started taking measures for electronic provision of information that constitutes the Reference Documents on the Tokyo Stock Exchange and the Company website.
Other	<p>The Notice (including the English version) is disclosed on the Company website.</p> <p>The results of the exercising of voting rights at the Ordinary General Meeting of Shareholders are disclosed on the Company website.</p>

2. Status of IR-related Activities Updated

	Supplementary Explanation	Explanation by a Representative Director or a Representative Executive Officer
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds financial results briefings following the announcement of full-year and interim financial results in which the Company provides an overview of the financial results and explain the progress of the Mid-term Business Plan. The Company also holds financial results briefings via conference calls after the announcement of first-quarter and third-quarter financial results.	Held
Regular Investor Briefings held for Overseas Investors	The Company holds individual meetings by the Representative Director and President or the Director Overseeing Finance and Accounting with overseas institutional investors in Europe, the United States, and Asia.	Held
Online Disclosure of IR Information	The Company provides IR information on its website (https://www.sumibe.co.jp/english/ir/index.html) and also posts information in English as much as possible as well as in Japanese. In addition to financial results	

	information, this page includes securities reports, financial results briefing materials, materials on the Mid-term Business Plan, corporate governance, information on sustainability, information on General Meeting of Shareholders, the Integrated Reports, news releases, etc.
Establishment of Department and/or Placement of a Manager in Charge of IR	The Company establishes the Corporate Communications Department within the Corporate General Affairs Division to be in charge of IR.

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	The Company has established “Our Code of Conduct” to fulfill the trust of those involved in the Company based on its Business Philosophy “Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people’s welfare and livelihood through its business activities.” The Company seeks to widely instill the Code by distributing it to officers and employees of the Company and its affiliated companies.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company has established and are currently actively promoting its Environmental and Safety Management Policy as a management policy that illustrates a high degree of social and environmental compatibility. The Company had disclosed its Environmental and Safety Management Policy and environmental accounting in the Environmental Report. The name of the report have been changed to the Environmental & Social Report in 2005, the CSR Report in 2016, and the Integrated Report in 2020 as the Company seeks to enhance its content.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development Updated

The Company, by resolution of the Board of Directors meeting held on February 28, 2023, partially amended its basic policy on the development of a system to ensure that the Group conducts its business appropriately, to further promote such system, based on the sustainability management and initiatives to strengthen governance to date.

The details are as follows:

(1) Basic Views

- 1) The Company has established the Basic Policy on Sustainability Promotion, solves social issues and achieves sustainable growth and value creation under a structure comprised of the Sustainability Promotion Committee (which is chaired by the President) based on its Business Philosophy “Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people’s welfare and livelihood through its

business activities,” which upholds the Sumitomo Business Philosophy and sets forth its management principle.

2) The Company, in the belief that the system necessary to ensure the appropriateness of business (hereinafter the “Internal Control System”) of the Company and its affiliated companies (hereinafter referred to as “the Group”) will become the foundation for promoting the above initiatives, shall develop the following Internal Control System and engage in management that proactively utilizes such system.

(2) System to Ensure the Execution of Duties by Directors and Employees of the Company and the Group Complies with Laws and Regulations and the Articles of Incorporation

1) The Company has established “Our Code of Conduct” and the “Code of Ethics for Group of Sumitomo Bakelite Co., Ltd.” as code of conduct and code of ethics applicable to the entire Group and makes officers and employees of the Group aware these codes. Basically, the Group officers and employees are required to uphold laws and regulations, the Articles of Incorporation, and established rules and not act in any way that would violate corporate ethics when executing Group business.

2) The Company has established the Compliance Committee based on the Company’s Rules and Regulations for Compliance. The Compliance Committee, which is chaired by a person appointed by the President in accordance with Company regulations, promotes compliance, investigates the status of the Group’s compliance, makes improvements, and builds compliance awareness across the Group.

3) The Company has established the Compliance Reporting System, accessible to the entire Group, to detect and prevent non-compliance at an early stage, that allows Group officers and employees as well as any stakeholder to directly report non-compliance or the threat of non-compliance to an internal whistleblower contact or an external whistleblower contact. The information reported to the whistleblower contact will be processed appropriately by the Committee Chair of the Compliance Committee (Vice Committee Chair if the Committee Chair is the subject of the report), and the whistleblower will not receive detrimental treatment on account of making a report. Additionally, Group companies shall establish and operate their own internal reporting systems, as necessary, considering the legal and other requirements of the countries, in which they are located.

4) The Company shall maintain and strengthen its system for ensuring reliable financial reporting of the Group in accordance with its Basic Rules and Regulations for Internal Control over Financial Reporting, and shall appropriately implement, evaluate, report, and revise the internal control system and disclose corporate information in a timely and appropriate manner.

5) Each Group company establishes rules and necessary procedures regarding the elimination of relationships with anti-social forces and the prevention of illegal acts such as bribery or cartels in compliance with a common Group framework and strives to build a thorough awareness of those rules and ensure their appropriate management and operation.

6) The Company’s Internal Audit Department and the department that conducts internal audits relating to its own operations (hereafter referred to as “the Internal Auditing Departments”) examine and evaluate the systems for managing and operating business activities across the Group from the perspective of ensuring their legality and conformity with various standards, and to provide advice and proposals for potential improvements. The Company’s Internal Audit Department also reports the results of individual audits to the President and Corporate Auditors, as appropriate, while also regularly reporting the implementation status of audits on the execution of duties by the officers and employees of the Group to the Company’s Board of Directors and the Board of Corporate Auditors.

(3) Systems for Storing and Managing Information Relating to the Execution of Duties by Directors in the Company and its affiliated companies, and for Reporting Matters Relating to the Execution of Duties at Each Group Company to the Company

1) Any decisions made during the execution of duties by the Company's officers and employees shall be made in accordance with the approval request procedures based on the Company's Rules and Regulations for Internal Decision Making, and records of that approval request procedure shall be stored either in written or electronic form.

2) Information on the execution of duties by the Company's officers and employees shall be appropriately stored and managed in compliance with various regulations and relevant manuals such as the Company's Rules and Regulations for Document, its Rules and Regulations for Document Retention, its Rules and Regulations for Confidential Information Control, its Basic Rules and Regulations for Personal Information Protection, and its Basic Policy for Information System Security, in addition to existing laws and regulations.

3) Each Group company shall determine and manage appropriate decision-making procedures and storage rules for the stores and management of information.

4) In the Administration Rules for Affiliated Companies, which determine the basic matters relating to the administration of the Group companies, the Company requires the Group companies to seek approval of the Company or report to the Company any important business matters conducted by each Group company and any events that will affect the financial position and business results of each Group company.

5) The Internal Auditing Departments audit the storage, management, and reporting of information relating to the execution of duties within the Group with reference to the various regulations, manuals, etc., and provide advice and suggestions regarding appropriate storage and management.

(4) Regulations and Other Systems Concerning Managing the Risk of Loss in the Company and the Group

1) The Company has determined its basic policy on Group risk management in its Basic Rules and Regulations for Risk Management and properly manages and operates measures to deal with various risks surrounding its business.

2) The Company, upon establishing the Risk Management Committee as an organization tasked with discussing and approving issues and countermeasures that promote risk management by the Group, has assigned a department to be in charge of examining and implementing specific countermeasures for each evaluated individual risk issue, and that department submits progress reports to the committee.

3) The Company strives to promptly resolve any crisis that occurs in the Group and prevent the spread of any damage by establishing basic crisis policies, systems, and information transmission routes, etc.

4) The Internal Auditing Departments examine and evaluate management and operation systems and the status of business execution across the Group's management activities, and provide advice and suggestions designed to preserve corporate assets.

(5) Systems to Ensure the Execution of Duties by Directors in the Company and the Group is Carried Out Efficiently

1) The Company formulates a Mid-term Business Plan for the Group that spans a period of three fiscal years and sets management targets to help implement the plan.

2) The Company's Board of Directors appoint Executive Officers, and Executive Officers execute duties as the persons responsible for business execution under the direction and orders of the President.

3) The Company holds regular Executive Officers' Meetings attended by Directors, Corporate Auditors, and Executive Officers where it communicates the Group's policies on and the progress of business execution.

4) Any themes that need to be tackled with a cross-sectional approach are dealt with, including the formulation of policies and plans, the promotion of measures, the examination of the implementation status, etc., under the direction of the chairperson of various committees, who is appointed by the President, and any important matters are reported to the Company's Board of Directors.

5) The Company shall periodically hold meetings for those persons responsible for the execution of Group business to meet under one roof to convey management policy and improve communication within the Group.

6) The Company officers and employees shall also serve as Directors, etc. of each Group company and execute their duties in accordance with the Group's management policies.

7) The Company shall clarify in the Administration Rules for Affiliated Companies the standards and the degree of Company involvement in decision-making by subsidiaries in order to ensure that the execution of the Group operations is appropriate.

8) The Company has formulated its Comprehensive Guidelines for Internal Control in Consolidated Subsidiaries, and thereby promotes the development of an internal control system and makes efforts to maintain and strengthen the system.

9) The Company takes the necessary measures against cyber and other risks, while proactively utilizing the latest IT technology to enhance the accuracy, efficiency, and effectiveness of Group operations in general, and promote business process reforms.

10) The Internal Auditing Departments examine and evaluate the management and operation systems and the status of business execution across the Group's management activities, and provide advice and suggestions for improvements and streamlining designed to enhance management efficiency.

(6) System to Ensure Audits by Corporate Auditors are Conducted Effectively

1) The Company, in accordance with the Company regulations, assigns auditor assistants to assist with the duties of Corporate Auditors as instructed by Corporate Auditors, and the number and capabilities of those employees are reviewed when necessary based on requests from the Board of Corporate Auditors. The Company also coordinates in advance with the Board of Corporate Auditors regarding the transfer, etc. of any auditor assistants.

2) The Company has developed and operates the following system for reporting to Corporate Auditors

(a) The Group officers and employees shall provide the necessary reports if requested to do so by any of the Company's Corporate Auditors.

(b) Any important decision-making that requires the approval of the President shall be passed on to the Standing Corporate Auditors and any information relating to matters to be resolved by the Board of Directors shall be conveyed to individual Corporate Auditors in advance.

(c) If any officer or employee of the Company becomes aware of any facts that may cause significant damage to the Group, that violates or may violate laws and regulations or the Articles of Incorporation, or are grossly unjust, they shall report those matters to the Corporate Auditors. If any officer or employee of each Group company becomes aware of any facts that may cause significant damage to the Group, that violates or may violate laws and regulations or the Articles of Incorporation, or are grossly unjust, they shall report those matters to the Company's officers and employees and the Company's officers and employees who received the report will then report the matter to the Corporate Auditors.

(d) Any facts received through the Compliance Reporting System, accessible to the entire Group, or whistle-blowing contact centers at each Group company's internal whistleblower system that may cause significant damage to the Group and that violate or may violate laws and regulations and the Articles of Incorporation or any other important matters shall be reported to the Corporate Auditors, as appropriate, and the operation status of such reporting contacts shall be periodically reported through the Compliance Committee. In addition, in the Compliance Reporting System accessible to

the entire Group, if the subject of the report is the Director or Executive Officer of the Company, then the reporting contact or the Compliance Committee shall be required to report to the Corporate Auditors.

(e) The Company forbids any disadvantageous treatment of the Group officers and employees who submit various information to Corporate Auditors.

3) The Company shall promptly process the expenses required by the Corporate Auditors for the expenses of their duties.

4) The Company, in addition to the above, shall develop and operate the following systems to ensure that audits by Corporate Auditors are conducted effectively.

(a) Corporate Auditors may participate in important meetings regarding the state of business management as well as important meetings on internal control and express their opinions.

(b) Corporate Auditors shall attend internal audit reporting meetings and accounting audit review meetings as much as necessary as part of their cooperative efforts with the Internal Auditing Departments and the Accounting Auditor.

(c) The Board of Corporate Auditors shall convey the annual audit plan and the priority audit-related items to the Directors and Executive Officers, and the Directors and Executive Officers shall cooperate with the audit activities based thereon.

(d) The President shall hold regular meetings with Corporate Auditors and the two parties shall share opinions in order to ensure the appropriate execution of business of the Group.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development Updated

The Company has determined the following policies in “Code of Ethics for Group of Sumitomo Bakelite Co., Ltd.”, which is the standard of behavior that it expect its officers and employees to uphold.

- We will never comply with outrageous demands from anti-social forces. We will never use anti-social forces. We will take due care to ensure that our Group is not exploited by anti-social forces in the process of conducting our business.

Not only have the Company clearly stipulated in its internal control system its intention to exclude anti-social forces based on these policies, but it has also designated the Corporate General Affairs Division as the section in charge of the exclusion of anti-social forces. The Corporate General Affairs Division collects information on anti-social forces through attendance various liaison meetings hosted by the police, etc., and establish a framework that facilitates cooperation with the police, etc. when necessary.

V. Other

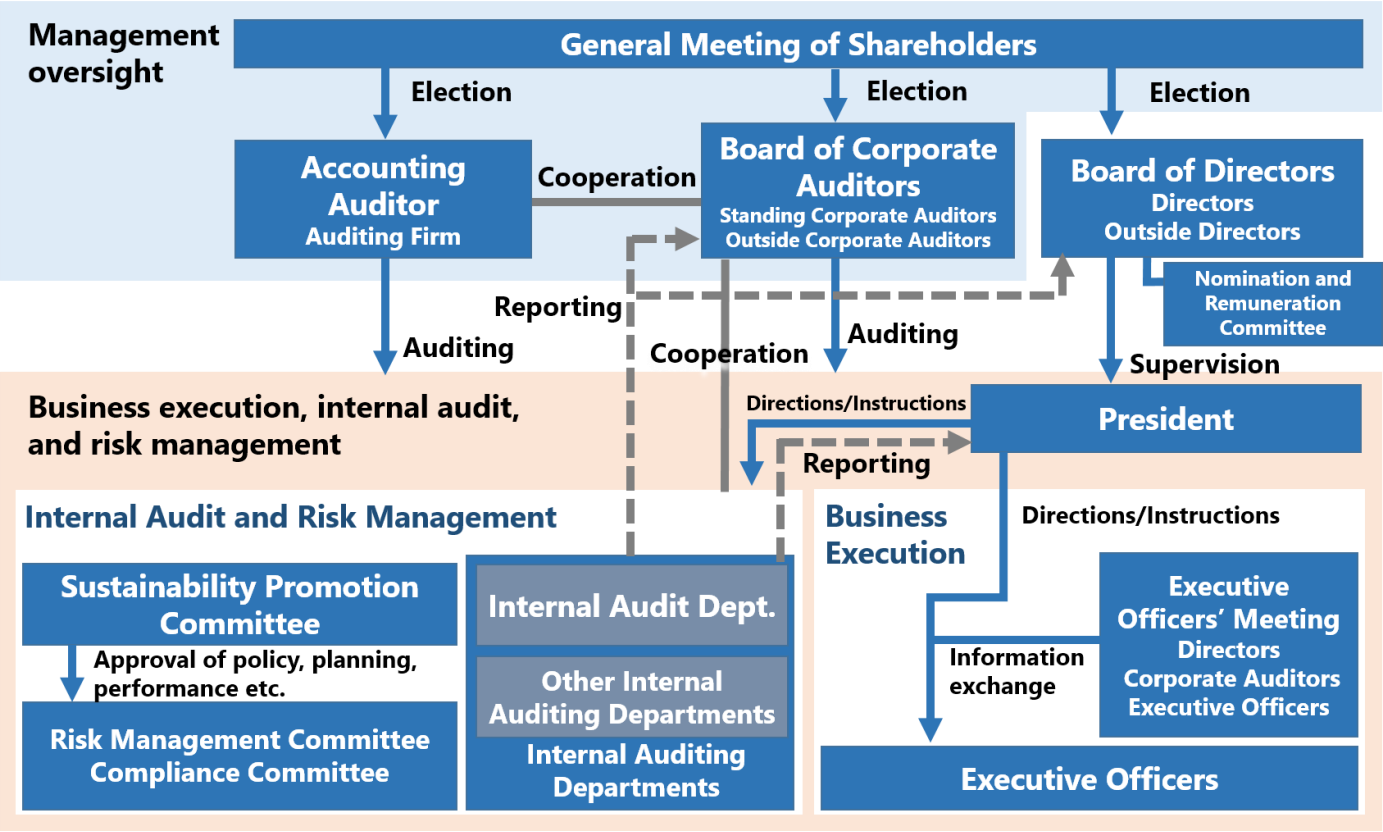
1. Adoption of Anti-Takeover Measures

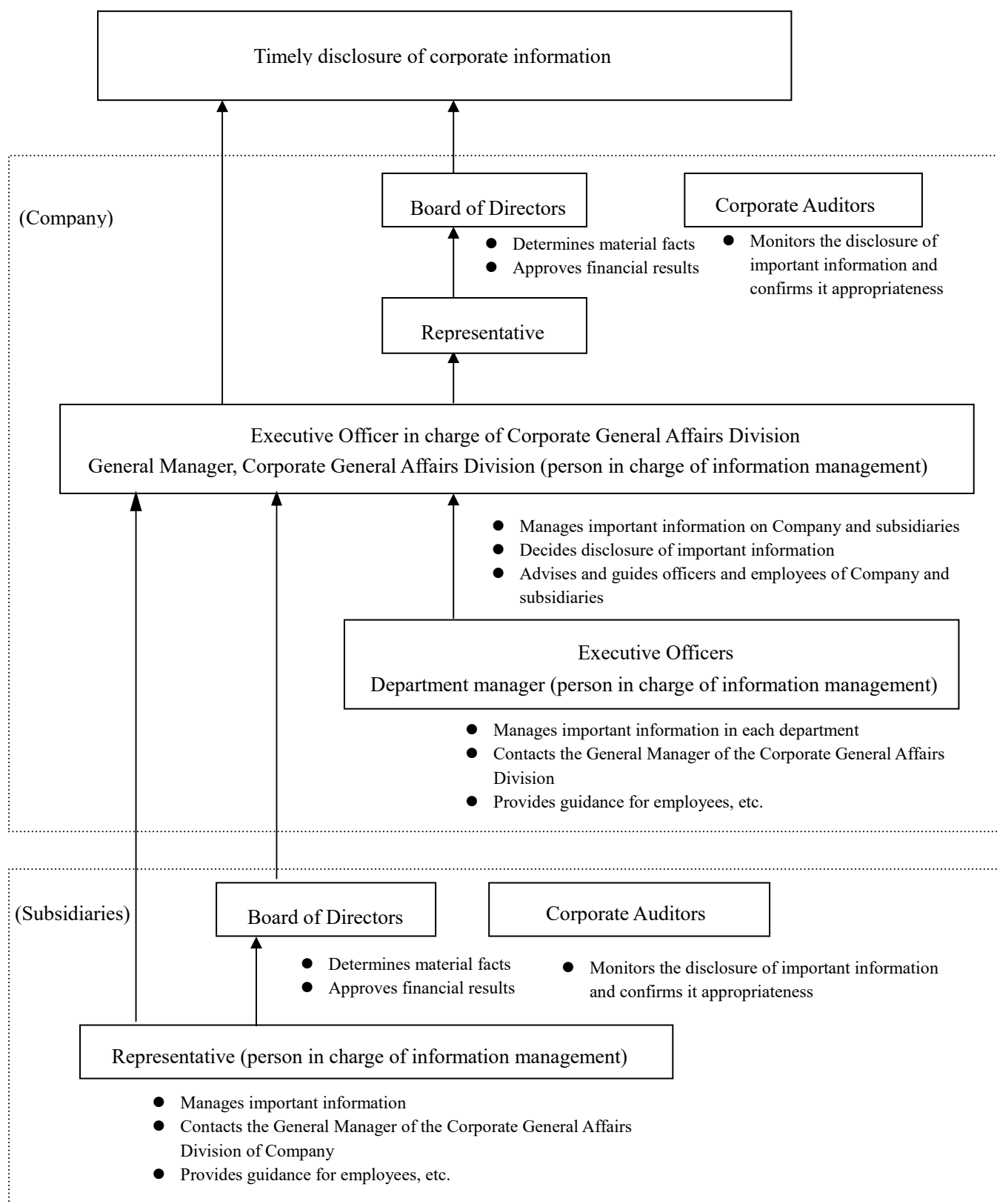
Adoption of Anti-Takeover Measures	Not Adopted
------------------------------------	-------------

Supplementary Explanation for Applicable Items
--

2. Other Matters Concerning the Corporate Governance System

Structure of Corporate Governance (as of June 22, 2023)





END