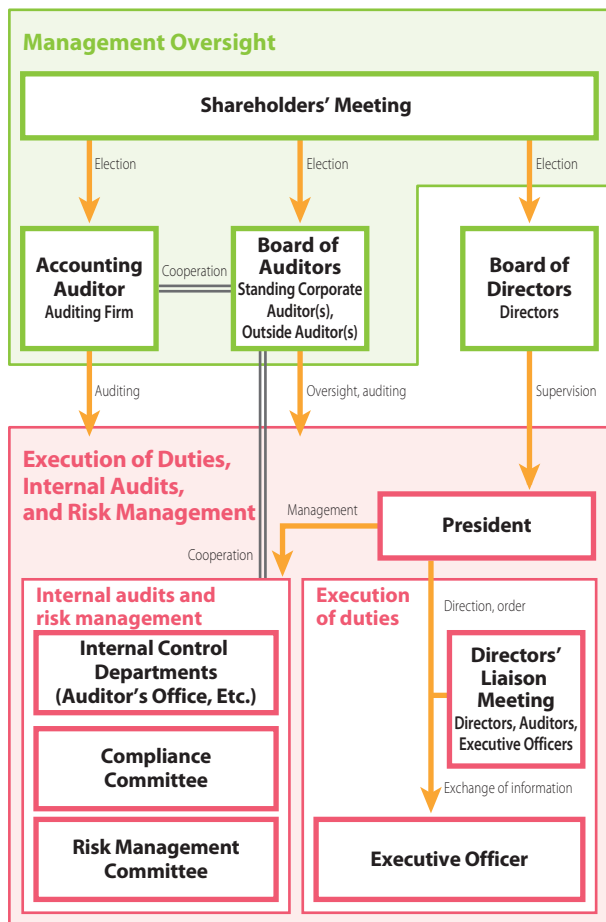


Enhancing management transparency and compatibility with society

Strengthening Corporate Governance

We at Sumitomo Bakelite Co., Ltd., recognize that improving transparency and our relationship with society is fundamental to corporate governance. The Company's philosophy is to value trust and maintain steadiness. Based on this, we strive through our business activities to make contributions to social progress and improvements to quality of life worldwide and are taking steps to further improve corporate governance.

■ Structure of Corporate Governance



Basic Policy Regarding Internal Control System Establishment

At the Board of Directors' meeting held on May 9, 2006, a basic policy on the establishment of internal control systems was adopted pursuant to Japan's Company Law. At a Board of Directors' meeting held on April 30, 2008, a portion of this basic policy was amended. For more information, please refer to our corporate website (<http://www.sumibe.co.jp/english/company/controlp.html>).

This fiscal year (April 2008 through March 2009) was the first year for the application of the internal control reporting system (J-SOX) required under Japan's Financial Instruments and Exchange Law. Through assessments of the design and operation of the Group's company-level controls and process-level controls, management assessed that internal control systems related to financial reporting were effective.

Rigorous Compliance

Sumitomo Bakelite promotes management with an emphasis on compliance in recognition of the fact that adhering to laws and corporate ethics is a crucial component of business activities.

We endeavor to ensure that all the individuals constituting the Company are sufficiently informed regarding Our Standards of Conduct, an employee conduct code which each and every employee is expected to follow in conducting business activities. Also, we are moving forward with compliance initiatives led by the Compliance Committee. In addition, similar initiatives are being implemented at all Group companies to ensure uniform operations, and our affiliates, including those overseas, are establishing codes for conduct based on Our Standards of Conduct.

Our Standards of Conduct

To further familiarize employees and ensure compliance with corporate ethics, Sumitomo Bakelite has established an employee conduct code called Our Standards of Conduct and distributes this in a booklet to all employees. Also, periodically this conduct code is confirmed by having employees take turns reading the code in the office.



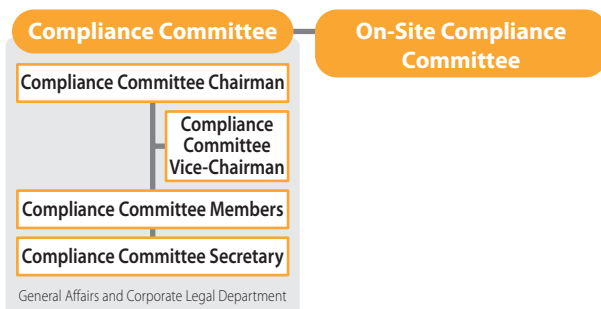
Our Standards of Conduct

1. We play an important, beneficial role in our society, offering customers products and services that put customer satisfaction first.
2. We strive to improve the performance of the Sumitomo Bakelite Group, always taking a global perspective.
3. We adhere to our corporate ethics, complying with legal requirements and our bylaws both in Japan and abroad, while engaging in fair and transparent business activities.
4. We emphasize safety while independently engaging in environmental protection activities.
5. We strive to create a pleasant work environment through respect for individual personalities and human rights.

Note: The booklet includes what we should strive for as well as specific modes of behavior related to each item.

The Sumitomo Bakelite Compliance System

As part of systems to ensure the appropriate conduct of business activities by Directors and employees, Sumitomo Bakelite has established its Compliance Committee. This committee is responsible for promoting compliance through assessments of compliance levels and, when necessary, undertaking related improvements as well as education and training.



Ten Articles for Emphasis in Compliance

To make compliance an integral part of daily activities, each department decides on the key items for compliance and prepares "Ten Articles for Emphasis in Compliance." The content of these articles varies from one department to another, but they are displayed prominently in all workplaces, and they are confirmed with all employees periodically by having them read the articles aloud in unison.

Reporting System

In cases where an employee discovers a compliance violation or suspects that there may have been a violation, he or she reports this directly to the supervisor or to a designated contact point. In addition, employees can access designated external legal counsel to report the incident.

During the fiscal year, two such reports were made, but neither of these contained factual information of any major improper activities, and both were dealt with appropriately and brought to a final settlement.



Status of Compliance

The Audit Office conducts internal audits in each department, and the status of compliance is reported and confirmed at the

meetings of the Compliance Committee. Through these activities, we confirmed the status of compliance in fiscal 2008 and found that there were no major legal or regulatory infractions in fiscal 2008 and no major violations of human rights.

Strengthening Risk Management

To prevent all kinds of potential risks from becoming actual and to minimize unavoidable business losses, Sumitomo Bakelite has established its Risk Management Committee, which operates continuously with a Companywide scope.

In addition, in April 2008, we instituted our Basic Risk Management Regulations, which establish the basic policy regarding the risk management of Sumitomo Bakelite and its Group companies, and we are currently working to implement on-target and precise management activities with respect to diverse kinds of risks.

Initiatives during the fiscal year included the preparation of a business continuity plan (BCP) assuming the occurrence of a major earthquake, formulation of measures for dealing with the new influenza strain, and the establishment of a contact system for quick and accurate communication within the Group.



Meeting of the Risk Management Committee

Initiatives to Protect Personal Information

We recognize that the customer, shareholder, employee, and other personal information in our possession is important and must be protected, and therefore are committed to ensuring that this information will not be leaked to outside sources.

For more information about Sumitomo Bakelite's privacy policy, please refer to our corporate website: (<http://www.sumibe.co.jp/english/>).

Voices of the People in Charge

Management has made its stance regarding compliance clear, and, based on this, we have a grasp of issues we should address in the Group as a whole. Through continued training, activities in the workplace, and other means, we want to ensure that each and every employee will comply with legal regulations and corporate ethics and, thereby, take care that the Company is evaluated as an enterprise that puts trust and integrity first.



Masahiko Shinoda, Manager, General Affairs and Legal Department