



Interview with Outside Directors

SPECIAL INTERVIEW

Tackling the changes that lie ahead alongside the new President: Our Outside Directors talk about their expectations and suggestions

FY2025: the year that Sumitomo Bakelite Co., Ltd.'s new President was appointed.
The Company's three Outside Directors talk about their views on progress toward the Medium-term Business Plan,
addressing the material issues, and efforts to enhance the effectiveness of the Board of Directors.
What advice about improving corporate value can they give from an outside perspective?



Kazuo Matsuda

Outside Director



Etsuko Nagashima

Outside Director



Hiroyuki Wakabayashi

Outside Director





We asked Director Matsuda...

President Kajiya was appointed in June this year. Please tell us about what you expect and want from the new management system.

In the current Medium-term Business Plan, in order to optimize product composition and strengthen the profitability of existing businesses, we must set the cash allocation to each business area with a focus on capital efficiency and push forward with transforming the product portfolio based on this. I think this is a way to bring the Business Philosophy, which has been passed on for 70 years since the Company was first founded, to the next generation. I would like the new President and the rest of the Company management to address this theme quickly and earnestly. Changes in the external environment can happen, but responding to these changes in a flexible way and taking on bold challenges is another management issue. As Outside Directors, I hope we can each bring our own knowledge and give good advice about responding to the changing environment, helping to show the Company the right path to take.

Please tell us what changes you have noticed in the effectiveness of the Board of Directors through management and discussions in FY2024.

It is 10 years since the Corporate Governance Code was established in 2015. The Company's Board of Directors has undergone great changes during this time. In particular, the Outside Officers' Meeting has been established since then, and has now become an important forum for communication between the business execution side and the internal Directors and Corporate Auditors. Companies often struggle with how to bridge the information gap between Corporate Auditors and Outside Directors, but I believe the Outside Officers' Meeting has resolved this issue here at the Company. Details about what has been discussed between internal Directors at the Management Committee are now explained at the Outside Officers' Meeting. It is commendable that progress is being made in making management more transparent. I hope we can move forward together toward achieving the Medium-term Business Plan through continued communication with the business execution side.

To "optimize product composition and strengthen the profitability of existing businesses" is the first strategy in our current Medium-term Business Plan. We are implementing measures after setting a new cash allocation. Please tell us what you think of these efforts, and your advice about future challenges.

The Medium-term Business Plan from FY2025 sets clear targets, both financial and non-financial. The level to which these targets have been achieved is linked to the evaluation of Directors' bonuses. Cash allocation was done as planned with stakeholders in mind, and a large share buyback has been implemented during the first fiscal year. One of the important strategies in this Medium-term Business Plan is to "optimize product composition and strengthen the profitability of existing businesses." The product portfolio is being reformed with an emphasis on capital efficiency. SB-ROIC, the Company's own indicator to measure capital efficiency, has been set as a new management indicator for each business division from FY2025. This is a step toward reforming the product portfolio. In the process of applying this Company-wide indicator to individual business divisions, it will become more important for each business division to see how this indicator relates to them. From my perspective as an Outside Director, I want to closely monitor the process of how SB-ROIC functions autonomously in each business division.

Kazuo Matsuda

Outside Director

- Apr. 1971 Entered The Fuji Bank Limited (currently Mizuho Bank, Ltd.)
- Apr. 2000 Senior Managing Executive Officer of Fuji Securities Co., Ltd. (currently Mizuho Securities Co., Ltd.)
- Oct. 2000 Managing Executive Officer of Mizuho Securities Co., Ltd.
- Jun. 2009 Director, Representative Executive Vice President of NSK Ltd.
- Jun. 2011 Special Advisor of NSK Ltd.
Standing Corporate Auditor of NSK-Warner K.K.
Outside Audit & Supervisory Board Member of Daido Metal Co., Ltd. (to the present)
- Jun. 2015 Outside Corporate Auditor of the Company
- Jun. 2016 Outside Director of the Company (to the present)

We asked Director Nagashima...

President Kajiya was appointed in June this year. Please tell us about what you expect and want from the new management system.

I know President Kajiya is highly respected within the Company. He was appointed at a difficult time, with issues including the appreciation of the yen and tariffs imposed by the US, but I believe that changes in the external environment are a good opportunity for a company to review its business efficiency, and I have faith in President Kajiya's ability. The new President and the rest of the Company management will be addressing the 12 material issues to achieve the targets set in the Medium-term Business Plan. These targets and guidelines have been set through careful discussion, so I hope they will make decisions and follow them through. Along with the other Outside Directors, I would like to make Sumitomo Bakelite Co., Ltd. "a company providing dreams for the future" with Vision 2030 as our aim.

Please tell us what changes you have noticed in the effectiveness of the Board of Directors through management and discussions in FY2024.

I think the PDCA cycle is being applied properly in the evaluation of effectiveness of the Board of Directors: the evaluation method is considered, results are analyzed and evaluated, issues are identified through discussion at each level, and actions are taken to make improvements. To improve the effectiveness of the Board of Directors, I believe honest discussion is required. All Directors, including newly appointed Officers, ask questions and actively express their opinions. These discussions have covered many themes that will help to improve corporate value over the medium- to long-term. There have been steady improvements in the issues raised in the effectiveness evaluation, including providing more information about internal discussions to the Outside Officers and the content of documents that we receive. Going forward, we intend to continue our in-depth discussions on the use of third-party organizations and resolving new issues, aiming to further improve the effectiveness of the Board of Directors.

What do you think of our efforts to embrace diversity, including promoting the advancement of women? Also, what do you think are the challenges for further progress in the material issue of human capital?

I think the appointment of Ms. Hiromi Oki and Ms. Akiko Okubo as Sumitomo Bakelite Co., Ltd.'s first female Executive Officers is a very significant step for the further development of the Company. Promoting diversity, including empowering women, makes the Company a more attractive place to work, helping to secure and retain human resources. I also believe that innovation comes from environments where ambitious and motivated people interact with each other. Human capital has been identified as one of the Company's value creation accelerators. The personnel system has been revised in the past few years, aiming to foster a culture of challenge and performance-based reward. I believe the Company is also taking a meticulous approach to creating a better working environment, by promoting health support measures and enhancing systems to enable diverse human resources to thrive. As for challenges, perhaps one challenge is boosting the next generation of female talent to follow in the footsteps of the two female Executive Officers.



Etsuko Nagashima

Outside Director

- Oct. 1978 Entered Deloitte Touche Tohmatsu LLC
- Jul. 1980 Entered Tsukeshiba CPA Accounting Office
- Oct. 1982 ertified Public Accountant registration
- Jun. 1988 Established Nagashima CPA Accounting Office (to the present)
- Apr. 2008 Representative Partner of Veritas Audit Firm
- Jun. 2016 Outside Director (Audit & Supervisory Board Member) of BULL-DOG SAUCE CO., LTD. (to the present)
- Jun. 2019 Outside Corporate Auditor of the Company
- Jun. 2021 Outside Director of the Company (to the present)

We asked Director Wakabayashi...

President Kajiya was appointed in June this year. Please tell us about what you expect and want from the new management system.

In FY2024, the first year of the Medium-term Business Plan, we achieved our targets thanks to employees and management working together to overcome adverse conditions, both in Japan and internationally. The Company is making steady progress toward the key matters set out in the Medium-term Business Plan, and with the background of the SB-ROIC indicator, I believe the One Sumibe mindset has become established among employees. President Kajiya was appointed in the midst of this situation. I expect President Kajiya to start by establishing the One Sumibe mindset among all employees, as I have just mentioned. I hope he will lead the Company with the same patience that he showed through the difficult business conditions he endured in North America when he was responsible for the high-performance plastics business in FY2024.

Please tell us what changes you have noticed in the effectiveness of the Board of Directors through management and discussions in FY2024.

When I first joined the Board of Directors, I often found reports and documents difficult to understand due to the terminology used. However, thanks to separate lectures for each business area and glossaries to explain terminology, my understanding has deepened. I believe careful efforts like this are leading to improved effectiveness of the Board of Directors. The Outside Officers' Meeting, held before the Board of Directors, is a good way for us to understand what will be discussed at Board of Directors meetings. Carefully considering matters discussed at the Outside Officers' Meeting and then discussing them again at the Board of Directors meeting is effective as a process, too. Aside from this, when I have requested improvements, I feel the Company has responded promptly and reliably.

Digital transformation is one of our material issues, and we are moving forward with this, including transforming our manufacturing systems into smart factories. What do you think of these efforts? Please also tell us your advice and opinions about how to successfully develop digital-skill leaders.

I sense that digital transformation is gaining momentum, as numerous case studies of digital technology being utilized in different ways have been brought up at technical discussions, R&D implementation declarations, and so on. In particular, the annual front line improvement presentations have been upgraded in FY2025 to a presentation covering the whole company's operations, from the perspective of strengthening digital transformation. This is a measure that I wanted to see. Accelerating the pace of digital transformation will require further training of practitioners, as well as opportunities for management to gain understanding. For research and development, I suggest holding research presentation sessions specializing in how to apply informatics technology. To promote the move to smart factories, I suggest establishing a department to promote data systems and utilization across departments, then holding presentations for all plants, including people at management level. I am sure these activities will lead to more opportunities for digital-skill leaders, helping to boost motivation and attract external talent.



Hiroyuki Wakabayashi

Outside Director

- Jun. 1979 Entered DENSO CORPORATION
- Jun. 2006 Entered DENSO CORPORATION
- Jun. 2013 Senior Executive Director, Member of the Board of DENSO CORPORATION
- Jun. 2014 Director, Member of the Board, Senior Executive Director of DENSO CORPORATION
- Jun. 2015 Senior Executive Director of DENSO CORPORATION
- Jun. 2016 Director, Member of the Board, Senior Executive Director of DENSO CORPORATION
- Apr. 2017 Executive Vice President, Member of the Board of DENSO CORPORATION
- Jun. 2024 Outside Director of the Company (to the present)