

Last Update: June 28, 2024

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 fulfill 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.

[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 2023, the Board of Directors reviewed at its meeting held in September 2023 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 confirmed that every issue had a valid need for cross-shareholding. After that, considering that the reduction of cross-shareholdings is required, the Company further reviewed the necessity of cross-shareholdings and sold issues whose necessity to hold was deemed to diminish.

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 Company established the DE&I Promotion Department as a dedicated department to promote these activities, and makes efforts to 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, 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 2023, the Company established “the Working Group for the Advancement of Women” as part of the promotion of the active participation of women and round-table discussions were held for female employees at all business sites in Japan. Based on the opinions of female employees, the Company is implementing highly effective measures that lead to the advancement of women, such as revising the system and strengthening educational activities as well as encouraging female employees to share their views and opinions and build relationships where they can consult with each other.

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 2023, the ratio was 3.7%. 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 2024, foreign nationals served in approximately 20% of the 150 or so executive positions at overseas Group companies.

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. Therefore, the Company appoints mid-career recruits to manager positions based on the same criteria as new graduate hires.

The Company is aware of the importance of proactively hiring mid-career recruits so that diverse employees can demonstrate their personalities and capabilities to ultimately raise the performance of the individual and the organization. Accordingly, the Company has set the ratio of mid-career recruits as a new KPI for its priority management actions (applicable to the career-track recruits of the non-consolidated Company). We will aim for 30% in fiscal 2024, 40% in fiscal 2026, and 50% in fiscal 2030.

The Company hired 17 mid-career employees (including nine career-track employees) in fiscal 2023 which accounted for 25% of all hires (applicable to career-track employees of the non-consolidated Company for fiscal 2023) and 27% if all mid-career recruits hired at the business sites were included.

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.

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 Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof in Section II Item 1. Director Remuneration 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 has set forth its Business Philosophy of "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." Based on this Business Philosophy, the Group upholds the new sustainability promotion policy of aiming to improve corporate value sustainably by conducting business activities for our Purpose, "Toward a sustainable society through expanding the potential of plastics" and will shore up initiatives that focus on sustainability. Pursuing the diverse functions of plastics and expanding their potential, we will contribute to the realization of a sustainable society by continuously implementing new products and services in society that contribute to the achievement of the SDGs.

To achieve our Vision 2030, "We aim to become a company that makes your dreams for the future a reality" by creating value for our clients, and to strive for the improvement of sustainable corporate value and the further strengthening of the management foundation, we revised our Material Issues (Materiality).

In terms of the "Creation of environmental and social values," we will make efforts to contribute to achieving the SDGs and address climate change. To promote these initiatives, we will drive forward the value creation accelerators of "Co-creation with customers," "Innovation" to create new value for future profit creation," "Digital transformation"

to promote business model transformation, and “Human capital management (utilization of human resources)” to encourage diversity among employees, enhance individual autonomy, and improve organizational capabilities.

On February 1, 2024, the Group established the “Human Rights Policy for Group of Sumitomo Bakelite Co., Ltd.,” and commenced the implementation of human rights due diligence (Human Rights DD) based on international standards such as the United Nations’ “Guiding Principles on Business and Human Rights”, etc. We established the Human Rights DD Working Group (Leader: General Manager of the Personnel Division, Sub-leaders: General Managers of the Global Procurement Division and Corporate General Affairs Division) within the Risk Management Committee to identify and assess the negative effects of the Group’s business activities on human rights and to deal with priority issues.

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 Risk Management Committee 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 “ICT,” “Mobility,” and “Healthcare” as strategic 3 areas in R&D, and devoted around 5% of its revenue as R&D costs to create new products, new business and innovation that have the future value (environmental value, social value and economic value) including the SDGs and the carbon neutral. 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 implementing initiatives to resolve these issues at the Board of Directors. The results of the analysis and evaluation of the effectiveness of the Board of Directors for fiscal 2023 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 at the Outside Officers’ Meeting held in December 2023 (consisting of Outside Officers, the Director Overseeing the Corporate General Affairs Division and the Corporate Finance & Planning Division, the Standing Corporate Auditors, and the Executive Officer in charge of the Corporate General Affairs Division), discussed the policy and implementation method of the effectiveness evaluation for fiscal 2023, and from the viewpoint of stationary observations and going through the PDCA cycle, 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 2024 the implementation policy, method, and items in the questionnaire for the effectiveness evaluation of the Board of Directors conducted in fiscal 2023, the Company conducted a questionnaire of all Directors and Corporate Auditors in February 2024.
- As in the previous fiscal year, the questionnaire, 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. Furthermore, to ensure objectiveness and transparency, the questionnaire items reflected the issues recognized in the previous fiscal year and the Company’s ongoing initiatives in addition to having sought the advice of the external lawyer, who provided an opinion when the questionnaire was initially created.

- 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 2024. The Board of Directors at the meeting held in May 2024 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 them, 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 there were no issues quantitatively or qualitatively with the major areas of "Composition," "Operation," and "Provision of information" and that the effectiveness of the Board of Directors was assured in these areas. However, in the major area of "Matters to be submitted," the initiative to "Promote the sharing of discussions that led to the agenda," which had been raised in the previous fiscal year, was once again pointed out to be insufficient, as indicated below. Furthermore, an officer suggested that further investigation would be necessary to strike the clear balance between matters to be resolved and matters to be reported, and it was confirmed that to enhance effectiveness, deep-dive improvements of these matters were required.

The status of addressing the initiatives raised in the previous fiscal year and the evaluation results thereof are as follows.

Initiative 1: "Strengthen discussions of themes contributing to the medium- to long-term enhancement of corporate value at the Board of Directors."

(Measures) Increase the number of discussions at the Board of Directors concerning themes that contribute to the medium- to long-term enhancement of corporate value by proactively discussing the new Medium-Term Business Plan to start from fiscal 2024, in addition to ESG-related themes such as sustainability and human capital.

(Evaluation) Due to the measure above, significant improvements were recognized. It was confirmed that going forward deep-dive discussions will be carried out on each theme.

Initiative 2: "Promote the sharing of discussions that led to the agenda"

(Measures) Proactively encourage the Director proposing the agenda to explain the discussions from the Management Committee at the meetings of the Board of Directors and the Internal Directors to feed back the opinions and observations made at the Outside Officers' Meetings to the Board of Directors.

(Evaluation) Outside Officers raised many points that the sharing of discussions conducted by the Management Committee with the Board of Directors remained insufficient and improvements were not deemed enough. In particular, the process of submitting an agenda to the Board of Directors after the Management Committee was thought to be opaque, and the need to clarify the agenda process was confirmed.

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

As described above, despite concluding that the effectiveness of the Board of Directors was generally ensured, based on comments demanding improvements in "Promote the sharing of discussions that led to the agenda" and "The balance of matters to be resolved and matters to be reported," it is believed that the sharing of the process leading to the agenda (e.g. the discussions at the Management Committee, the events leading to and the background of the resolution and the report at the Board of Directors meetings) is being perceived as an issue. Therefore, the Company decided to strive for the further improvement of the effectiveness of the Board of Directors by positioning "clarifying the process for setting the agenda" as the policy for addressing future initiatives.

[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 and the Corporate

Finance & Planning Division, Standing Corporate Auditors, 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. 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.

[Action to Implement Management that Is Conscious of Cost of Capital and Stock Price]

With the aim of a sustainable increase in corporate value, the Company, in the “Vision 2030” articulates the direction of focusing on business profit as the indicator for value creation toward achieving sustainable growth of the Group, while also setting an ROE of 10% as the targeted indicator of the profitability of capital. In the “Medium-Term Business Plan 2024-26,” which was developed by backcasting from the Vision, we uphold the policy of “taking on the challenge of our portfolio transformation leading to value creation” and we are taking on the challenge of achieving 40 billion yen in business profit and ROE of 9.0% in fiscal 2026, the final year of the plan.

Specifically, by referring to SB-ROIC, our internal indicator, we will optimize the product mix to strengthen the profitability of existing businesses, accelerate the creation of new products and new solutions with environmental and social value, and in terms of human capital which will be the basis for promoting these initiatives, enhance individual autonomy and organizational unity to maximize companywide capabilities, and in this way, incorporate into the action plan various measures that will lead to the further enhancement of corporate value.

Furthermore, in anticipation of further corporate growth, during the three-year period of the Plan, we have set investment policy of 20 billion yen for growth investment, in addition to 50 billion yen for capital investment and 50 billion yen for strategic investment. Capital will be proactively invested toward R&D, DX, and GX implementation to create new products and solutions that will contribute to the business portfolio transformation. Shareholder returns have been set at 30 billion yen and the dividend payout ratio has been revised upward from 30% or more to “aiming for approximately 40%.”

We will proactively disclose the progress on these initiatives and their specific results through constructive dialogue with our stakeholders including shareholders and investors.

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	22.57
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,281,000	13.49
Custody Bank of Japan, Ltd. (Trust Account)	3,911,700	8.40
SSBTC Client Omnibus Account	3,036,637	6.52
State Street Bank and Trust Company 505001	973,264	2.09
Japan Post Insurance Co., Ltd.	953,000	2.05
Custody Bank of Japan, Ltd. (Retirement Payment Account of Sumitomo Mitsui Trust Bank)	654,900	1.41
Sumitomo Mitsui Banking Corporation	654,121	1.40
Sumitomo Life Insurance Company	523,400	1.12
Mitsui Sumitomo Insurance Co., Ltd.	474,800	1.02

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, 2024.

According to an amendment to its large-scale shareholdings report (an amendment report) made available for public inspection on August 4, 2023, Sumitomo Mitsui Trust Bank, Ltd., Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. held 2,784 thousand shares in the Company (5.61%) as of July 31, 2023. However, the Company could not confirm the number of shares substantially held as of March 31, 2024, so this is not included in the status of major shareholders above.

According to an amendment to its large-scale shareholdings report made available for public inspection on October 20, 2023, Asset Management One Co., Ltd. and Asset Management One International held 2,537 thousand shares in the Company (5.12%) as of October 13, 2023. However, the Company could not confirm the number of shares substantially held as of March 31, 2024, so this is not included in the status of major shareholders above.

According to an amendment to its large-scale shareholdings report made available for public inspection on December 7, 2023, Capital Research and Management Company held 2,745 thousand shares in the Company (5.86%) as of November 30, 2023. However, the Company could not confirm the number of shares substantially held as of March 31, 2024, so this is not included in the status of major shareholders above.

According to an amendment to its large-scale shareholdings report (an amendment report) made available for public inspection on April 4, 2024, Nomura Securities Co., Ltd. and Nomura Asset Management Co., Ltd. held 5,594 thousand shares in the Company (5.97%) as of March 29, 2024. However, the Company could not confirm the number of shares substantially held as of March 31, 2024, 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) **Updated**

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

*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) **Updated**

Name	Designation as Independent Officer	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Kazuo Matsuda	○	—	Mr. Kazuo Matsuda provides the 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.

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>
Hiroyuki Wakabayashi	○	<p>The Company has executed a technical consulting agreement with Mr. Hiroyuki Wakabayashi. However, that agreement is terminated in the recent fiscal year. The Company has business transactions with DENSO CORPORATION, which Mr. Hiroyuki Wakabayashi served as Director, Member of the Board in the past, involving sales of the Company’s products. However, the amount of the said transactions accounts for less than 2% of the Company’s “revenue” for the most recent fiscal year and less than 2% of DENSO CORPORATION’s consolidated “cost of revenue” and “selling, general and administrative expenses” put together for the most recent fiscal year. Therefore, the Company has determined that Mr. Wakabayashi’s independence is ensured.</p>	<p>Mr. Hiroyuki Wakabayashi has considerable experience and a wide range of insights that he cultivated as a management executive in charge of overall production, R&D, and the IT digital field, among others at a major manufacturer. The Company expects him to provide appropriate opinions and valuable advice from an objective standpoint by using such knowledge. 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>

Voluntary Establishment of Committee(s) equivalent to Appointment Committee or Remuneration Committee	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	4	0	1	3	0	0	Inside Director
	Committee							

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."

In 2023 fiscal year, subject to the above, the Nomination and Remuneration Committee discussed the election of candidates of Directors and setting up the skill matrix based on the new structure of the Board of Directors with regard to the nomination of Directors, and determined amounts for monthly payment according to the position of Directors, amounts to be paid by position when allocating bonuses and amounts of the stock compensation to be paid according to the Director's position with regard to Director remuneration. The constituent members and the attendance rates of the Nomination and Remuneration Committee meetings held in fiscal 2023 are as follows. The meetings were chaired by Kazuhiko Fujiwara.

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

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

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

Etoko Nagashima (Independent Outside Director): attended four of the four meetings

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 holds meetings with the Accounting Auditor, KPMG AZSA LLC (the "Auditor") throughout the year to share information and exchange opinions on such matters as the Auditor's annual audit plan, risk assessment and priority audit areas, major audit-related issues, and the progress of audit duties, and receives reports on the results of quarterly reviews and the Accounting Auditor's report. And, given the proven benefits of such endeavors in the previous years, the Standing Corporate Auditors once again this year participated in the review of the on-site inspections of the domestic business sites by the Accounting Auditor and accompanied the Accounting Auditor on on-site inspections of four important overseas subsidiaries in China and Europe to deepen mutual cooperation and comprehensively confirm the appropriateness of the audits by the Accounting Auditor. The Board of Corporate Auditors also received timely reports from the Accounting Auditor on the punishment given at fiscal 2023 by The Japanese Institute of Certified Public Accountants and others relating to past audits of another company by the Accounting Auditor and confirmed that the impact thereof on the Company would be minimal.

In particular, with regard to "key audit matters," the Board of Corporate Auditors conducted careful deliberations through repeated discussions with the Accounting Auditor on several specific themes that were indicated by the Accounting Auditor as candidates for consideration, such as the assessment of goodwill of overseas subsidiaries, at each stage of the audit process,

including the audit plan for fiscal 2023, the reporting of the results of quarterly reviews 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, in addition to the participation in the discussion in the on-site inspections of overseas subsidiaries and ultimately found no differences opinions with the Accounting Auditor.

Furthermore, the Standing Corporate Auditors, in addition to receiving reports in person, along with the President, on the results of individual internal audits from the General Manager of the Internal Audit Department, participate in internal audit reviews and attend on-site inspections of the Internal Audit Department. The Standing Corporate Auditors also provide advice to and exchange opinions with the Internal Audit Department, through regular exchanges, 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 having Outside Corporate Auditors participate in the regular exchanges with the Internal Audit Department at least once a year.

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

Adoption of performance-based compensation plan, Other

Supplementary Explanation for Applicable Items

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 462 million yen (monthly remuneration: 271 million yen, bonuses: 162 million yen, non-monetary remuneration: 28 million yen)
4 Corporate Auditors: Total remuneration, etc. of 77 million yen (monthly remuneration: 77 million yen)
The above amounts include a total amount of remuneration, etc. for five Outside Officers of 58 million yen (monthly remuneration: 58 million yen)
(Note) 1. The company provides Directors (excluding Outside Directors) with restricted stock compensation as non-monetary remuneration. The content of the restricted stock compensation is described below under the section entitled "Policy on Determining Remuneration Amounts and the Calculation Methods Thereof".
2. The total amount of non-monetary remuneration is an amount recorded as expenses in 2023 fiscal year.
2. Total Amount of Remuneration for Each Officer
The Company discloses individual persons receive a total remuneration amount, etc. of 100 million yen or more in the annual securities report. Please refer to it.
Annual securities report: <https://www.sumibe.co.jp/ir/library/report/index.html> (in Japanese only)
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 and the total maximum number of Company's common shares to be issued or disposed was resolved at a maximum of 150,000 shares per year, which is the adjusted number by a share split effective on April 1, 2024, 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)
Kazuo Matsuda (Independent Outside Director)
Etsuko Nagashima (Independent Outside Director)
Hiroyuki Wakabayashi (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 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 2023, 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 on deliberation contents of various internal committees including the Sustainability Promotion Committee, and received reports and deliberated on matters relating to the promotion of sustainability regarding ESG initiatives, risk management matters including the risks surrounding the Company and their countermeasures, matters relating to proactively utilizing human capital including DE&I initiatives and review of findings of employee engagement survey, and matters relating to enhancing effectiveness based on the results of the effectiveness evaluation of the Board of Directors, etc. In addition, the Board of Directors repeatedly and intensively deliberated on establishing the New Mid-Term Business Plan starting in fiscal 2024, and set the Company's new materiality issues through the resolution of the Board of Directors so that the Company can achieve its vision, which was opened in the Mid-Term Business Plan, "We aim to be a company providing dreams for the future' through creating value with our customers".

The constituent members and the attendance rates of the Board of Directors meetings held in fiscal 2023 are as follows. The meetings were chaired by Kazuhiko Fujiwara.

Representative Director and President Kazuhiko Fujiwara: 13/13 (100%)

Representative Director Masayuki Inagaki: 13/13 (100%)

Director Sumitoshi Asakuma: 13/13 (100%)

Director Takashi Nakamura: 3/3 (100%)

Director Takashi Kobayashi: 13/13 (100%)

Director Keisuke Kurachi: 13/13 (100%)

Director Toshiya Hirai: 10/10 (100%)

Director Kazuo Matsuda: 13/13 (100%)

Director Etsuko Nagashima: 13/13 (100%)

Standing Corporate Auditor Tsuneo Terasawa: 3/3 (100%)

Standing Corporate Auditor Yoshikazu Takezaki: 10/10 (100%)

Standing Corporate Auditor Katsushige Aoki: 13/13 (100%)

Corporate Auditor Kazuhiko Yamagishi: 13/13 (100%)

Corporate Auditor Noriko Kawate: 13/13 (100%)

(Note) 1. The position of each constituent member represents the position as of the last day of his or her term of office during fiscal 2023.

2. Takashi Nakamura retired from his positions of a Director at the conclusion of the 132nd Ordinary General Meeting of Shareholders held on June 22, 2023, and his attendance rate represents his attendance until such date of retirement.
3. Toshiya Hirai was elected and took office as a new Director at the 132nd Ordinary General Meeting of Shareholders held on June 22, 2023, and his attendance rate represents his attendance after such date of appointment.
4. Tsuneo Terasawa retired from his positions of a Corporate Auditor at the conclusion of the 132nd Ordinary General Meeting of Shareholders held on June 22, 2023, and his attendance rate represents his attendance until such date of retirement.
5. Yoshikazu Takezaki was elected and took office as a new Corporate Auditor at the 132nd Ordinary General Meeting of Shareholders held on June 22, 2023, 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 part-time Independent Outside Corporate Auditors. The Board of Corporate Auditors intends to maintain the current diverse composition of members with appropriate experience and abilities, including knowledge of finance, accounting, and legal affairs, and to conduct fair and impartial auditing activities going forward.

The attendance of each Corporate Auditor at the Board of Corporate Auditors meetings held in fiscal 2023 is as follows:

Standing Corporate Auditor Tsuneo Terasawa (reappointed June 24, 2019, retired June 22, 2023): Board of Corporate Auditors 6/6

Standing Corporate Auditor Yoshikazu Takezaki (appointed June 22, 2023) Board of Corporate Auditors 13/13

Standing Corporate Auditor Katsushige Aoki (reappointed June 22, 2023): Board of Corporate Auditors 19/19

Outside Corporate Auditor Kazuhiko Yamagishi (reappointed June 22, 2023): Board of Corporate Auditors 19/19

Outside Corporate Auditor Noriko Kawate (reappointed June 23, 2023): Board of Corporate Auditors 19/19

(Note) The position as of the last day of service in fiscal 2023 is indicated.

(b) Status of Board of Corporate Auditors Activities

The activities of the Board of Corporate Auditors are based on the basic policy of responding flexibly to changes in the environment and performing fair, impartial, and transparent audits in order to establish a good corporate governance system that will enable sound and sustainable growth and the medium- to long-term creation of corporate value, as well as live up to the trust placed on the Company by society. Based on this policy, the Board of Corporate Auditors reviews the previous fiscal year’s audit activities every year to enhance the effectiveness of audits and discusses the assessment and verification of effectiveness among all Corporate Auditors. As a result of the assessments and verifications of the previous fiscal year, the Board of Corporate Auditors was able to confirm the benefits of conducting on-site inspections of the activities of each business, and accordingly, it once again focused on conducting as many on-site inspections as possible. Thereupon, the Board of Corporate Auditors deliberated the risks facing the Company and drew up the audit plan for the current fiscal year with the three priority audit items of “Confirmation of the status of Group governance and risk management,” “Confirmation of the state of development and operation of the Group’s internal control systems,” and “Confirmation of the state of the Group’s compliance with laws and regulations, the Articles of Incorporation, and internal rules and regulations” to support the sustainability activities being promoted by the Group as part of its important management challenges. It then reported the outline of that plan to the meeting of the Board of Directors held on June 22, 2023, and proceeded with audit activities with the cooperation of the Directors.

(The major resolutions and consultations of the Board of Corporate Auditors were as follows.)

- It selected the Chairperson of the Board of Corporate Auditors, the Specified Corporate Auditors, and the Standing Corporate Auditors, and determined the allocation of remuneration for the Corporate Auditors for fiscal 2023.
- It formulated the audit plan and determined the priority audit items and the allocation of audit activities for the current fiscal year.
- It agreed to the submission of the proposal for the election of a Substitute Corporate Auditor to the General Meeting of Shareholders.
- It evaluated the Accounting Auditor and determined its reappointment.
- It agreed to the proposal for remuneration of the Accounting Auditor.

- It gave prior approval to the Accounting Auditor and its network of Accounting Auditors providing non-assurance services.
- It prepared the audit report of the Board of Corporate Auditors.
- It deliberated the appropriateness of the descriptions in the annual securities report.
- It determined the policy for the Board of Corporate Auditors' response to the Ordinary General Meeting of Shareholders. (In addition to the resolutions and consultations, the Board of Corporate Auditors reported and reviewed the following.)
- It reported on the status of Standing Corporate Auditor activities (status of important meetings attended, status of meetings with departments that support the Group's internal control systems, confirmation of president's decision-making, status of on-site inspections, attendance at on-site inspections by the Accounting Auditor, attendance at internal audits, etc.) and conducted the necessary exchange of opinions and review.
- It reviewed the knowledge, experience, capabilities, etc., required by Corporate Auditors and the methods of disclosure thereof.
(Other major activities of the Board of Corporate Auditors)
- It exchanged opinions with the Representative Director and President (each quarter) (A total of four meetings were held with the attendance of all Corporate Auditors).
- It shared information and exchanged opinions with the Accounting Auditor (A total of ten meetings were held with the attendance of all Corporate Auditors).
- It participated in the reviews of domestic on-site inspections of the Accounting Auditor and accompanied the Accounting Auditor on overseas on-site inspections (A total of nine locations with the participation of all Corporate Auditors).
- It attended the Outside Officers' Meetings (A total of 11 meetings were held with the attendance of all Corporate Auditors at all Outside Officers' Meetings).

(Note) The Outside Officers' Meeting is held each month except for June before the meeting of the Board of Directors with core members including Outside Directors, Standing Corporate Auditors, 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, and members of the Corporate General Affairs Division and the Corporate Finance & Planning Division, with the attendance of additional officers and employees depending on the agenda.

- (Exchange of opinions with the Representative Director and President)
- Meetings with the Representative Director and President were held quarterly, in principle, to report on audit activities and exchange opinions on the various issues involving the management of the Company.
(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. Accordingly, all Corporate Auditors attend the Outside Officers' Meetings to exchange opinions on the agenda and the matters to be reported at the Board of Directors meetings such as important investment projects including M&As, important business restructuring, and sustainability activities and the evaluation of the effectiveness of the Board of Directors, and to share various management information.
- The Board of Corporate Auditors conducts on-site inspections of domestic business sites and subsidiaries in cooperation with Outside Directors who wish to accompany, to the extent possible (In fiscal 2023, the Board of Corporate Auditors jointly visited one location with an Outside Director).

(c) Main Activities of Corporate Auditors

In addition to the activities of the Board of Corporate Auditors, each of the Corporate Auditors conducted the following audit activities and brought to the attention of the Board of Directors and operating departments any issues that it discovered through these audit activities, and made recommendations.

Attended the Board of Directors meetings (A total of 13 meetings were held. Standing Corporate Auditors attended 13 times and Outside Corporate Auditors attended 13 times).

Attended the Executive Officers' Meeting (monthly meetings of Executive Officers) (A total of 12 meetings were held. Standing Corporate Auditors attended 12 times and Outside Corporate Auditors attended 12 times).

Attended the Executive Management Meetings (Note 1), and the Budget Meetings (Note 2) (A total of four meetings were held. Standing Corporate Auditors attended four times and Outside Corporate Auditors attended four times).

Attended the Sustainability Promotion Committee (A total of nine meetings were held. Standing Corporate Auditors attended all meetings).

Attended the Risk Management Committee (A total of three meetings were held. Standing Corporate Auditors attended all meetings).

Attended the Compliance Committee (One meeting held. Standing Corporate Auditors attended).

Attended other important meetings (A total of 11 meetings were held. Standing Corporate Auditors attended 11 times and Outside Corporate Auditors attended twice).

Conducted on-site inspections of domestic business sites and domestic subsidiaries. (Five locations. Standing Corporate Auditors inspected five locations and Outside Corporate Auditors inspected four locations).

Conducted on-site inspections of overseas subsidiaries (Four locations. Standing Corporate Auditors inspected two locations in China and two locations in Europe).

Held regular exchanges by gathering the internal control-related departments in the Corporate General Affairs and other divisions (A total of 12 meetings were held. Standing Corporate Auditors held all meetings).

Attended the audit reviews and on-site inspections conducted by the Internal Audit Department (17 locations. Standing Corporate Auditors attended 11 domestic locations and six overseas locations).

Held regular exchange meeting with the Internal Audit Department (A total of four meetings were held. Standing Corporate Auditors attended four times and Outside Corporate Auditors attended once).

Held regular exchange meeting with other individual departments (A total of 18 meetings were held. Standing Corporate Auditors attended 12 meetings with the Corporate Production Management & Engineering Division, four meetings with the Corporate Research & Development Division, and two meetings with the Corporate Finance & Planning Division).

(Notes) 1. A semi-annual meeting of all Executive Officers, management staff, and representatives of subsidiaries

2. A meeting to deliberate the proposed budget for the following fiscal year

- Standing Corporate Auditors strive to proactively develop an environment conducive to audits, gather in-house information, and read circulated materials relating to the drafting/approval of important proposals and Management Committee, according to an assignment of responsibility as a full-time officer. In addition, they attend important meetings such as the Risk Management Committee and Compliance Committee, conduct on-site inspections of business sites and subsidiaries selected based on the risk-based approach, and proactively accompany the Accounting Auditor on-site accounting audits and the internal audits conducted by the Internal Audit Department. In the current fiscal year, in response to the increase in the sustainability activities of the Company, Standing Corporate Auditors also newly attended the Sustainability Promotion Committee and enthusiastically made recommendations on the establishment of Materiality and the human rights policy.
- Standing Corporate Auditors successively interview Directors and employees on the status of business execution, as necessary, and also value exchanges with the departments that support the internal control systems of the Group. Specifically, they gather members of the Corporate General Affairs Division, Personnel Division, Corporate Finance & Planning Division, IT Promotion Division, Corporate Planning Department, and the Internal Audit Department, to hold regular meetings for promoting mutual communication among the divisions as well as the exchange of information. Standing Corporate Auditors also hold individual exchanges regularly with such divisions as the Corporate Production Management & Engineering Division, Corporate Research & Development Division, Corporate Finance & Planning Division, and the Internal Audit Department to share information and exchange opinions.
- Standing Corporate Auditors strived 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, The Japanese Institute of Certified Public Accountants and other organizations (69 meetings including web-based conferences) and in current fiscal year they focused on understanding the situation surrounding sustainability. Standing Corporate Auditors share the information and knowledge obtained through these activities with Outside Corporate Auditors at the Board of Corporate Auditors meetings to further strive to improve the effectiveness of audit activities based on the discussions at the Board of Corporate Auditors.
- Outside Corporate Auditors engage in the activities of the Board of Corporate Auditors, and also attend important meetings other than Board of Directors meetings including the Executive Officers' Meetings, Executive Management Meetings, and Budget Meetings, and participate in the on-site inspections of business sites and subsidiaries to the extent possible to provide advice based on their expertise.

[Status of Internal Audits]

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

The Company's Internal Audit Department (9 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. The priority audit themes are selected by considering the tendency of matters pointed out in the previous fiscal year, status of law amendments and promoting activities of the entire Company's group such as the sustainability and safety activities. In fiscal 2023, also, the Internal Audit Department, in accordance with the audit plan approved by the President, conducted internal audits on 26 organizations in Japan and nine 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. The Internal Audit Department makes its efforts to enhance the effectiveness of internal audits based on the discussion with Directors in the meeting of the Board of Directors and with Corporate Auditors in the regular exchange meetings, and aims to conduct internal audits which contribute to strengthen the governance of the Company's group. 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 Kentaro Yamamoto
Designated limited liability partner and engagement partner Naoto Watanabe

- 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, Kazuo Matsuda, Etsuko Nagashima and Hiroyuki Wakabayashi, 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

	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

	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

The Company has determined by resolution of the Board of Directors to develop the following basic policy on the development of a system to ensure that the Group conducts its business appropriately.

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

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 expects 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.

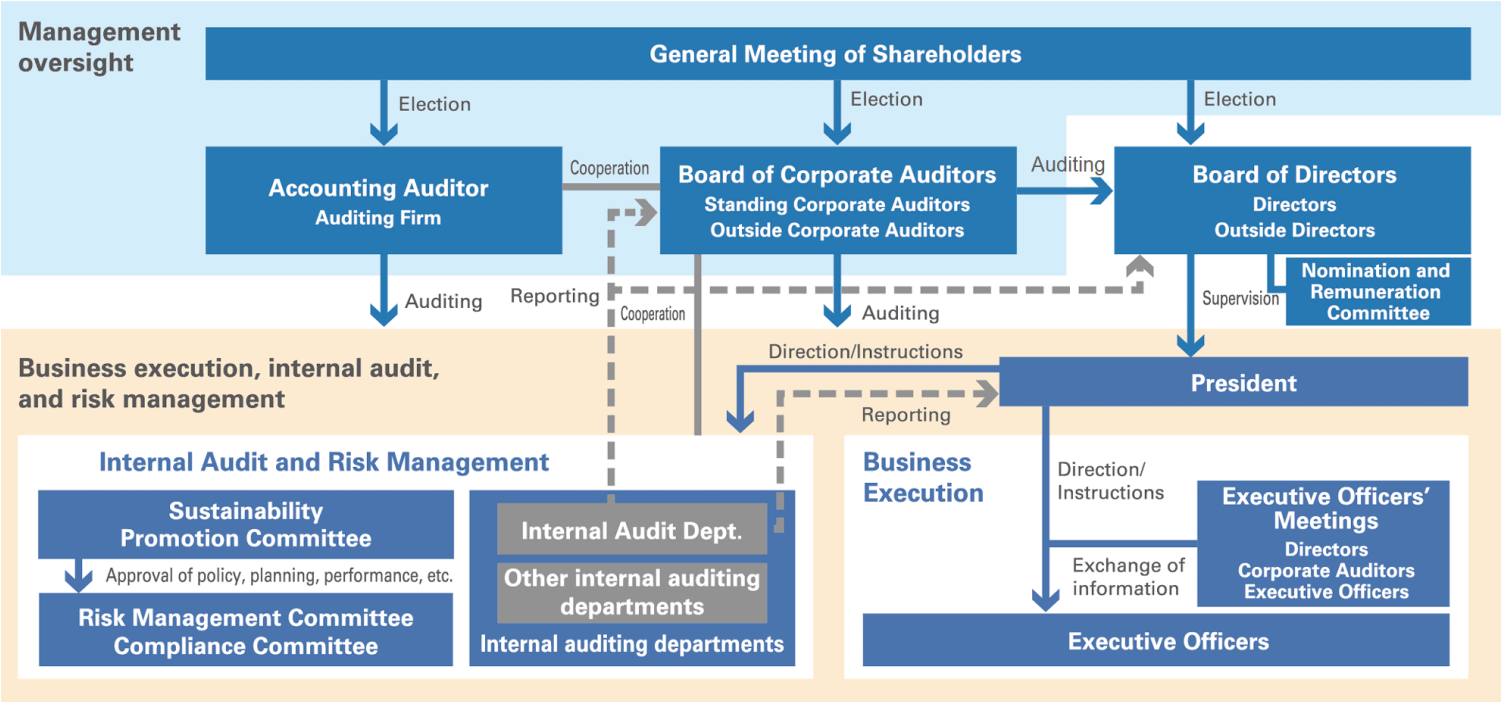
V. Other

1. Adoption of Anti-Takeover Measures

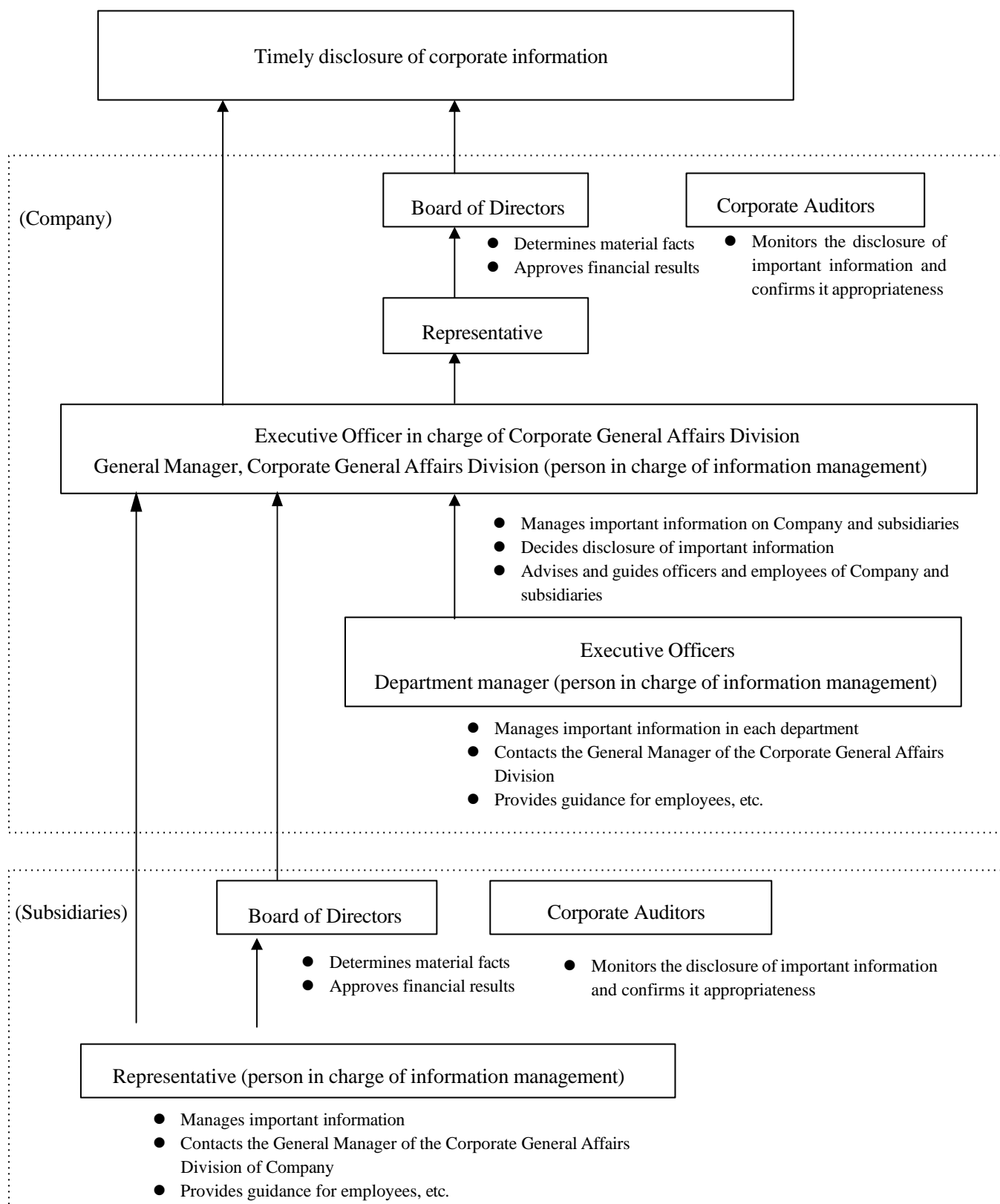
Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation for Applicable Items	

2. Other Matters Concerning the Corporate Governance System Updated

Structure of Corporate Governance (as of June 25, 2024)



Internal System for the Timely Disclosure of Corporate Information



END