

Corporate Governance Guidelines of Sumitomo Bakelite Co., Ltd.

Chapter 1: General Provision

1. Basic Views on Corporate Governance

Sumitomo Bakelite Co., Ltd. (the “**Company**”), in line with the business philosophy of the Sumitomo Group, has provided 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.” Based on this Business Philosophy, the Company has established its “Purpose,” the reason for the existence of the Company, as “Toward a sustainable society through expanding the potential of plastics,” and aims to achieve sustainable growth and increase the corporate value over the mid- to long-term by contributing to the creation of value for its various stakeholders. To achieve this, it is essential to earn the trust of its stakeholders and become indispensable to them. Therefore, the Company strengthens and enhances its corporate governance in accordance with this guideline, including management that is highly compatible with society and environment such as ensuring rigorous compliance, and establishment of a group’s system that manages risks efficiently and effectively.

Chapter 2: Securing the Rights and Equal Treatment of Shareholders

1. Basic Policy

The Company will strive to develop an environment in which all shareholders can appropriately exercise their rights, and their equality is effectively secured in accordance with the content and number of shares they hold.

2. Exercise of Shareholder Rights at General Shareholder Meetings

The Company recognizes that the general shareholders meetings are an opportunity for constructive dialogue with shareholders, and therefore takes appropriate measures to ensure the exercise of shareholder rights at the meetings, such as early dispatch of convening notices and its disclosure via website prior to the dispatch, and improvements to facilitate the exercise of voting rights by institutional and foreign investors.

3. Basic Strategy for Capital Policy

The Company maintains a sound and stable financial foundation as a prerequisite, strives to improve capital efficiency, and continues to invest in the growth and expansion of its business activities, and also will provide stable and continuous returns to shareholders upon comprehensively considering and determining the balance of funding needs, the status of investments, the future plans, and other factors.

4. Cross-Shareholdings

- (1) 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 mid- 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 based on 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.
- (2) The Company exercises voting rights of shares held in accordance with the preceding paragraph upon determining that the details of the proposal are conducive to the corporate value of the investee or 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.

5. Anti-Takeover Measures

When adoption or implementation of anti-takeover measures, the Company shall carefully examine its necessity and rationale, ensure appropriate procedures in accordance with applicable laws and regulations, and provide sufficient explanation to shareholders that the measures are to secure or enhance corporate value and the common interests of shareholders.

6. Related Party Transactions

The Company appropriately manages any conflict-of-interest transactions between the Company and its Directors or the other related party 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.

Chapter 3: Appropriate Cooperation with Stakeholders Other Than Shareholders

1. Basic Policy

The Company recognizes that cooperation with not only shareholders but also stakeholders such as employees, customers, local communities and business partners is important for sustainable growth and increase the corporate value over the mid- to long-term, and establishes its “Purpose” based on its Business Philosophy and contributes to the creation of value for stakeholders through business activities aimed at achieving the Purpose.

2. Code of Conduct and Code of Ethics

In order to cooperate appropriately with stakeholders and respond to the expectations and demands of society, the Company establishes and practices “the Code of Ethics for Group of Sumitomo Bakelite Co., Ltd.” as a specific ethical code that the Company group’s executives and employees follow in the performance of business, based on the Business Philosophy and “Our Code of Conduct,” which serves as a set of norms for conducting the business activities of the Company group. The Company translates the Code of Ethics into languages appropriate for each country where the Company operates and disseminates it to all executives and employees of the Company group through annual compliance training. The results of the training are reviewed by the Compliance Committee and reported to the Board of Directors through the Sustainability Promotion Committee.

3. Sustainability Promotion

The Company establishes the “Policy on Sustainability Promotion” based on the Business Philosophy and promote the Group’s sustainability activities on a continuous and company-wide basis through a structure centered on the Sustainability Promotion Committee. The Sustainability Promotion Committee shall formulate, review, and decide on measures that contribute to sustainability, including specific initiatives toward the “Material Issues” as sustainability issues that the Company identifies and addresses in order to increase corporate value over the mid- to long-term and setting of KPIs to clarify progress of such initiatives, among other sustainability-related issues such as environmental issues including climate change and respect for human rights, and also disclose these measures externally. The Board of Directors receives reports from the Sustainability Promotion Committee and supervises the activities of the Committee and progress.

4. Ensuring Diversity

The Company establishes “Basic Policy on the Realization of DE&I,” and engages in initiatives for DE&I (Diversity, Equity, and Inclusion) to realize a body 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.

5. Compliance Reporting System

To detect and prevent non-compliance issues at an early stage, the Company establishes a compliance reporting system common to all group Companies that enables the Company group’s executives, employees and stakeholders to directly report the non-compliance issue or its potential action to internal or external reporting channels. The Compliance Committee reviews the operation of the compliance reporting system, and the results are reported to the Board of Directors through the Sustainability Promotion Committee.

6. Roles of Corporate Pension Funds as Asset Owners

The Company manages its corporate pension funds by establishing the Corporate Pension Fund Asset Management Committee, which is chaired by the Director overseeing the personnel, finance, and IR departments and is comprised of 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.

Chapter 4: Ensuring Appropriate Information Disclosure and Transparency

1. Basic Policy

Under basic views to disclose information to shareholders and other stakeholders simultaneously, fairly, and in an accurate manner, the Company ensures transparency and fairness in management by making information disclosure timely and appropriately in compliance with relevant laws and regulations and striving to disclose information that is useful to stakeholders.

2. Full Disclosure

- (1) The Company will strive to enhance information disclosure to its stakeholders through

actively disclosing financial and non-financial information not only in Japanese but also in English via the Company's website.

- (2) When establishing business strategies and/or business plans, the Company sets specific targets related to profitability, capital efficiency and other factors, discloses specific initiatives for achieving these targets such as reviews of business portfolio and allocation of management resources through mid-term business plans and other means, and provides clear explanations of these contents to shareholders.

Chapter 5: Corporate Governance Structure

1. Approach to Corporate Governance Structure

The Company adopts a “Company with a Board of Company Auditors” as an organizational structure under the Companies Act. The Company also introduces an Executive Officer structure in which Executive Officers appointed by the Board of Directors execute business under the direction of the President based on the policies determined by the Board of Directors. The Company seeks to enhance the Board's role in effectively supervising the execution of business and implementing speed-up of business execution and clarification of responsibilities by separating the determining of important business matters and the execution of business through the Executive Officer structure. The Board of Corporate Auditors and the Corporate Auditors monitor the execution of duties by Directors and audit whether the Board of Directors fulfils that role properly. In this way, by ensuring that Directors, Corporate Auditors, and Executive Officers fulfill their respective responsibilities and roles and conducting corporate governance that meets the expectations of shareholders and other stakeholders, the Company leads to sustainable growth and the increase of corporate value over the mid- to long-term.

2. Directors and the Board of Directors

(1) Roles and Responsibilities of Directors and the Board of Directors

- (i) Directors and the Board of Directors recognize its fiduciary responsibility and accountability 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.
- (ii) 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 establishes 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 do not correspond to these 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 conducted appropriately.

- (iii) The Board of Directors receives reports and deliberates on matters related to approach to sustainability issues, risk management issues such as risks and measures to address them, the utilization of human capital, compliance, and internal audits, in addition to the deliberations of various internal committees including the Sustainability Promotion Committee.
 - (iv) The Board of Directors evaluates the effectiveness of the Board of Directors each fiscal year, and 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.
 - (v) The Board of Directors strives to ensure that deliberations are conducted smoothly and actively by distributing materials in advance, ensuring sufficient time for deliberation, and providing prior explanations of agenda items through the Outside Officers' Meetings, etc. Additionally, for matters that may become future resolution items or require active discussion, the Board of Directors raises them as items for consideration at an earlier stage before resolution and ensures sufficient time for deliberation. The effectiveness of these initiatives will be assessed through the evaluation of the Board of Directors' effectiveness to determine whether they contribute to the activation of deliberations.
- (2) Remuneration of Directors

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," mid- to long-term incentives to encourage the sharing of value with shareholders. However, the

remuneration of Outside Directors shall comprise exclusively monthly remuneration.

(3) Composition of Board of Directors

- (i) 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 mid- to long-term, and also expects the Outside Directors to voice opinions on corporate policies and business execution from an objective standpoint.
- (ii) Based on the Company group's business environment, business characteristics, mid-term business plan, and important management issues, the Board of Directors determines the key knowledge, experiences and abilities, etc. which the Board of Directors requires, and discloses them together with the reasons for their selection.
- (iii) The Company appoints at least one-third of outside directors who are independent and capable of contributing to sustainable growth and the increase of the Company's corporate value over the mid- to long-term, under their extensive experience and broad insight gained from their corporate management at other companies, technical knowledge, or their expertise in areas such as laws and accountings.

(4) Outside Directors

- (i) To ensure the independence of outside directors, the Company establishes criteria for independence at the Board of Directors, and discloses such criteria.
- (ii) The responsibilities of Outside Directors contribute to sustainable growth and increase of the corporate value over the mid- to long-term by appropriately reflecting the opinions of stakeholders to the Board of Directors from an objective standpoint independent of the management team through utilizing their professional knowledge and expertise, and also Outside Directors mainly fulfill the following roles:
 - Monitoring whether management is conducted appropriately and reasonably.
 - Providing advice, opinions, and feedback on the company's strategies, plans, and business projects, including the mid-term business plan.
 - To be involved in the nomination and remuneration processes for directors to ensure fairness and transparency.

3. Corporate Auditors and Board of Corporate Auditors

(1) Roles and responsibilities of Corporate Auditors and the Board of Corporate Auditors

- (i) Corporate Auditors and the Board of Corporate Auditors recognize its fiduciary responsibility and accountability 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.
 - (ii) For fulfilling the role described in the preceding paragraph, 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.
 - (iii) The Board of Corporate Auditors reviews its audit activities every fiscal year to improve effectiveness, and all Corporate Auditors discusses the evaluation of their effectiveness from various perspectives, including the composition of the Board of Corporate Auditors, the authority and responsibilities of the Board of Corporate Auditors and Corporate Auditors, the frequency of meetings of the Board of Corporate Auditors and the conduct of its proceedings, communication with the President and/or Outside Directors, the relationship with the Board of Directors, and cooperation with the audit firm and internal audit department.
 - (iv) The Board of Corporate Auditors shall evaluate the accounting auditor based on the evaluation criteria established by the Board of Corporate Auditors, and confirm the appropriateness of the accounting auditor's quality control, audit structure, performance of duties, independence, expertise, and overseas network. Only when the accounting auditor is deemed to possess the necessary independence and expertise and is recognized as suitable to serve as the Accounting Auditor, after comprehensive consideration, shall the Board of Corporate Auditors decide on its reappointment.
- (2) Composition of the Board of Corporate Auditors
- The Board of Corporate Auditors shall strive to maintain a diverse composition by selecting individuals possessing the knowledge, experience, and capabilities deemed essential for performing duties as Corporate Auditors, including expertise in finance, accounting, and legal affairs.

4. Nomination and Remuneration Committee

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 establishes the Nomination and Remuneration Committee consisting of a majority of Independent Outside Directors. With regard to nomination of Directors, the

Committee is placed as an advisory body to the Board of Directors that 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 remuneration of Directors, the Committee is placed as a decision-making authority that determines matters relating to remuneration of directors, etc. (including its system and policy) based on delegation to the Committee by a resolution of the Board of Directors.

5. Support Structure

- (1) The Company establishes a support structure to enable Directors and/or Corporate Auditors to fulfill their responsibilities appropriately. Specifically, the Corporate General Affairs & Legal Department, which serves as the secretariat for the Board of Directors, and the Statutory Audit Department, which serves as the secretariat for the Board of Corporate Auditors, cooperate with each other to provide internal communication and coordination, information, and other support.
- (2) The Company holds the Outside Officers' Meetings monthly, which consist of Outside Corporate Officers (Outside Directors, Outside Corporate Auditors, Standing Corporate Auditors, and the administrative departments including the internal officers, for the purpose of sharing matters to be deliberated by the Board of Directors in advance and exchanging information and sharing recognition on the Company's business strategies and management issues. In this way, the Company establishes a structure that enables cooperation among outside officers and among outside officers, Corporate Auditors and internal departments.
- (3) In addition to the measures stated in this article above, the Company appropriately implements the following training opportunities and information provisions:
 - (i) In addition to providing newly appointed directors and Corporate Auditors with opportunities to fully understand their responsibilities as necessary, including through training hosted by external organizations, the Company provides the necessary information on its business, finances, organization, and other matters to newly appointed Outside Directors and Outside Corporate Auditors.
 - (ii) The Company provides opportunities to visit business sites and affiliated companies as necessary to Outside Directors and Outside Corporate Auditors.
 - (iii) The Company gives Directors and Corporate Auditors training opportunities 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.

Chapter 6: Dialogue with Shareholders

1. Policy for Constructive Dialogue with Shareholders

The Company establishes the following policy regarding the establishment of systems and initiatives to promote constructive dialogue with shareholders.

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) Opinions or requests obtained through shareholder dialogue are reported to the management, and important information is regularly shared with the Board of Directors.
- (v) In the event of material facts arising, the Company implements strict information management in accordance with the Company's regulations governing insider information management and will also clearly manage such information during shareholder dialogues. 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.

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