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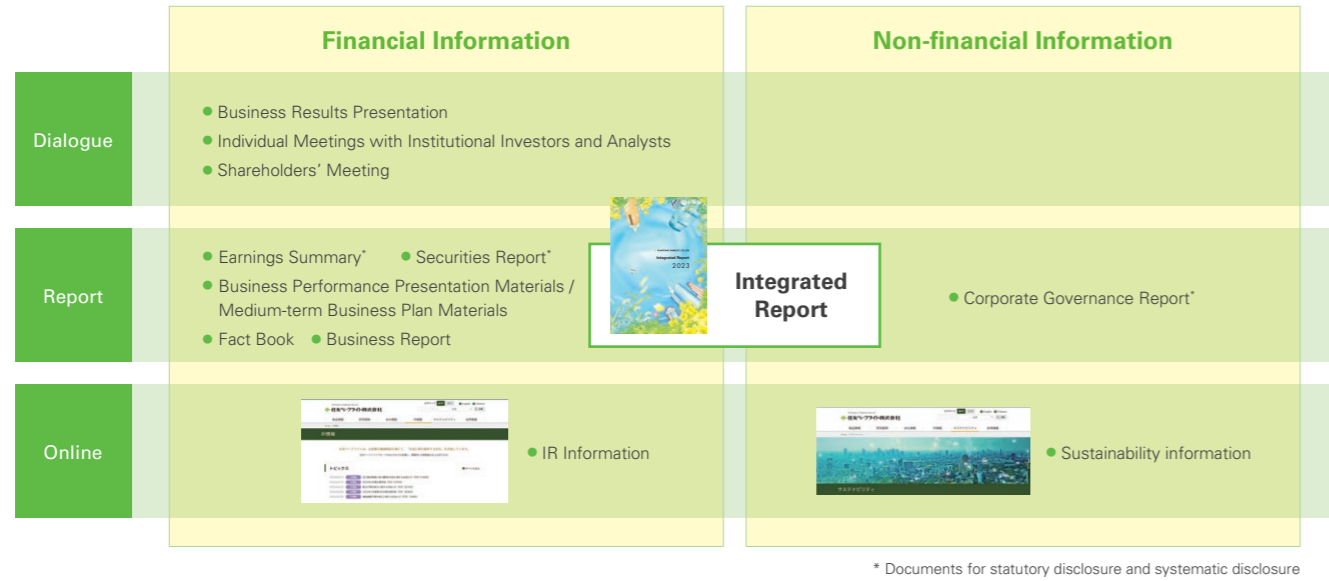
 **SUMITOMO BAKELITE CO.,LTD.**

Integrated Report 2023

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Information disclosure system



Editorial Policy

The Sumitomo Bakelite Group publishes its Integrated Report as a tool to provide information on our business strategies and ESG management in a single report. It is a tool to provide information on value creation, medium-term management goals, and business performance and strategy of each business segment, and to provide information on the management of ESG. Integrated reporting of sustainability policies, initiatives, and data.

For the editing of this integrated report, discussions were held within the divisions in charge of preparing this report over the policy for its creation and content to be included in the 2023 edition. The editorial policy for the report was approved at a meeting of the Sustainability Promotion Committee in March 2023. This report was organized with reference to various guidelines to ensure that it can be easily read and understood by all stakeholders. In addition, we prepared the following:

- (1) A "Full Online Version" (No. of pages: 112) disclosing information with reference to guidelines, and containing the details of our approaches to each activity, targets, and results.
- (2) An "Abridged Print Version" (No. of pages: 60), which is easy to read and focuses on the activity reports and messages of the Sumitomo Bakelite Group.

- Guidelines referenced
 - In compiling the report, we referred to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).
 - The "Full Online Version" references the GRI Sustainability Reporting Standards (GRI Standards) of the Global Sustainability Standards Board (GSSB).
- Scope of third-party assurance
 - The information marked with a for fiscal 2022 contained in the Integrated Report (Full Online Version) is assured by the third-party assurer KPMG AZSA Sustainability Co., Ltd.

Disclaimer

This report includes not only past or present facts, but also our forecasts, estimates, and plans for the future. These assumptions and judgments are based on currently available information and may be affected by various factors such as future changes in the business environment.

● Period
In principle, the report covers fiscal 2022 (April 2022 through March 2023). Cases in which the coverage is different from this period are listed separately.

● Published
October 2023 (The Fiscal 2022 Report was published in October 2022 and the Fiscal 2024 Report will be published in October 2024)

● Boundary
In principle, this report covers Sumitomo Bakelite Co., Ltd. and its consolidated subsidiaries. Regarding environmental and occupational health and safety, the coverage is limited to the following business sites, which are mostly production sites.

[Japan] Sumitomo Bakelite Head Office and Other Business Locations* Amagasaki Plant, Kanuma Plant, Utsunomiya Plant, Shizuoka Plant, Kobe Facility Office, Akita Sumitomo Bakelite Co., Ltd., S.B. Techno Plastics Co., Ltd., Hokkai Taiyo Plastic Co., Ltd., Yamaroku Kasei Industry Co., Ltd., Kyushu Sumitomo Bakelite Co., Ltd., S.B. Sheet Waterproof Systems Co., Ltd., Tsutsunaka Kosan Co., Ltd., S.B. Research Co., Ltd. (Osaka Center), Seibu Jushi Co., Ltd., Softec Co., Ltd., SB-KAWASUMI LABORATORIES, INC.

[Overseas] Sumitomo Bakelite Singapore Pte. Ltd., Sumidurez Singapore Pte. Ltd., SNC Industrial Laminates Sdn. Bhd., PT. Indopherin Jaya, PT. SBP Indonesia, Kawasumi Laboratories (Thailand) Co., Ltd., Sumitomo Bakelite (Suzhou) Co., Ltd., Sumitomo Bakelite (Dongguan) Co., Ltd., Sumitomo Bakelite (Shanghai) Co., Ltd., Sumitomo Bakelite Macau Co., Ltd., Sumitomo Bakelite (Nantong) Co., Ltd., Sumitomo Bakelite (Taiwan) Co., Ltd., Vaupell China (Dongguan) Co., Ltd., Durez Corporation, Durez Canada Co., Ltd., Sumitomo Bakelite North America, Inc., Promerus LLC, Sumitomo Bakelite Europe NV, Sumitomo Bakelite Europe (Barcelona) S.L.U., Vyncolit NV, Vaupell Industrial Plastics, Inc., Vaupell Molding & Tooling, Inc., Russell Plastics Technology Company, Inc.

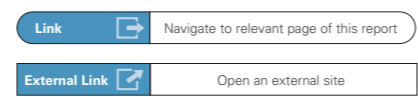
* These business sites and companies are included in the compilation of energy consumption and CO₂ emissions data.

(Note) In this report, the names of Sumitomo Bakelite Co., Ltd. and its Group companies may be stated in simplified form by omitting "Co., Ltd." and "Inc.," etc. Quantitative data presented in this report are rounded, in principle. Therefore, in certain cases, the sum of breakdowns may not equal the total.

● Explanation of index buttons



● Explanation of link buttons



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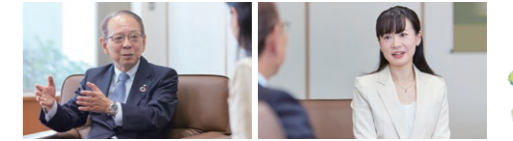
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Creating the Value Society Needs for

Just over 100 years have passed since plastics were first produced in Japan. Plastics enrich our daily lives as the basis for various products that support a wide range of industries. As a pioneer in plastics, we have lent an ear to customer concerns while continuing to take on the challenges facing society. The SDGs, which the world holds as common goals, resonate deeply with the “Basic Policy (Company Policy)” that we have cherished since Sumitomo Bakelite founding. The purpose we have set for ourselves is “to create a sustainable society by expanding the possibilities of

Purpose

Toward a sustainable society through expanding the potential of plastics

Vision

We aim to become “a company that makes your dreams for the future a reality” by creating value for our clients.

Ideal Image

1. A company that contributes to solving social issues and continuously grows and evolves
2. A company that walks together with customers and other stakeholders
3. A company where employees can be active

the Future Together with Customers

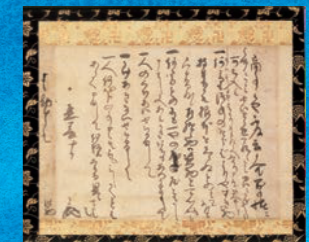
plastics,” and we have made it the core of all of our business activities. We will help to build a sustainable society by creating plastics that only we can make, which have the features required for the times, and give birth to new value. Going beyond change to draw closer to more people, we intend to keep pressing forward with the vision of becoming “a company that makes your dreams for the future a reality” in our hearts.

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.”

[Sumitomo’s Business Philosophy and Business Philosophy of Our Company Group]

We have inherited Sumitomo’s Business Philosophy, passed down by the Sumitomo family, which has supported the Sumitomo Group for four centuries. The origins of this philosophy are found in the Monjuin Shiigaki (the Founder’s Precepts), a document written by Sumitomo family founder Masatomo Sumitomo. Approximately 400 years ago, Sumitomo (Monjuin) wrote to his family about business wisdom, urging at the beginning, “Strive with all your heart, not only in business, but in all situations.” The rigorous efforts and honesty demanded by the Monjuin Shiigaki as well as other personal character-building precepts continue to form the foundation of the Sumitomo Group’s Business Philosophy and make up the basis of our Business Philosophy.



Monjuin Shiigaki

External Link  For more information, visit <https://www.sumitomo.gr.jp/english/>

Our Code of Conduct

1. We contribute to the realization of a sustainable society and provide products and services that satisfy our customers.
2. We conduct fair and transparent business activities in accordance with laws, regulations, and corporate ethics.
3. We are committed to creating a safe working environment and maintaining and promoting good health.
4. We actively promote efforts to preserve the global environment.
5. We respect the human rights of all those involved in our group’s business.



Forge a future full of hope by tirelessly taking on challenges and treating change as an opportunity to leap forward

Kazuhiko Fujiwara

President and Representative Director

Business performance in fiscal 2022

Sales Revenue and Profit Increased for the Third Year in a Row We are Aiming for Even Higher Levels from Breakthroughs in Growth Sectors

We secured record-high revenues in fiscal 2022, partly because we were able to compensate for rises in the price of energy and raw materials with price revisions supported by the depreciation of the yen. Due to stagnant demand for consumer devices such as smartphones, the situation in Ukraine, and reduced automobile production due to the shortage of semiconductors, sales volumes of semiconductor materials and high performance plastics declined, resulting in worse performance than the previous year. Sales revenue reached record highs thanks to increases in interest income and dividends income, leading to an increase in both revenue and profit for the third year in a row. We aim to achieve higher performance in 2023 than in the previous fiscal year. Although sales of consumer products

have been sluggish, our mainstay semiconductor materials are showing signs of recovery. Starting from automotive products, where the overall market is on a recovery trend, our aim is to improve performance in semiconductor materials and high performance plastics. Healthcare and quality of life products like films and sheets are expected to remain strong this fiscal year. We also have high expectations for our industrial functional materials business and Waterproofing-related business. Amid continuing international uncertainty, we will meticulously refine and steadily implement measures such as cost control in preparation for unforeseen situations. We will strive for further growth while steadily pursuing the development of new products, new applications, and new customers.

Performance Highlights

	Fiscal 2021	Fiscal 2022	Increase/Decrease
Sales revenue	263.1 billion	284.9 billion	8.3%
Business profit	26.5 billion	25.4 billion	-3.9%
Operating income	24.9 billion	24.8 billion	-0.3%
Profit attributable to owners of parent	18.3 billion	20.3 billion	10.9%
ROE	8.5%	8.4%	—

Q 1. Please tell us about your excitement for FY2023, the final year of the Medium-term Business Plan, and what efforts you are making to achieve your targets considering the outlook for the next Medium-term Business Plan.

A Continuing to Support the Development of Society by Creating New Business Models

Striving to Achieve Goals through Comprehensive Worldwide Capabilities

I want to make FY2023, the final year of our Medium-term Business Plan, a year that lays a solid the foundation for the future. Our earnings forecast for FY2023, announced in May 2023, predicts 295 billion yen in sales revenue, and 28.5 billion yen in business profit. However, our goal for the final year of our Medium-term Business Plan is 30 billion yen in sales revenue and 30 billion yen in business profit, so the entire company will work together to achieve this goal.

For us to achieve this goal, it is essential that we create new business models. I want to focus our efforts on increasing demand by engaging mainly in “One Sumibe activities” that encourage cross-organizational business development.

Promoting “One Sumibe activities” has made it possible to develop products that transcend the boundaries of business segments, and are carefully tailored to the issues facing society as well as the demands of customers. We have already launched new projects to develop a plastic e-Axle, heat-dissipation material, optical waveguide, and electronic

dimming. Since the heat dissipation material shows promise for commercialization, we established a Business Development Department to promote it in April 2023. Appointing young people with a strong drive to commercialize these products as project leaders has led to a path for personnel development that would have been difficult to achieve in a conventional vertical organization.

Our “One Sumibe activities” have also had significant effects from the perspective of fostering an open corporate culture. They have ended up creating spaces for spontaneous communication from the bottom up. Strengthening our internal network has facilitated the sharing of information within the Group, improving our ability to make proposals to customers, and the fruits of these activities are beginning to show throughout the company.

We will work to spread “One Sumibe activities” even further throughout the company, and couple them to enhance our Group’s comprehensive worldwide capabilities.

Accelerating Progress of Digital Transformation Essential to Business Expansion

In promoting digital transformation (DX), we have enacted reforms centered around the three areas of “research and development,” “manufacturing,” and “overall business operations.”

For “research and development,” we have implemented a data infrastructure and are promoting the use of MI^{*1} at each research site. We are also focusing on training data scientists who will tackle new challenges. We have also established a system to support and reward people who aspire to acquire skills. We have been able to speed up development and create new products that utilize data thanks to the efforts of data scientists who have acquired advanced knowledge.

For “manufacturing” we are steadily building production lines that use AI and IoT to control the production system through autopilot, without human intervention. In addition to Japan, where this has already been introduced, we are expanding this system overseas and steadily broadening the range of products to which it is applied. We aim to significantly improve labor productivity by dramatically improving factors such as yield.

For “overall business operations” we have set up an internal working group to review business processes, and are actively utilizing RPA^{*2} to improve the efficiency of sales

and administration. We are always focused on improving employee engagement, and are striving to move toward more rewarding work and create more room for mental and physical health, which we believe will also lead to flexible work-style reforms.

*1 MI (Materials Informatics) : The development of materials using information processing technologies, such as machine learning.
*2 RPA (Robotic Process Automation): Refers to the use of robots to automate tasks.

Pursuing a Level of Satisfaction that Cannot be Expressed by Specifications

One part of our corporate culture that we have fostered over our long history is an approach to business based on CS (customer satisfaction). We take delivering high-value-added products on schedule as a matter of course, and providing values like joy and excitement to customers is just the way our Group operates. We regularly stress the importance of listening to customers, sharing concerns, and working together to resolve issues, especially to employees in sales, marketing, and research, who have many opportunities to interact with customers. Our annual CS Debate sees representatives of employees who are active on the front lines of workplaces report on the results of their activities, and engage in vigorous discussions. We will work to deepen the bonds of trust with our customers, keeping in mind that the best customer experience is born of co-creation.

engaged in vigorous development of environmentally friendly products such as resins that utilize lignin obtained from non-edible biomass so as not to compete with food, as well as materials that cure at low temperatures.

Our group is independently pursuing certification of products that contribute to the attainment of the SDGs, and in fiscal 2022 such products accounted for 54.5% of our sales revenue. Certification requires approval following review by the SDGs Promotion Committee, but this is moving forward smoothly, and we have already achieved our goal of 50% or more of sales revenue in fiscal 2023 ahead of schedule. Our goal for fiscal 2030 is a ratio of 70% or more of sales revenue. We will focus on expanding sales by bringing products that are under development to the market as soon as possible.

We have also established the Sustainability Promotion Department to enhance our efforts to increase environmental values such as environmental conservation, countermeasures against global warming, and social values such as human capital and human rights. Effectively Promoting Company-wide Initiatives and Strengthening External Communication.

Our efforts related to human capital also include the establishment of a DE&I^{*2} Promotion Office to encourage the creation of workplaces that provide fair opportunities to each individual based on mutual understanding and respect. Moreover, we have revamped the evaluation portion of our personnel system to place more emphasis on undertaking challenges, with the aim of becoming a company where employees can play an active role. We will continue developing into a sustainable company that can flexibly absorb change, by building a team of diverse personnel who are free to demonstrate their individuality and fully develop their abilities without fear of failure.

*1 3Rs: Reduce, Reuse, and Recycle.

*2 DE&I: Diversity, Equity, and Inclusion.

Honing Features to Make Society More Prosperous

We have set “creating a sustainable society by expanding the possibilities of plastics” as the purpose of our Group. While working to improve the performance of products in areas such as strength and durability, we have supported industry and contributed to the progress of society by achieving product development that minimizes damage to the environment.

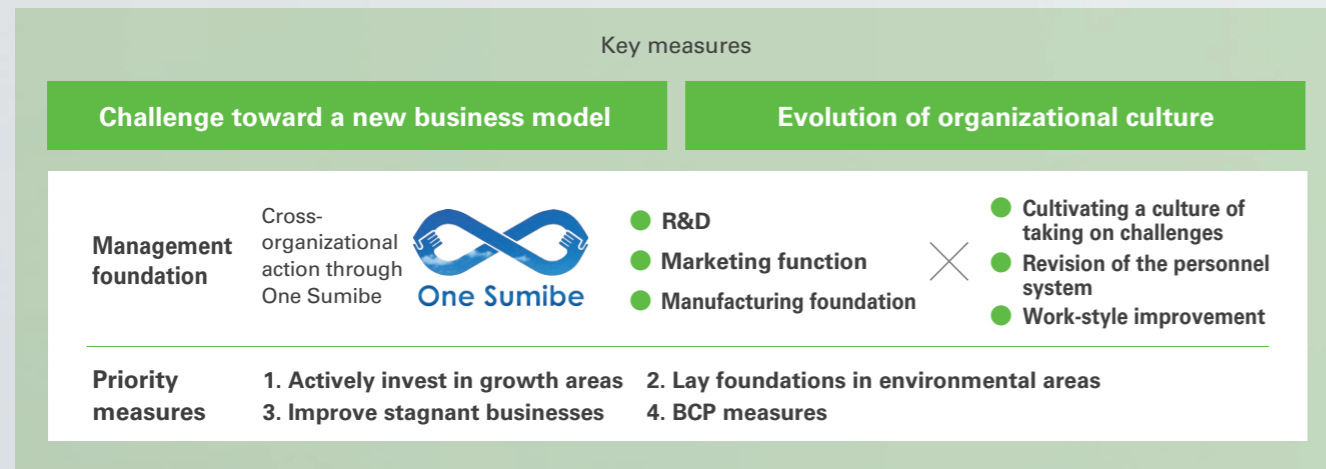
Meanwhile, we have set the basic policy of our Medium-term Business Plan to “Achieve top share in niche markets in the functional chemical sector, in accordance with the SDGs.” Our Group has gained a secure foothold by securing a market share for a variety of product types, and leading the industry through constant technological innovation. We believe the true reason our group exists is to develop plastics with unparalleled features for which there are no alternatives among other materials.

For instance, our P-Plus[®] brand boasts the top market share in Japan as a packaging material that keeps fruits and vegetables fresh, helping to reduce food loss and waste. In addition, skin packaging is gaining attention as a packaging material that not only keeps food fresh, but enhances the umami of foods like beef, preserving their flavor for longer. Its diverse benefits include, prolonging shelf life, reducing the amount of plastic used, and boosting packaging efficiency.

In the automotive sector, we have encouraged the replacement of metal parts with plastic. Replacing metal with plastic allows for the reduction of weight, which improves fuel efficiency and reduces CO₂ emissions. Research into making plastics from non-edible plants is also progressing, and much has been achieved.

It is not easy to dispel the negative image of plastics made from fossil fuels, but I sense that our mission to solve the challenges facing society while pursuing safety, security, and comfort through the solid value of features that can only be provided by our Group’s plastics is becoming increasingly important.

We will continue to provide value that enriches society by developing new products and technologies driven by the pulsating force of ‘Monozukuri’.



Q 2. Our goal is to become “A company that contributes to solving social issues as we continually grow and evolve.” Please tell us about the current state of sustainability activities, and your vision for the future.

A Using SDGs as Indicators, Create Value that Impresses with Forward-looking Technological Capabilities

“Social Contribution” is the Standard for Judging Business Activities

The philosophy behind the SDGs aligns with the “Basic Policy (Company Policy)” of our Group. We use the SDGs as the starting point for all of our activities, and use them as indicators of social contribution as we develop our business through activities such

as product development. Concerning environmental initiatives in particular, which address urgent issues that are common to all humankind, we have drawn up a roadmap for developing environmentally friendly materials by 2035. We are speeding up the development of technologies for environmentally friendly products with keywords like resources, creation, energy conservation, long service life, and the 3Rs^{*1}. We are currently

Q 3. Please share a message with stakeholders.

A Pioneering a New Era by Developing Plastics that Deliver Needed Value

“New products,” “new applications,” “new customers,” “increased market share,” and “improved labor productivity.” The keywords we share with employees are simple, but we believe that they are an important basis for business management that is effective in any era. The times always call for new value. We cannot expect sustainable growth unless we continue to change ourselves.

In fiscal 2022, we achieved both increased sales revenue and profit for the third year in a row. I want to express my sincerest gratitude to all of our stakeholders for providing the support that enabled our employees and all related personnel to come together and overcome this difficult situation.

FY2023 marks the final year of our Medium-term Business Plan. We will work on priority measures and focus on numerical targets to ensure that the next Medium-term Business Plan gets off to a good start and sets a new record high.

With regard to investment, we will prioritize promoting digital

transformation (DX) that will enhance labor productivity, and solar power generation facilities that will help us to achieve carbon neutrality. Meanwhile, we will boldly take on new challenges and not overlook opportunities for business expansion through mergers and acquisitions. We will strive to increase corporate value while continuing to make the investments necessary to help bring about a sustainable society.

The Group’s Vision is to become “a company that makes your dreams for the future a reality.” We aim to be a company that fulfills the many dreams of our stakeholders by sharpening the “essence” that we have cultivated through long years of product development, and using it to create value that resonates with and is chosen by society. Decades from now, I hope that we will be a company that, together with employees, fulfills new dreams that are not merely an extension of where we are today. Thank you for your continued support.

A History of Value Creation

Sumitomo Bakelite's Company History is Also the History of Creating Value through Plastics in Japan.

Since we started our operations as a Japanese pioneer in plastics manufacturing, we have continued to create new value and worked to solve the evolving issues confronting society in every age. We will carry on with our historical evolution as we aim for sustainable growth and continue to further expand the potential of plastics and the fields in which they are used.

1907–1955	1956–1981	1982–2020	2021–
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1907: Prof. Baekeland develops phenolic resin and names it "Bakelite"
1911: Began manufacturing phenolic resin in Japan
1955: Founded Sumitomo Bakelite Co., Ltd.

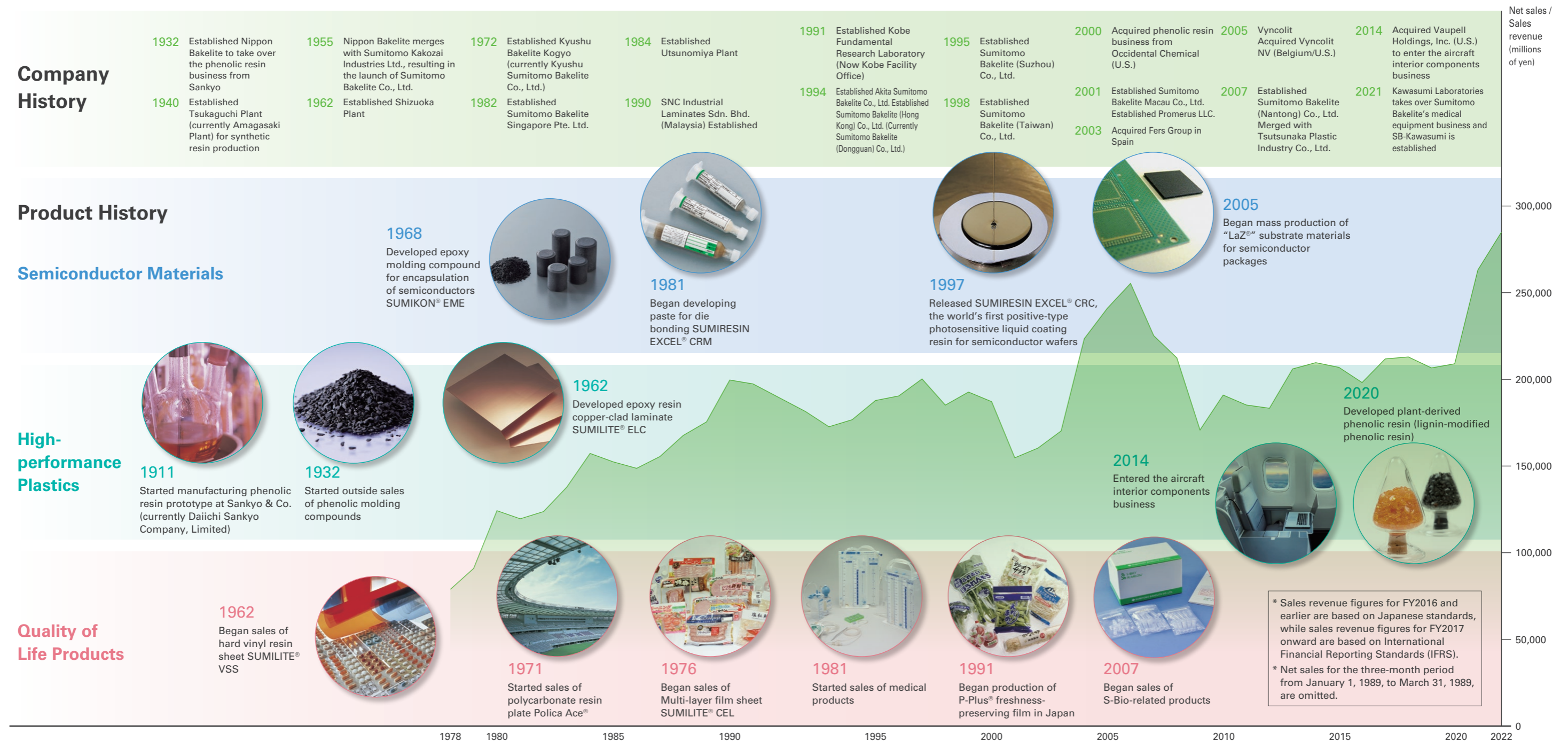
Released hard vinyl resin sheet SUMILITE® VSS, epoxy molding compound for encapsulation of semiconductors SUMIKON® EME and other products in various fields.

Starting with the establishment of a subsidiary in Singapore, we have expanded our business throughout Asia, North America, Europe, and various countries around the world.
The Group expanded its business scale and accelerated its entry into new business areas through acquisitions in Japan and overseas.

Aim to achieve the top share in niche markets in the functional chemical sector and further expand scale of business

Aiming to becoming "A company that makes your dreams for the future a reality"

History of Our Company and Products

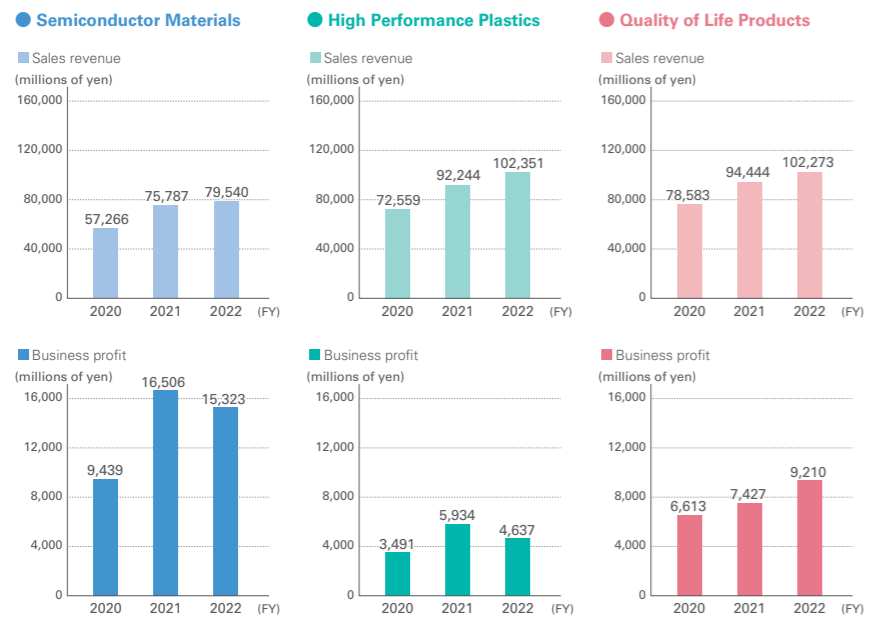


* Sales revenue figures for FY2016 and earlier are based on Japanese standards, while sales revenue figures for FY2017 onward are based on International Financial Reporting Standards (IFRS).
* Net sales for the three-month period from January 1, 1989, to March 31, 1989, are omitted.

Sumitomo Bakelite Areas of Business

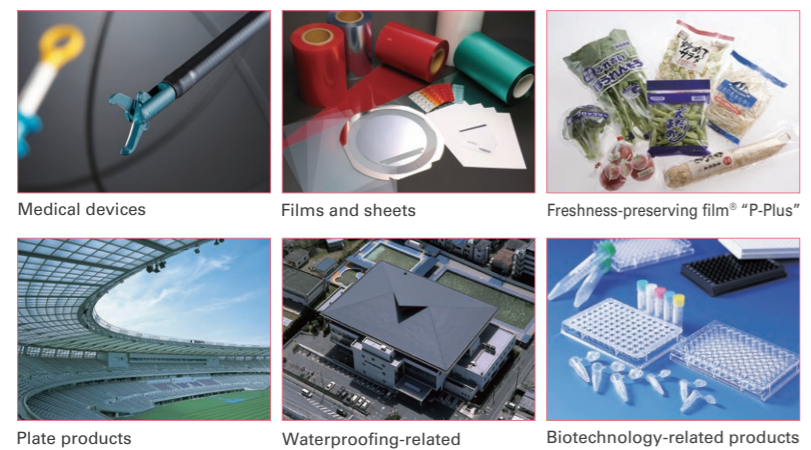
Supporting all Aspects of Society by Developing Products that Make Full Use of Innovative Plastics Technology

Business Profit to Revenue by Segment

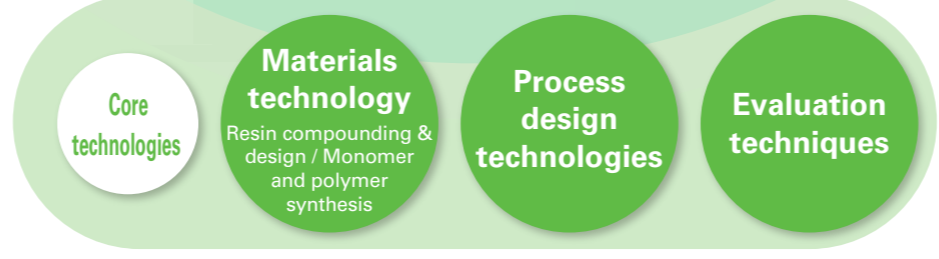
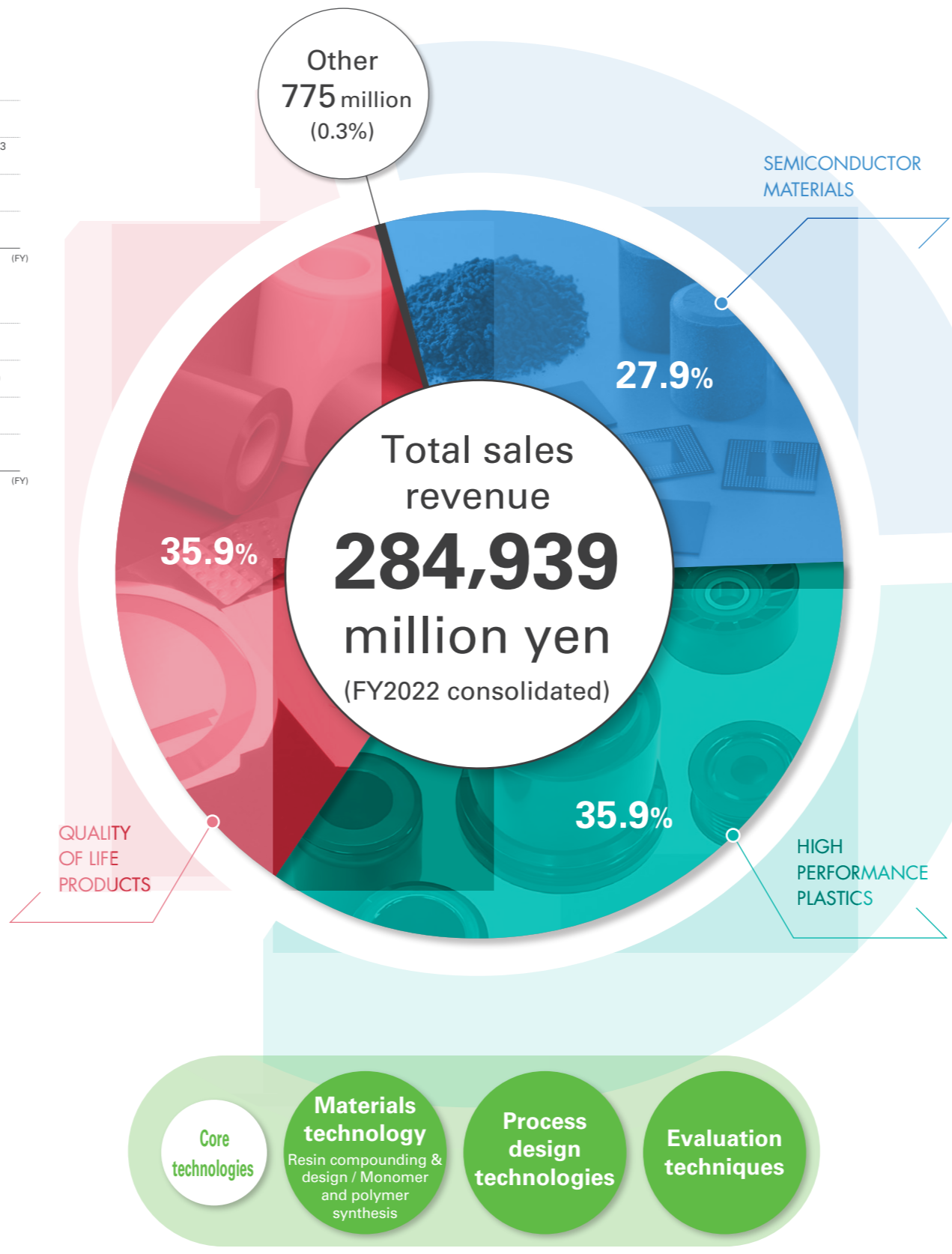


Quality of Life Products 102,273 million

The various properties of plastics are also utilized in food packaging films, pharmaceutical packaging, and medical devices. We leverage the technological capabilities we have built up to put original products out into the world that feature a variety of functions and designs and cater to everyday living and industrial use. By providing a wide range of products that accurately capture the diverse needs of society, we are helping to create more bountiful and comfortable lifestyles.

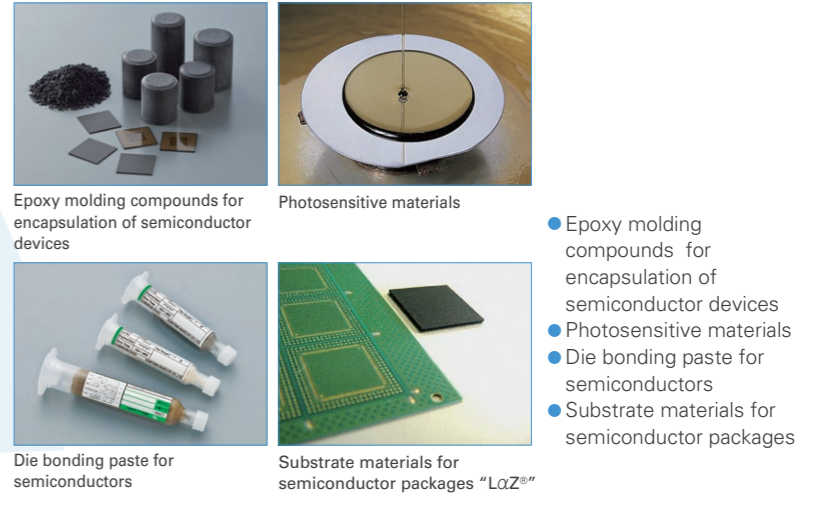


● Medical devices ● Films and sheets ● Freshness-preserving film (MAP®)
● Plate products ● Waterproofing-related ● Biotechnology-related products



Semiconductor Materials 79,540 million

Sumitomo Bakelite enjoys a good reputation and track record as a leading semiconductor materials company both in Japan and overseas. We have steadily expanded our market through cutting-edge solutions that leverage the full extent of our advanced technology. This includes producing epoxy molding compounds for encapsulation of semiconductors that protect delicate semiconductors from moisture and impact, and starting mass production of the world's first positive-type photosensitive polyimide. Our worldwide production system facilitates smooth supply throughout the entire world.



High Performance Plastics 102,351 million

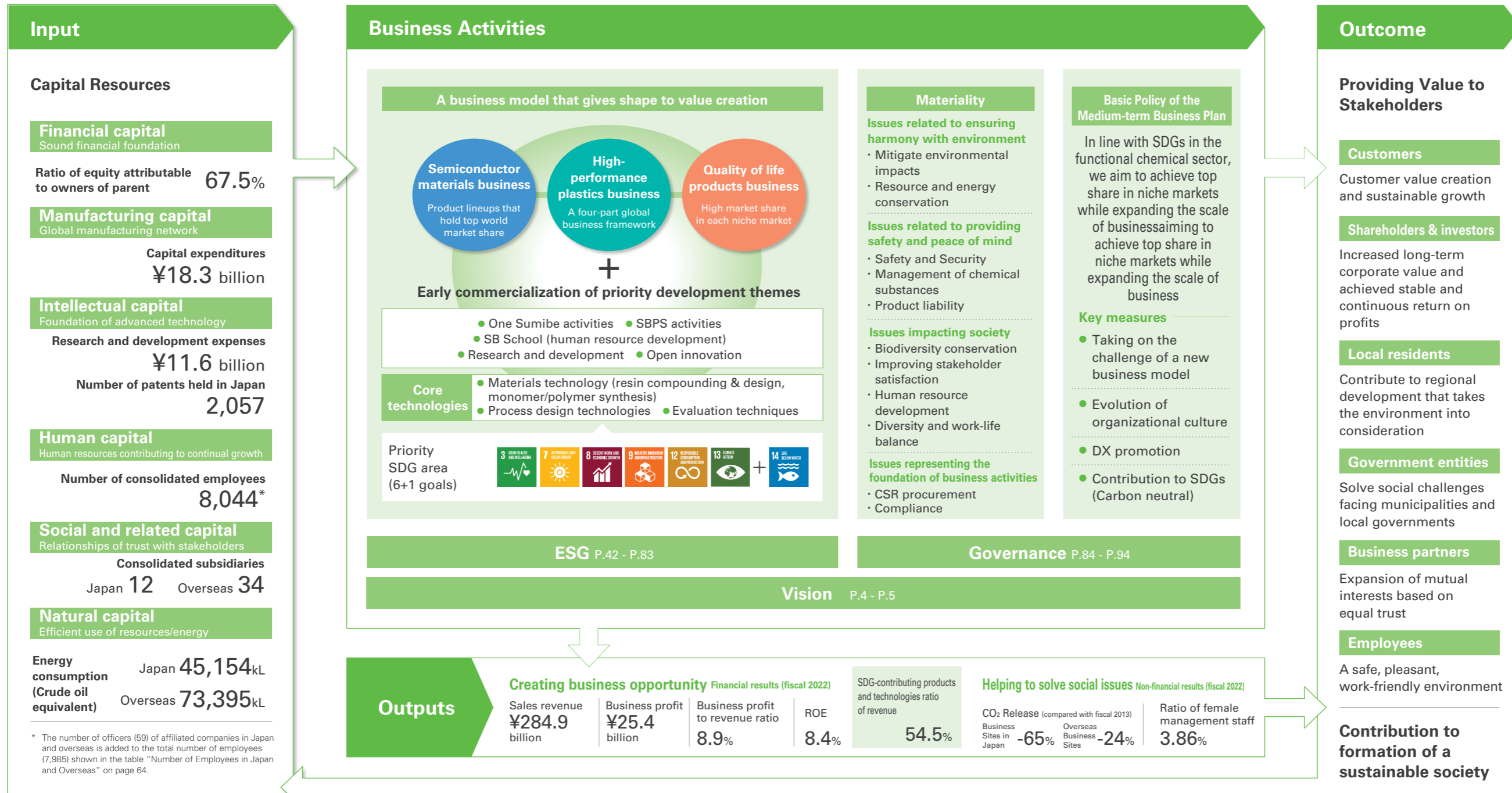
The superior properties of phenolic resin remain untarnished more than a century after it was invented. Beginning with the phenolic resin used in friction materials for automotive applications, we have released a succession of high-spec plastic products with a good balance of heat resistance, dimensional stability, electrical properties, mechanical properties, abrasion resistance, and more. In response to globalized demand, we have set up production bases in Japan, the United States, Europe, and Asia as we aim for further growth.



Sumitomo Bakelite Aims to Help Realize a Sustainable Society through the Value Creation Process.

We aim to achieve a more prosperous future society by creating new value through plastics that solve social issues and provide competitive advantages. We will help all stakeholders to flourish by creating a virtuous cycle based on a value creation process aimed at achieving a sustainable society.

Purpose: Toward a sustainable society through expanding the potential of plastics



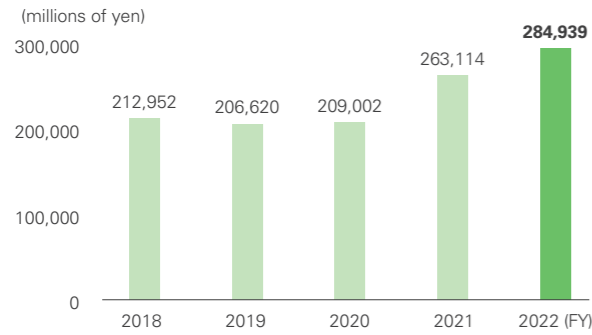
Sumitomo Bakelite Business Philosophy (Company Policy, based on the Sumitomo Spirit) | Aligning of our Business Philosophy (Company Policy) with Achievement of SDGs | SUSTAINABLE DEVELOPMENT GOALS

Toward the Realization of a Sustainable Society

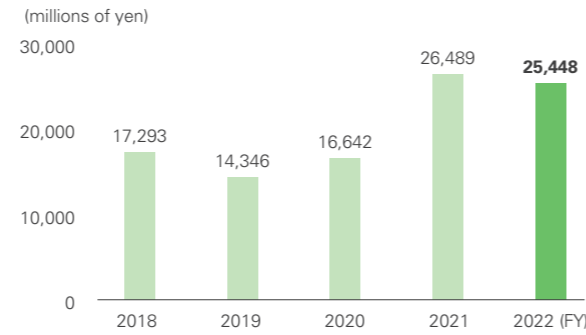
Financial and Non-financial Highlights

Financial Highlights

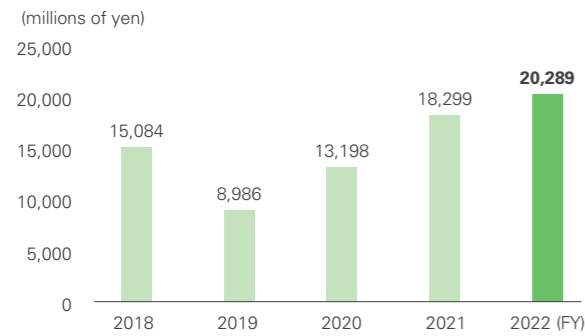
Revenue



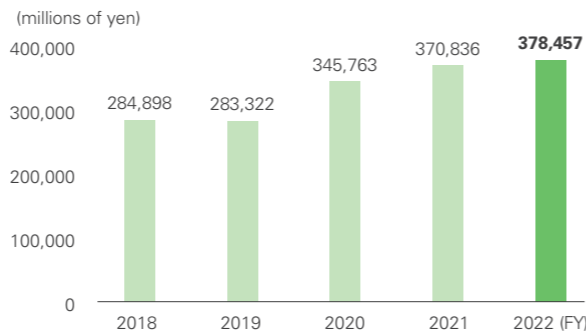
Business Profit



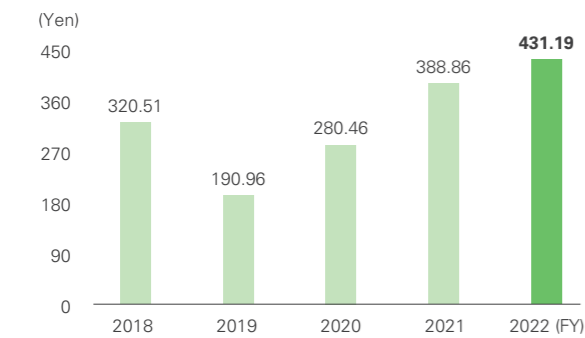
Profit Attributable to Owners of Parent



Total Assets

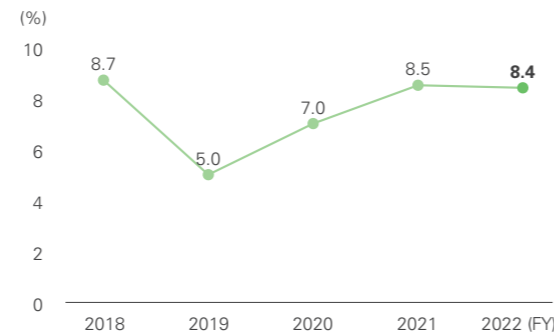


Earnings per Share/Basic Earnings per Share



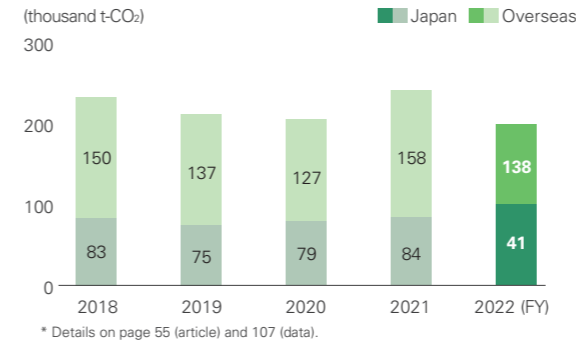
* As the share consolidation of each 5 shares of common shares into 1 share was exercised effective on October 1, 2018, basic earnings per share is calculated with the assumption that the share consolidation had been carried out at the beginning of fiscal 2017.

Profit to Equity Attributable to Owners of Parent Ratio (ROE)



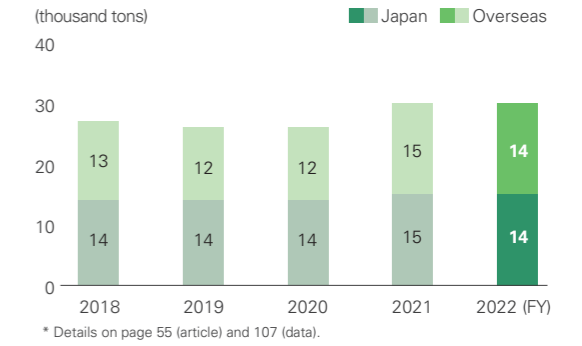
Non-financial Highlights

CO₂ Emissions



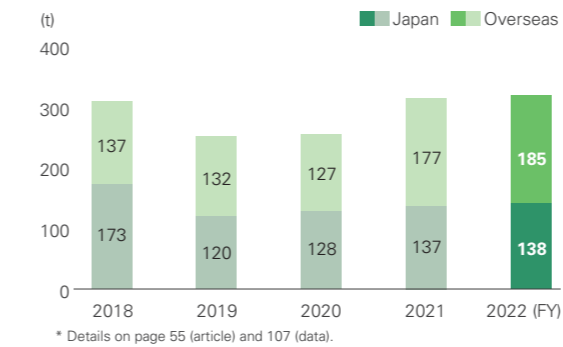
* Details on page 55 (article) and 107 (data).

Amount of Material Loss



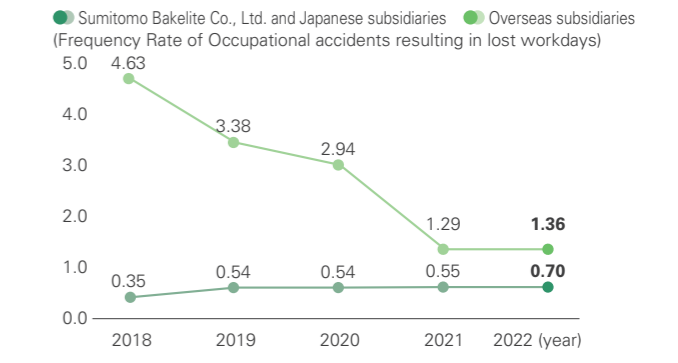
* Details on page 55 (article) and 107 (data).

Chemical Substance Emissions



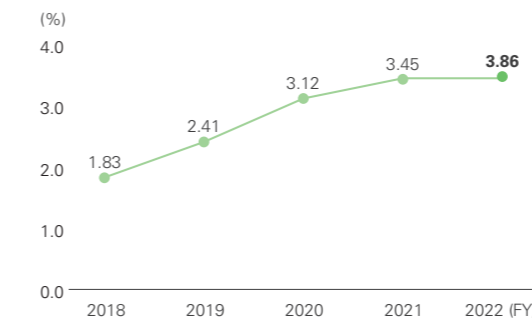
* Details on page 55 (article) and 107 (data).

Frequency Rate of Occupational Accidents Resulting in Lost Workdays at Sumitomo Bakelite and Subsidiaries Worldwide



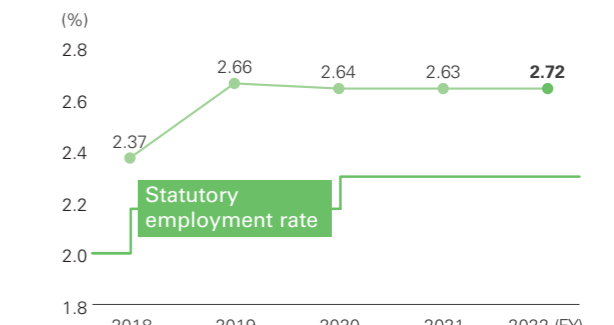
* Details on page 74.

Trends in the Proportion of Female Management Staff



* Details on page 69.

Employment Rate of People with Disabilities



* Details on page 69.

In the functional chemical sector, our Basic Policy is to create new value for solving social issues, as we aim to be **“a company that makes your dreams for the future a reality.”**

We launched a three-year Medium-term Business Plan that started in fiscal 2021 to promote sustainable management that will lead to the future by linking changes in social issues to growth opportunities. Since the numerical targets for the final year of the Medium-term Business Plan were achieved in the first year, we have set new numerical targets in fiscal 2022. We aim to achieve top share in niche markets in the functional chemical sector, and become “a company that makes your dreams for the future a reality.”

Vision of the Mid-term Business Plan

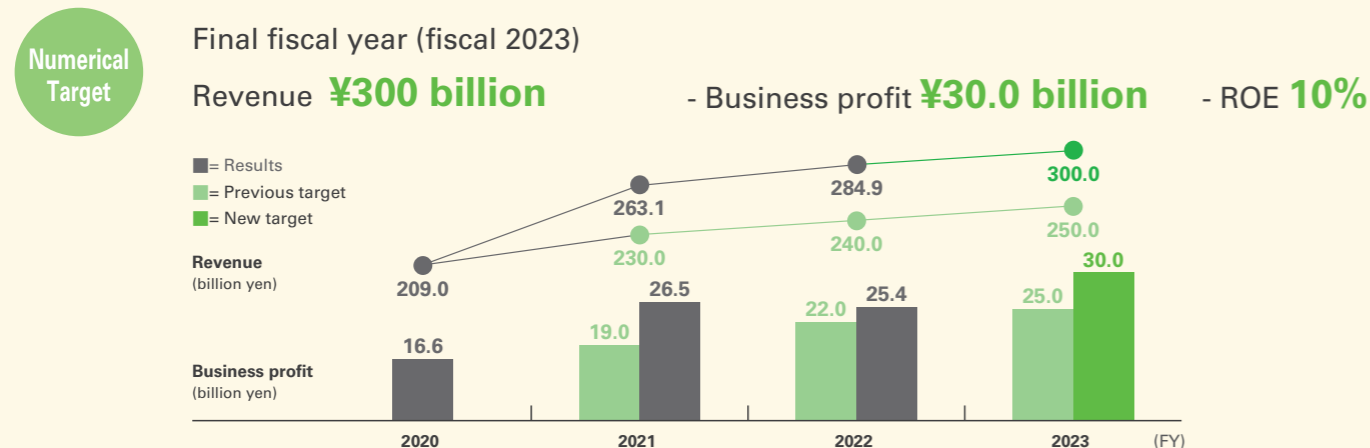
- Vision** We aim to become **“a company that makes your dreams for the future a reality”** by expanding the possibilities of plastic and creating value for our clients.
- Ideal Image**
 - 01 A company that contributes to solving social issues as we continually grow and evolve
 - 02 A company that walks together with customers and other stakeholders
 - 03 A company where employees can be active

Basic Policy and Basic Strategy of the Mid-term Business Plan

- Basic policy** Achieving a **“Top share in niche markets”** in the functional chemical sector as well as expanding our business in keeping with the **SDGs**.
- Basic strategy**
 - 01 Develop new products with competitive advantage, aiming at their prompt contribution
 - 02 Increase the profitability, new customers, applications, and geographical areas of existing products
 - 03 Proactive strategic investment in growth areas (M&A, DX, etc.)

Numerical targets of the Mid-term Business Plan

Set new numerical targets for the final year of the Medium-term Business Plan (fiscal 2023) by achieving those numerical targets in the first fiscal year (fiscal 2021) of the plan.



Key Measures Taken under the Medium-term Business Plan and Progress

Vision “A company that makes your dreams for the future a reality”

Medium-term basic policy Aiming at “Top share in niche markets” in the functional chemical sectors

Key measures

Challenge toward a new business model	Evolution of organizational culture
<p>Management foundation Cross-organizational action through One Sumibe</p> <p>One Sumibe</p> <ul style="list-style-type: none"> ● R&D ● Marketing function ● Manufacturing foundation 	<ul style="list-style-type: none"> ● Fostering a challenge-oriented culture ● Revision of the personnel system ● Work-style improvement
<p>Priority measures</p> <ol style="list-style-type: none"> 1. Actively invest in growth areas 2. Laying foundations in environmental areas 3. Improve stagnant businesses 4. BCP measures 	

DX promotion

- DX in business models
- DX-based human resources development and development of DX culture

Research and development Strengthen data infrastructure, deployment of Materials Informatics (MI), and training of data scientists

‘Monozukuri’ Deploy autopilot-based control systems worldwide and broaden the range of products to which it is applied. Introduce robotics

For all work Promote use of IT to revolutionize sales and administration, and work-style reforms to improve human ability

Contribution to SDGs (Carbon neutral)

- Target revenue ratio for products and technologies contributing to SDGs: Fiscal 2020 (Results) 37% → Fiscal 2021 (Results) 48% → Fiscal 2022 (Results) 54.5% → Fiscal 2030 70% or more
- Taking on the challenge of carbon neutrality: Fiscal 2022 CO₂ reduction (Scope 1, 2): 40% reduction from FY 2013 (Domestic: 65%, Overseas: 24%)
- Promote the expansion of electricity from renewable energy sources, increased installation of solar panels, and consideration of new technologies
- Utilize company-wide environmental development roadmap to speed up development of technology
- Apply Life Cycle Assessment (LCA) to all products by the end of FY2024



Enhancing promotion of DX, which is the key to further contribution toward the SDGs, fulfilling our mission and responsibilities as a company

Masayuki Inagaki
 Representative Director, Executive Vice President
 Vice Chairperson, Sustainability Promotion Committee
 Chairperson, SDG Promotion Committee

Our Group strives to contribute to society through our business activities, and we use the SDGs as indicators for all of our activities. Going forward, it is essential that we promote digital transformation (DX), beginning with AI and IoT, in order to create optimal value for society. This includes pioneering the reforms demanded by the times, such as striving for carbon neutrality and building production systems that do not rely on humans. Let's look at the efforts our Group is making to promote digital transformation and achieve the SDGs.

DX promotion

Accelerate Value Creation to Solve Social Issues by Promoting DX

Toward Data-Driven Research & Development through Materials Informatics (MI)

The most significant change brought about by our promotion of DX has been the shift to data-driven research and development. We set out to prevent valuable information from being scattered throughout the company, and build an infrastructure that we can take maximum advantage of in product development. It is now possible for researchers to enter experimental results into a tablet and immediately share them across the company. We are planning to officially launch this system before the end of fiscal 2023.

In addition, we have rolled out web applications capable of easily performing advanced data analysis to all research laboratories where they are used as tools to support research and development.

At the same time, we have prepared tools for utilizing in-house data that enable ordinary researchers to perform advanced analysis techniques like machine learning on their own for tasks such as search materials data. The needs of society are evolving at an accelerating pace, and it is sometimes necessary to make decisions that run counter to conventional wisdom. In such cases, data becomes the basis for decision-making. We are working to spread an appreciation for the importance of data infrastructure throughout the company, and are training MI personnel who can expand its scope of utilization. These efforts have already achieved a lot, leading to the development

of high-performance materials that surpass the results of previous experiments. These include formulations for materials with high heat dissipation properties, and materials for encapsulation of semiconductors that are flexible yet strong and reliable. Some development sites have achieved significant cost reductions without changing the characteristics of existing products, by replacing materials and optimizing process conditions. Each laboratory is also trying to use MI to reduce the number of experiments that need to be performed. In some cases, we have achieved a four-fold increase in efficiency by utilizing a predictive model for screening experimental conditions, which is quite encouraging.

Today's unpredictable world requires us to rapidly develop products with advanced problem-solving capabilities. Replacing our traditional trial-and-error development style with one that utilizes a scientific approach based on vast amounts of internal and external data is sure to dramatically advance materials development where speed is the decisive factor. We aim to achieve both the advanced functionality and environmental friendliness required of next-generation materials, and improve experimental efficiency during their commercialization, through data-based research and development. We hope this will lead to early acquisition of market share.

Full-scale Application Smart Factories, which are a Sure Path to Our Vision of the Future for Manufacturing

We have been promoting digital transformation (DX) in manufacturing around three key pillars: (1) Data collection and storage, (2) Visualization, and (3) Autopilot-based control. Our goal is to build a production system that does not rely on humans. At present, this plan has been implemented at 5 offices in Japan and 5 sites overseas, and is moving forward smoothly. In production lines, we use various sensors to measure temperature, pressure, flow rate, and vibration to turn this information into digital data. This data is then gathered and made visible through application tools. We carry out quality control for each part number in conjunction with automatic monitoring and autopilot control that notify operators of detected anomalies and the like. We aim to further develop smart factories that do not rely on human workers.

In the manufacturing industry, the declining number of employees due to

falling birth rates, and the loss of skills due to seasoned worker retirement, have become issues that can no longer be ignored. We also need to prepare for unforeseen situations such as natural disasters caused by climate change. We want to support societal activity with a manufacturing system that is global in scale, through centralized production information that encompasses all of our overseas sites.

In addition, we plan to actively utilize robotics technology to automate tasks like traverse movement that do not create added value. We have completed the preparatory phase of this project, and expect to implement it within the current fiscal term. Going forward, we plan to roll this out gradually to overseas sites that have become subsidiaries through means such as mergers and acquisitions. We will introduce it as appropriate with consideration for different cultures and values.

DX	Research and development [MI (Materials Informatics)]	Aim: R&D Efficiency and ability to create new products Strategy: Switch over to data-driven development (build data infrastructure and train data scientists)
	'Monozukuri' [Digitalization of production technology]	Aim: Build a production system that does not rely on people Strategy: Promotion of autopilot-based control and utilization of robotics
	For all work [Review work processes using IT]	Aim: Improve work efficiency and work styles Strategy: Review business processes, introduce robotic process automation (RPA), and establish relevant working group for business transformation

Incorporating IT in All Operations and Revamping our Processes to Achieve Efficiency and Work-style Reform

With regard to operational reforms, we have positioned RPA as a key method of promoting digital transformation (DX), and have aimed to foster the growth of development personnel while making operations more effective. As of December 2022, there were 260 robots and a workload reduction in excess of 12,000 hours per year. And, in addition to going paperless, we started to introduce AI-OCR^{*1} technology throughout the company during the last fiscal year. By December 2022, we had seen an annual effective reduction of 2,000 hours as a result of automating operations in conjunction with RPA.

The benefits of digitalization go beyond just workload reduction and improved efficiency. I feel that we are creating a virtuous cycle that encourages work-style improvements, such as reducing stress by liberating workers from the excessive tension of working in an environment that does not tolerate mistakes.

In addition, we are now rolling out a no-code tool to the entire company that enables the development of applications without the need for

special knowledge or programming skills. This makes it possible for each department to build simple systems without having to rely on the systems department. We are focusing on this system as an effective means of discovering and cultivating DX-capable personnel, and are working to expand its use.

At the same time, we are making efforts to encourage employees to see themselves as the leaders of operational reforms. This entails establishing working groups where employees formulate a vision for each department and review its processes. Then based on the themes which emerge from each working group, they consider for themselves what are the best digital technologies for replacing the operations they wish to make more efficient. We believe it is important for employees to pursue the goals set by the company for improving operational efficiency, while also taking the initiative to make improvements on their own.

*1 AI-OCR: An optical character recognition technology that incorporates AI.

Commitment to Training Data Scientists throughout the Company who Have a Manufacturing Mindset

We plan to assign data scientists to a wide range of departments within the company beyond just research laboratories, with the goal of promoting data-driven product development. We conducted a one-year-long in-house training program over three terms for a total of more than 50 employees. We intend to establish an internal data scientist certification system by the end of fiscal 2023, and aim to certify 20% of our technical personnel by the end of fiscal 2025.

It is imperative that we secure capable MI personnel in order to handle the remarkable advance of our data-driven society. Since we went into business as a pioneer in

plastics, our Group has continued to lead the industry with innovative technologies. We have formed projects led by young employees with the goal of developing personnel with advanced skills and pride in the kind of manufacturing that is unique to Sumitomo Bakelite. These members handle everything from planning to implementation for the training programs conducted at each level. We expect the efforts of young data scientists to be a source of future development. We intend to further increase our presence on the global market, where we have an outstanding market share by building on a solid structure rooted in the wealth of experience possessed by veteran employees.

Contribution to SDGs

Improving Corporate Value by Leveraging Our Strengths to Contribute to Achieving SDGs

Fulfilling the Responsibility and Mission of a Global Company to Contribute toward SDGs

Our Group has strived to enhance our framework since we launched our first initiatives for the SDGs in 2018. We established the Sustainability Promotion Department in April 2023 to further enhance our efforts, and intend to work harder than ever to help achieve the SDGs.

Out of the 17 goals and 169 specific targets for achieving those goals that constitute the SDGs, we initially designated 6 SDGs toward which we can leverage the strengths of our field of business as priority SDGs. We then added SDG 13 on “taking specific measures against climate change,” and are developing our business activities with our sights set on “6+1” priority SDGs. Innovation is essential to measures to address climate change, including achieving carbon neutrality. I believe that the opportunities to make a contribution through our products will continue to increase. We plan to further expand our product lineup with products whose features allow them to immediately respond to the complex and diversifying demands of society.

Our Group is pursuing certification of SDG-contributing products, technologies, and activities. In fiscal 2022, 29 products and 1 technology were newly certified, bringing the total number certified to 148 products, 2 technologies, and 2 activities. Regarding “SDG-contributing products,” we have set long-term goals of a 50% or more contribution to revenue in 2023 and 70% or more in 2030. Our actual result for fiscal 2022 was 54.5%, meaning we managed to achieve our goal for fiscal 2023 ahead of schedule. The development and certification of SDG-contributing products is also vital to future business development. The assessment criteria are that the target must be appropriately selected, and a concrete explanation of contributions must be provided, including objective figures based on actual data and publicly disclosed information. Only products that meet the requirements are certified after approval by internal committees. The products certified in fiscal 2022 include bio-based materials such as phenolic resins using

biomass-derived lignin that feature high strength and high heat resistance comparable to petroleum-derived resins, and furan resin made from raw material components derived from sources like corn cobs.

We are also working to raise awareness by conducting e-learning for all employees, and displaying the SDGs icon everywhere within the company. The idea is to focus on awareness-raising activities that cultivate a sense of ownership by getting each person to always think about which goals their work and actions correspond to.

Furthermore, we place particular emphasis on strengthening governance as part of our efforts to achieve the SDGs. As a company that operates globally, we engage in socially responsible procurement, and do not use raw materials obtained through unfair means such as child labor or forced labor. We will fulfill our mission and responsibility as a company to help achieve the SDGs, which are the common goals of the world.



Having a Positive Impact on Society by Clearly Quantifying Environmental Measures

Under our current Environmental Vision for 2050 (net zero), we have set goals of reducing CO₂ emissions by 46% or more (compared to fiscal 2013) by 2030, and the 2050 target of taking on the challenge of achieving carbon neutrality by 2050. We are striving to reduce CO₂ emissions by installing solar panels and expanding our use of electricity from renewable energy. In fiscal 2022, we achieved a 64.7% reduction in CO₂ emissions in Japan, and a 39.3% reduction if including overseas operations (compared to FY2013 for both Japan and overseas). In Japan, we achieved this goal ahead of schedule.

Our Group has also formulated a company-wide environmental development through 2035 that covers the five areas of (1) Resources, (2) Energy Creation/Energy Conservation, (3) Long Service Life, (4) The 3Rs, and (5) Environmental Measures. Concerning (1) Resources, we are starting from biomass materials to develop plastics that are not derived from petroleum, and trying to develop a line of core products that do not depend on petrochemical resources. For (2) Energy Creation/Energy Conservation, we are pursuing technological innovation in materials with features such as weight reduction and heat

management. For (3) Long Service Life, we aim to extend product service life by improving durability and reliability. Regarding (4) The 3Rs (Reduce, Reuse, Recycle), we are aiming for the early establishment of technologies that contribute to a resource-recycling society. And with respect to (5) Environmental Measures, we are focusing our efforts on CO₂ emissions reductions and material conversion, and on eliminating environmentally hazardous substances from our main products.

From an environmental perspective, many people have a negative image of plastics. We believe that it is important to demonstrate environmental performance using clear, specific numerical values if we want to change this situation and exhibit a positive presence in society. We also plan to apply LCA (Life Cycle Assessment) to all products by the end of fiscal 2024.

We will work even harder to ensure that people have an accurate understanding of the indispensable value plastics bring to society, by pursuing values that support lifestyles that are safe, comfortable, and secure, and by making full use of our unique recycling technology to spread adoption of the 3Rs.

Certification Process, Results, and Targets for SDG-contributing Products, Technologies, and Activities

Since fiscal 2018, Sumitomo Bakelite has been accrediting products, technologies, and activities that contribute to the SDGs as SDG-contributing products, SDG-contributing technologies, and SDG-contributing activities.

Products Eligible for Certification

Certification is intended for products that meet one or more of the following certification requirements ((1) – (8)).

Our Group’s priority SDGs

- Goal 3: The product promotes health and welfare
- Goal 7: The product contributes to improving energy efficiency and realizing modern energy (including energy storage)
- Goal 8: The product contributes to realizing decent work and economic growth
- Goal 9: The product contributes to the realizing decent work friendly technologies, and to the foundation of industry and technological innovation
- Goal 12: The product contributes to reducing waste (including food waste) and harmful substances, contributes to reducing environmental impacts, and contributes to the realization of recycling and resource saving
- Goal 13: Measures against climate change, and things that help strengthen adaptive capacity to climatic and natural disasters
- Goal 14: The product contributes to the conservation and utilization of marine resources and to the prevention and reduction of marine pollution

Requirement in line with non-priority SDGs

- The product contributes to the achievement of one or more of the 17 SDGs other than Goals 3, 7, 8, 9, 12, 13, and 14 listed above.

Fiscal 2022 Results

Sales revenue **155.2 billion**

Sales ratio **54.5 %**

Target

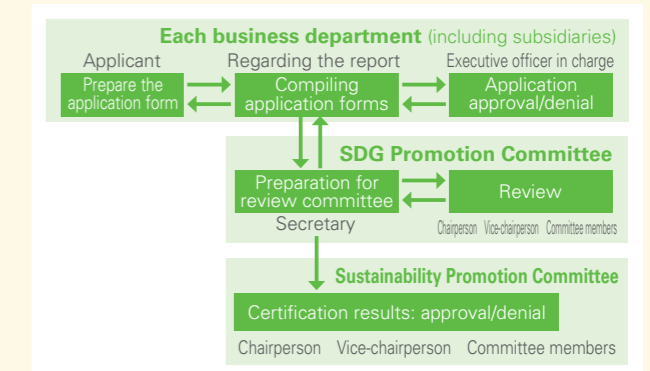
Fiscal 2030 sales ratio **70% or more**

Certification Process

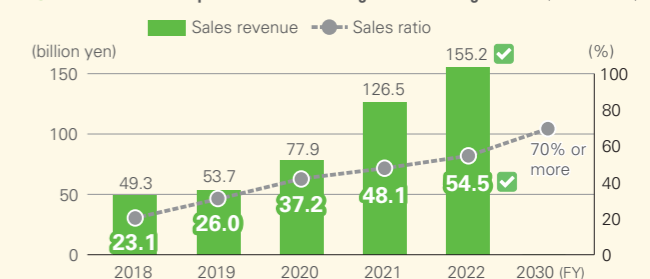
Items reviewed and assessment criteria

- Concrete explanation of contributions: Presented through objective figures based on actual data or publicly disclosed information.
- Targets for contributing to SDGs: Selected appropriately

Any negative impacts due to the product are also discussed before certification.

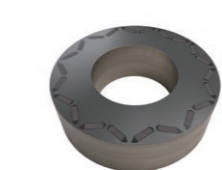


Sales revenue from products and technologies contributing to SDGs (consolidated)



* Sales ratio is calculated by dividing revenue from products and technologies that contribute to the SDGs by overall sales revenue (based on International Financial Reporting Standards).

Typical SDG-Contributing Products



Epoxy molding compound for HEV/EV motor magnet fixing

Replacing liquid resin with this product contributes to high heat resistance, high Stiffness, and better productivity. The epoxy resin encapsulation technology fills narrow spaces and imparts chemical resistance. When used as a magnet fastener in IPM motors, it fills narrow gaps at the 100-um level, achieving high adhesion between components and improved reliability. Using the magnet fastener allows rotation speed to be increased and high output to be achieved. This makes it possible to reduce motor weight while achieving the same level of output, contributing to reduced CO₂ emissions through improved energy efficiency.

- 7.3 Improve energy efficiency
- 9.4 Environmentally sound technologies
- 13.2 Climate change countermeasures



Lignin-modified phenolic resin

Combining lignin-modified novolak-type phenolic resin and with a biomass-derived filler allows us to increase the ratio of biomass in both the resin and the filler. We have developed a material that overcomes previous shortcomings by limiting the surface area of the biomass-derived filler to increase its adhesion to the resin and filling it to an even higher capacity. This material can now be utilized for mechanical and structural components in automotive applications. Not only does this increase the ratio of biomass used, but reduces weight by replacing metal parts, helping to improve fuel/energy efficiency (reduce CO₂ emissions).

- 9.4 Environmentally sound technologies
- 12.2 Sustainable management and effective utilization of natural resources
- 13.2 Climate change countermeasures



Pharmaceutical packaging made from bioplastics

The SUMILITE® NS Biomass Series is formulated to contain 50% or more biomass-derived raw materials, earning it the “Biomass Plastic” certification mark established by the Japan Bioplastics Association (JBPA). The SUMILITE® NS Biomass Series achieves both higher moisture-proofing properties and greater moldability than the conventional SUMILITE® NS Series, while also mitigating environmental impacts by using biomass-derived raw materials.

- 9.4 Environmentally sound technologies
- 12.2 Sustainable management and effective utilization of natural resources
- 13.2 Climate change countermeasures



Duckbill-shaped anti-reflux stents

This is a covered stent with check valve that can be used to treat stenosis of the bile duct. It features a surface cover that prevents the epithelium from growing through the gaps in the mesh, preventing it from becoming embedded in the bile duct wall. This makes it possible to drastically reduce the number of days in the hospital. The presence of a check valve also allows it to stay open for longer and reduces wastes from related parts such as delivery systems.

- 8.1 Sustain per capita economic growth
- 12.5 Reduce waste generation



We will endeavor to expand our business through aggressive investment while maintaining a strong financial base

Director, Managing Executive Officer
Toshiya Hirai

Fiscal 2022 results

Sales revenue	¥284.9 billion
Business profit	¥ 25.4 billion
Operating income	¥24.8 billion
Profit attributable to owners of parent	¥20.3 billion
ROE	8.4%

Review of Business Performance in Fiscal 2022

Although the sales volume of our products decreased in fiscal 2022, we achieved a record high in sales revenue. The decline in sales volume can be attributed to a decline in demand for consumer devices such as smartphones and computers due to lockdowns in China because of COVID-19 infections, and the easing of stay-at-home demand elsewhere. It can also be attributed to a deterioration of the business environment, including a delay in the recovery of automobile production due to the semiconductor shortage and the situation in Ukraine. On the other hand, the depreciation of the yen and reflection of increases in the cost of energy and raw materials in final sales prices led to an increase in sales revenue.

Business profit decreased compared to the previous year,

due to a decrease in the volume of semiconductor materials and high performance plastics, and the effects of increased personnel costs stemming from labor shortages. However, we were able to keep the decline in profits to a minimum thanks in part to steady performance of our quality of life products.

Profit attributable to owners of the parent company increased for the third consecutive year, reaching a record high of 20.3 billion yen, thanks to factors such as increased interest income from affiliates. I believe that the reason why our Group has been able to make a profit in the midst of drastic changes in the business environment is our agile worldwide implementation of measures tailored to the state of affairs.

Progress of Medium-Term Business Plan

We were able to achieve our initial performance targets for the Medium-term Business Plan that started in fiscal 2021 in the very first year. Therefore, we set new targets in fiscal 2022 to reach 300 billion yen in sales revenue and 30 billion yen in business profits. To reach our goal of “achieving top share in niche markets in the functional chemical sector, in accordance with the SDGs, while expanding the scale of business,” we have focused on trying new business models, evolving our organizational culture, promoting digital transformation, and contributing toward reaching the SDGs. As a result, we have formulated a plan to achieve record-high sales revenue, business profit, and current profit for fiscal 2023.

It is becoming increasingly important to disclose sustainability information to guide corporate conduct. We established the Sustainability Promotion Department in April 2023 to organize and systematize our departmental policies. We will continue striving to reach carbon neutrality on a global scale by expanding our use of electricity from renewable energy sources, installing more solar power systems, and considering new technologies.

From the perspective of securing human resources, which we expect to become more difficult, we will strive to respect diversity, improve the value of human capital, and increase labor productivity by investing in the digital transformation required to achieve this.

Outlook for Business Performance in Fiscal 2023

Our consolidated results for fiscal 2023 are expected to reach sales revenue of 295 billion yen, business profits of 28.5 billion yen, and current profits of 21.5 billion yen. As for this fiscal year, although demand has continued to slow for the second half of fiscal 2022, the market is expected to gradually recover. Since we expect that it will still be difficult to secure sales revenue at the beginning of the fiscal year,

we will work to secure profits through meticulous cost management, while also setting up a production system that will ensure that we do not lag behind the recovery in demand.

I also feel that, more than ever before, we need to work on developing new products and new applications, and quickly acquire new customers.

Basic Policy for Financial Strategy

I believe that the most important thing is to maintain a firm financial foundation, and to conduct our business based on the premise of stable fund management. In addition to requiring long development periods, our Group’s functional chemical products are used in fields such as the automotive and electrical and mechanical industries, where extremely high reliability, safety, and long-term stability are required. Under these circumstances, we believe that maintaining a firm financial foundation is a source of reassurance for our

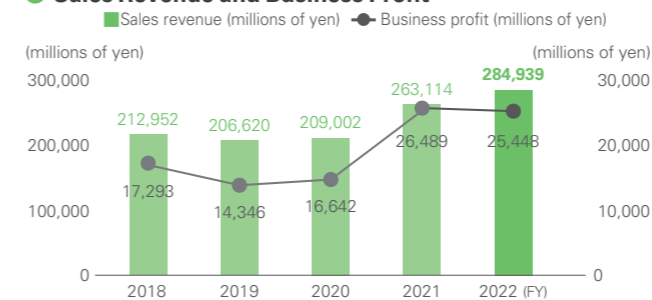
customers, and that building long-term partnerships with our customers is essential from a strategic point of view. At the same time, for our Group to expand, we need to actively invest in the future. We want to take a proactive approach to investments, business expansion, and mergers and acquisitions aimed at promoting sustainability mentioned earlier, and make sure to get the timing right. We will further increase our profitability by aiming for an ROE of 10%, as set out in our Medium-term Business Plan.

A Message to all of Our Shareholders and Investors

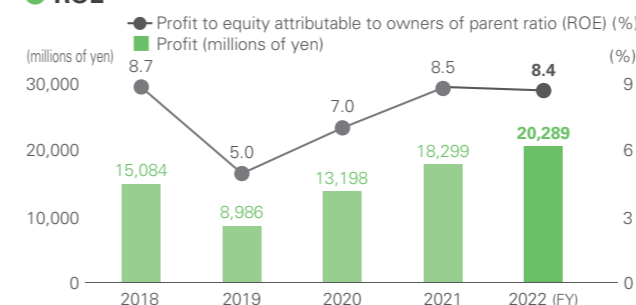
Regarding shareholder returns, our existing policy of effecting stable continual shareholder returns has not changed. Specifically, we would like to continue to maintain a rough target of 30% or more for our dividend payout ratio. In fiscal 2022, thanks to improved business performance, we were able to pay an interim dividend of 60 yen per share and a year-end dividend of 70 yen per share, for an annual cash dividend of 130 yen per share, an increase of 20 yen per share over the annual cash dividend paid in fiscal 2021. We foresee even greater improvement in business performance in fiscal 2023, and on April 24, 2023, announced that we expect to increase dividends by 10 yen per share, for an annual cash dividend of 140 yen per share. In addition to increasing dividends for the third year in a row, we also conducted a share buyback in May 2023 with

the aim of provide shareholder returns. Meanwhile, we intend to actively pursue mergers and acquisitions that will help to enhance the corporate value of our group. I would like for you to understand that mergers and acquisitions are measures we hope will return the fruits of business expansion and strategic investments made from a medium-to long-term perspective to our shareholders and investors. We will respond to the various changes in the business environment with agility and flexibility, and continue to create products and services that are indispensable to society, as we aim to exceed the expectations of all stakeholders and become “a company that makes your dreams for the future a reality.” I hope that you will continue to honor us with your support.

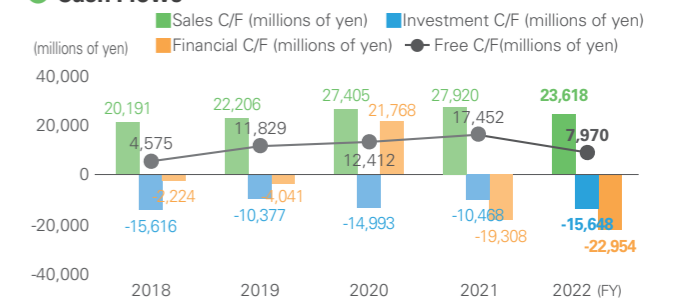
Sales Revenue and Business Profit



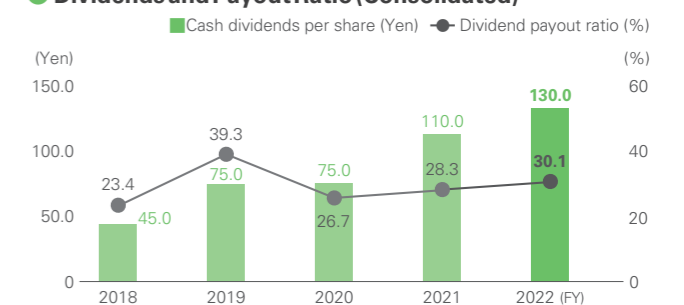
ROE



Cash Flows



Dividends and Payout Ratio (Consolidated)



Responding to Business Risks and Opportunities

In order to reduce the frequency of occurrence and the impact of risks, we have established, maintain, and operate systems for corporate governance and internal control. Moreover, each company and department in the Group ascertains and assesses the risks in its own business

operations. Upon doing so, the Group establishes a Basic Policy for risk management, and performs management and practices that precisely address the range of risks associated with business operations.

Risk Management Structure

Our risk management structure is described below.

Sustainability Promotion Committee

We have established the Sustainability Promotion Committee as the parent body for conducting our Group's sustainability activities on a continuous, Group-wide basis. It approves the policies, plans, results, items, and figures to be published externally by the Risk Management Committee, which is a subordinate committee, and reports that information to the Board of Directors.

Risk Management Committee

The Committee identifies major risks that could have a serious impact on our business performance, confirms the validity of response measures to major risks, and gives instructions on what additional measures should be considered to our departments that oversee risk and each department.

The members of the Risk Management Committee consist of the President, Senior executive officers in charge of business and corporate departments, and the heads of departments that oversee risk. In fiscal 2022, the Risk Management Committee convened four times.

Divisions that oversee risk

When it comes to risk oversight, the departments that oversee risk draft and promote response measures for our Group as a whole by coordinating with each business department. These divisions that oversee risk include the Corporate General Affairs Division, Personnel Division, Corporate Finance & Planning Division, Corporate Production Management & Engineering Division, Corporate Research & Development Division, Information Systems & Data Processing Department, and Global Procurement Division.

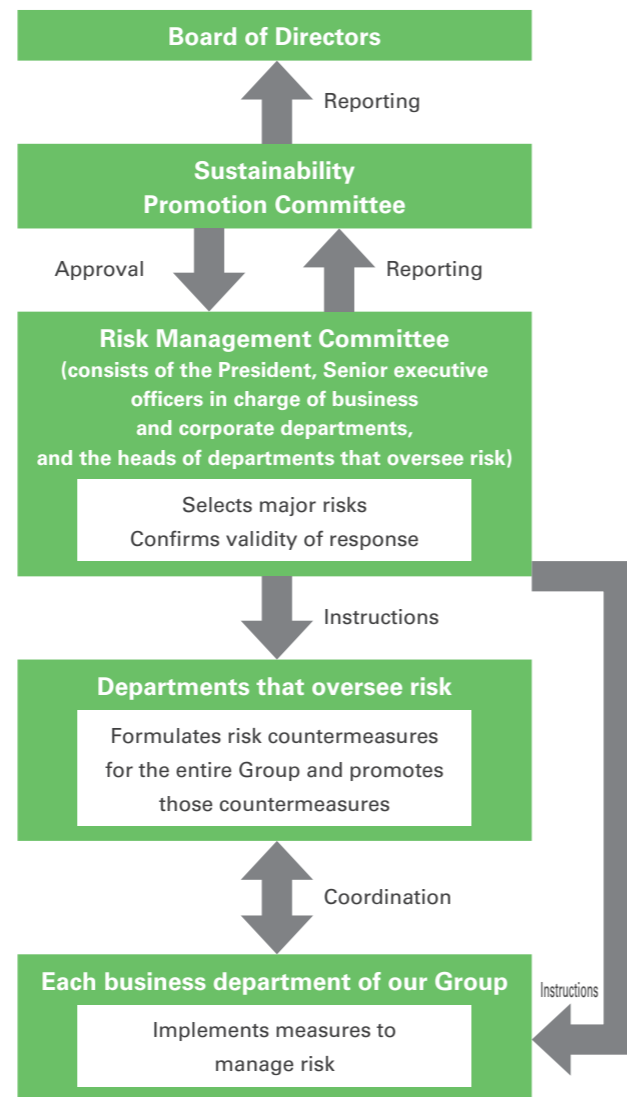
Each business department

As part of their original business operations, the Group's sales departments, factories, R&D departments, and other business units take various measures to properly manage the risks associated with the execution of their own business operations.

In addition to the above, the Group has established a corporate governance system as described on P.87, and has developed and operated an internal control system, including risk management.

[Link](#) P.87 Internal Control

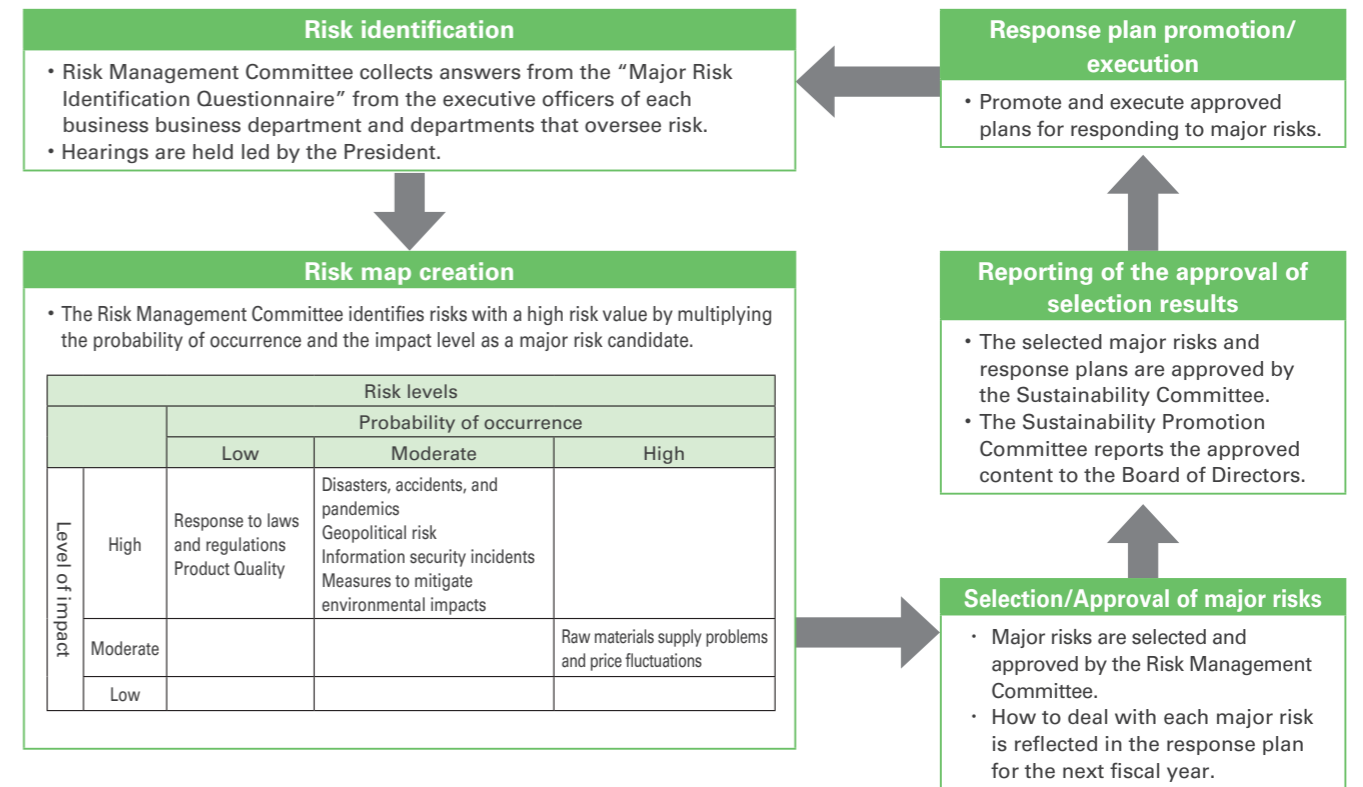
Risk Management Structure



Risk Management Process

The selection and approval of major risks in the Group is conducted once a year. The process is as follows.

Major Risk Selection and Approval Process



Guidelines for Selecting the Degree of Likelihood of Occurrence

Levels		Guidelines for selecting the level of likelihood of occurrence
Probability of occurrence	Low	Approximately once every 100 years to once every 10 years
	Moderate	Approximately once every few years to once every year
	High	Twice or more each year

Guidelines for Selecting Level of Impact

Levels	Guidelines for selecting the level of impact (If more than one of the following applies, select the item with the highest level of impact)			
	Monetary impact	Human life	Reputation	Impact on operations
Level of impact Low	Up to ¥50 million	Injuries or illnesses requiring medical attention occur	Resolved through routine daily management	Affects operations for a few days at one location only
Level of impact Moderate	¥50 million to ¥1 billion	Injuries or illnesses requiring hospitalization occur	Minor coverage (in a negative way) in conventional and online mass media Trust is partially diminished among business partners and consumers	Affects operations for several weeks at one location only Affects operations for multiple days at multiple locations
Level of impact High	¥1 billion or more	One or more deaths occur Numerous cases of injury and/or sickness occur	Major coverage (in a negative way) in conventional and online mass media Trust is considerably diminished among business partners and consumers	Affects operations for several months at one location only Affects operations for multiple weeks at multiple locations

The seven major risks selected for fiscal 2022 are: (1) raw material supply problems and price fluctuations, (2) disasters, accidents, and pandemics, (3) compliance with laws and regulations, (4) product quality, (5) geopolitical risk, (6) information security incidents, and (7) measures to mitigate environmental impact (including responses to climate change). Of these, the risks associated with climate change are (1) raw material supply problems, (2) disasters, accidents, and pandemics, (3) compliance with laws and regulations, and (7) measures to reduce environmental impact (including responses to climate change). As we move forward with the TCFD scenario analysis, we will consider our impact evaluation in accordance with the above process.

Responding to Business Risks and Opportunities

Major Risk Content, Potential Impacts, and Responses

Based on the process described on P.29, the Group has identified the following major risks that could have a significant impact on the Group's business, and by viewing

these as opportunities and promoting responses, the Group will create value in the future. The major risks listed below are not an exhaustive list of

all risks faced by our Group, as other risks exist that are difficult to foresee. Please also refer to the Securities Report

for information on individual risks and how we handle them, as well as opportunities.

Risk	Probability of occurrence Time frame	Probability of occurrence Potential	Level of impact	Details and potential impacts of risks	
Raw materials supply problems and price fluctuations Link P.79 Procurement Initiatives	Short-term	High	Moderate	Details	<ul style="list-style-type: none"> ● Reduced output, product discontinuation, and withdrawal from business by suppliers due to soaring raw material and fuel prices ● Delays from suspension of supply or logistics disruptions due to natural disasters or the spread of infectious disease ● Suspension of supply, product discontinuation, and supply-demand imbalances due to revisions to laws and tightened environmental regulations ● Prices increase due to the interlocking of prices in the crude oil and nonferrous metals markets ● Withdrawal from business by raw materials manufacturers due to reconsideration of business portfolio
				Impacts	<ul style="list-style-type: none"> ● Declining sales, deteriorating profitability, and hindrance to business continuity
Disasters, accidents and pandemics Link P.92 Business Continuity Plans (BCPs)	Undetermined Note: However, the Covid-19 pandemic is short-term.	Moderate	High	Details	<ul style="list-style-type: none"> ● Earthquakes, explosions, fires, storm and flood damage, and pandemics
				Impacts	<ul style="list-style-type: none"> ● Impediments to product supply due to personal injury to neighbors & employees, damage to plant/equipment, or disruptions of electricity, gas, water, or telecommunications services ● Impediments to continued business activities due to supply chain disruptions ● Negative effects on business performance, such as claims for substantial damages
Response to laws and regulations Link P.93 Compliance	Undetermined	Low	High	Details	<ul style="list-style-type: none"> ● Significant changes to laws and regulations that are closely connected to the business activities of our Group as a manufacturer of the functional chemical products
				Impacts	<ul style="list-style-type: none"> ● New costs for measures to deal with changes in laws and regulations ● Negative effects on business performance due to things such as loss of trust, or major losses due to criminal penalties, surcharges, and civil litigation when laws or regulations are violated
Product Quality Link P.76 Product Liability and Quality Assurance	Undetermined	Low	High	Details	<ul style="list-style-type: none"> ● Large-scale product incidents ● Advancement of quality management standards sought by customers, etc., after placement on the market due to advances in science and technology and changes in customer markets and methods of use
				Impacts	<ul style="list-style-type: none"> ● Negative effects on business performance due to things such as loss of trust, major costs due to recalls, or compensation for damages ● Occurrence of unforeseeable quality problems due to advancement of quality management standards
Geopolitical risk	Undetermined	Moderate	High	Details	<ul style="list-style-type: none"> ● Suspension of import/export transactions and settlement of funds due to strengthened economic security policies in each country ● Wars and conflicts
				Impacts	<ul style="list-style-type: none"> ● Criminal penalties, administrative penalties, civil lawsuits, and loss of public trust due to inability to respond to unforeseeable changes ● Impediments to business continuity due to threats to employee lives and assets, or disruption of logistics, procurement, or infrastructure
Information security incidents Link P.92 Information Security Measures	Undetermined	Moderate	High	Details	<ul style="list-style-type: none"> ● Principal systems failure or stoppage, or leakage of confidential information held by our company due to cyberattack
				Impacts	<ul style="list-style-type: none"> ● Loss of community trust ● Negative effects on business performance due to costs such as compensation to business partners, or disorder or disruption of business activities
Measures to mitigate environmental impacts Link P.48 Environmental Management	Medium- to long-term	Moderate	High	Details	<ul style="list-style-type: none"> ● Climate change issues (Strengthening greenhouse gas emissions regulations, carbon pricing, etc.)
				Impacts	<ul style="list-style-type: none"> ● Exclusion from markets due to delay of countermeasures

Handling and opportunities	
Responses	<ul style="list-style-type: none"> ● Risk reduction through pluralization of procurement sources for important raw materials, ensuring safety inventory, etc., with stable procurement the foremost consideration ● Implementation of BCP measures and completion of planning for approximately 100 suppliers of important raw materials in Japan ● Working to ensure the availability of substitute products and safety inventory of more than three months for approximately 80 suppliers in Europe, U.S., and China that supply important raw materials ● Confirmation of BCP measures when new raw materials are adopted, and risk reduction by setting a standard of adoption that ensures that materials do not contain prohibited substances ● Application of the formula system for principal raw materials (automatically reflecting raw materials price fluctuations in product prices)
Opportunities	<ul style="list-style-type: none"> ● Expansion and continuation of transactions with customers through improved BCP response
Responses	<ul style="list-style-type: none"> ● Formulation of a (BCP), annual validation of countermeasures, revision of BCP and ongoing training ● Implementation of measures for reduced production and continuity assurance by securing adequate inventories, establishing redundancy with our production systems, and augmenting spare parts supplies ● Elucidate causes, formulate countermeasures, and deploy countermeasures throughout the Group to prevent explosions and fires, and expand adoption of predictive management system for abnormalities to overseas sites in fiscal 2023 ● Review of our "Company-wide COVID-19 Infection Countermeasures Manual" based on measures to prevent the spread of COVID-19, and deployment throughout the entire Group
Opportunities	<ul style="list-style-type: none"> ● Expansion and continuation of transactions with customers through improved BCP response
Responses	<ul style="list-style-type: none"> ● Minimization of the risks of compliance violation, promotion of development of a compliance system, and promotion of awareness of compliance by the Compliance Committee ● Development of systems by individual risk management divisions, implementation of education, guidance and support to business units, and monitoring by internal auditing departments ● Risk reduction through the operation and maintenance of management systems that can stay up to date with the latest chemical substance regulations in each country ● Adoption of a Compliance Whistleblower System that allows not just officers, but also stakeholders to report issues
Opportunities	<ul style="list-style-type: none"> ● Expansion and continuation of transactions with customers by responding to laws and regulations, establishing compliance systems, and maintaining and improving operations
Responses	<ul style="list-style-type: none"> ● Creation of a product quality management framework that is consistent from design management to manufacturing and sales, and adheres to manuals compliant with international quality management standards ● Annual verification of quality management status by qualified experts, and identification of potential quality risks and mitigation response using FMEA and FTA ● Elimination of human variables and enhancement of traceability using AI/IoT technology at four major domestic bases, and expansion to main overseas factories ● Establishment of a system that can centrally manage quality issues that occur at all domestic and overseas business sites, and verification of effectiveness of response/measures to address quality issues
Opportunities	<ul style="list-style-type: none"> ● Expansion and continuation of transactions with customers by maintaining and improving quality control systems
Responses	<ul style="list-style-type: none"> ● Collection of information from experts and government agencies to prepare or enhance the effectiveness of risk management manuals at overseas sites ● Collection of information about import/export control and economic sanctions, and utilizing multi-fabrication and multi-sourcing to reduce or minimize impacts
Responses	<ul style="list-style-type: none"> ● Establishment of cross-organizational body "SUMIBE-CSIRT," and of a framework for coordination of response between management and external organizations in times of emergency ● Implementation of measures such as improving vulnerability response, detecting risks through the introduction of remedial products, and constantly monitoring against cyber-attacks ● Strengthening prevention and promoting awareness through regular information security education for all directors and employees in Japan and abroad ● Promote acquisition of "Registered Information Security Specialist" certification to improve the skillsets of our information security staff, and train information security personnel and deploy them to overseas sites
Opportunities	<ul style="list-style-type: none"> ● Expansion and continuation of transactions with customers by maintaining and improving the information security management system
Responses	<ul style="list-style-type: none"> ● Promotion of activities under "Environmental Vision for 2050 (net zero)" in a cross-functional organization headed by top management ● Proactive participation in industry projects, and programs linking industry, academia, and government, as well as development of the innovative technologies needed to reduce environmental impact ● Efforts to achieve SDG-contributing product revenue ratio targets ● Scenario analysis of our key business areas by TCFD Task Team
Opportunities	<ul style="list-style-type: none"> ● Increased demand for products that contribute to SDGs

Semiconductor Materials



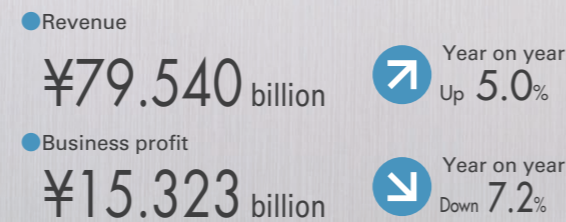
Continuing to lead the industry with unparalleled market share, trust, and technological innovation that keeps ahead of the curve

Director, Senior Managing Executive Officer
Keisuke Kurachi

Priority SDGs



Fiscal 2022 business performance for the segment



A Review of Fiscal 2022

In a reversal from fiscal 2021, when we achieved strong results with all our core products, demand dropped sharply from the second quarter of fiscal 2022. Sales of consumer products like smartphones in China and Taiwan failed to recover following the lifting of the lockdown in Shanghai, and we had trouble procuring components for in-vehicle electronics due to the semiconductor shortage and the impact of the war in Ukraine. This caused line operation to slow and we were unable to achieve the figures we initially forecast.

Demand for consumer products failed to recover in the second half, remaining sluggish through the end of the fiscal year. On the other hand, in the field of mobility, which is finally on track to recovery, attention should be given to the field of EVs. The field is growing steadily and inspiring high expectations. Furthermore, construction has already begun on our plan for additional production lines in anticipation of growth markets in China, Taiwan, Europe, and the United States, and we are moving forward according to schedule.

SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> Business framework for integrated worldwide production, sales, and research No. 1 share in semiconductor encapsulation materials market; competitive edge with 3 strategic in-vehicle products Advanced technical capabilities and relationships of trust built with stakeholders worldwide 	<p>Weaknesses</p> <ul style="list-style-type: none"> Vulnerability to market influences High reliance on specific products
<p>Opportunities</p> <ul style="list-style-type: none"> Vehicle electrification / automation Increase communication speed, increase volume, and focus on growth markets Collaborative relationships with major customers 	<p>Threats</p> <ul style="list-style-type: none"> U.S.–China trade friction resulting in future uncertainty, securing raw materials Intensified competition for mainstay products

Business strategy overview for fiscal 2023

- 01. Creation of production lines that stabilize balance between supply and demand**
 - Obtain stable quality with newly expanded production lines at Chinese subsidiaries
 - Plan to increase production capacity at production lines in Taiwan (scheduled to commence operation in 2023), Europe, and the United States
- 02. Pursuit of increased market share for power semiconductor materials**
 - High heat dissipation / high insulation sealing material
 - High heat dissipation paste for die bonding
- 03. Targeting expanded sales of materials for highly integrated semiconductors**
 - Molded underfill (MUF) material, granular material
 - Photosensitive rewiring material
- 04. Expansion of mobility-related business worldwide**
 - Motor magnet sealing material (large motors, next-generation motors); expand sales to new customers
 - Develop high-heat-dissipating module sealing material for EV batteries
 - Push as de facto for various ECU batch encapsulation
- 05. Development of next-generation mobility applications**
 - Achieve mass production of sealing material for stators, and increase projects

Strategic products



Targeting Growth Markets, and Quickly Grasping Customer Needs to Increase Market Share

In fiscal 2021, a surge in demand for consumer devices such as smartphones and computers significantly boosted our business performance due to the consequent demand for semiconductors.

In fiscal 2022, the rebound from this led to sluggish demand for consumer products. However, steady sales of mobility and data communications products led to sales revenue slightly exceeding that of fiscal 2021.

In fiscal 2023, we do not expect a strong recovery of demand for consumer products like smartphones going forward. It is difficult to foresee changes in demand for consumer products, because they are sensitive to consumption trends. However, we aim to increase sales revenue by creating “new products,” “new applications,” and “new customers,” and focusing on marketing, sales, and research and development aimed at growth markets. In the field of semiconductors, we will focus on expanding sales of mold underfill materials, granular materials, and rewiring materials for highly integrated semiconductors

technologies. Also, we aim to expand our market share for power semiconductor applications by broadening our product lineup with features such as high heat dissipation and high insulation. In the rapidly expanding area of mobility applications, we will expand worldwide sales of three products with a growing track record: motor magnet sealing material, ECU batch encapsulation material, and sealing material for power modules. We will also introduce a fourth product, sealing material for stators, to the market and accelerate business expansion.

Also, concerning the enhancement of our production system, we will enact the necessary maintenance without delay in anticipation of fields that are sure to grow in the future. Specifically, we will position measures related to mobility in Europe and the United States, where demand is strong, as the most important issue for this fiscal year, and will take aggressive steps to achieve results. This fiscal year, and will take aggressive steps to achieve results.

Striving to Create Now Business Opportunities with a Product Lineup that Leverages Our Strengths

We have finally reached fiscal 2023, the final year of our Medium-term Business Plan. In order to gain market share in fast-paced and rapidly changing business domains, we believe that the key to sustainable growth will be to build relationships of trust with customers through strategic proposals and the capacity to execute them. We are developing open laboratories in Japan, Asia, Europe, and the United States, and will continue to enhance our system for responding to needs by working in collaboration with customers. In addition to our main products of semiconductor encapsulation materials, we also aim to grow our business in the area of photosensitive materials and paste for die bonding of semiconductors, by expanding into new applications such as power semiconductors and data communication applications, as well as micro and mini LEDs, antennas, and displays. We hope to gain momentum through these activities to achieve our targets for fiscal

2025: “revenue of 100 billion yen for a 20–25% ratio of total business profit.”

In fiscal 2022, SDG-contributing products generated sales revenue of 61 billion yen. This represents 76% of all our semiconductor materials, up 2% from the previous fiscal year. This result is largely thanks to our three strategic mobility products: motor magnet sealing material, ECU batch encapsulation material, and sealing material for power modules. With the addition of our new sealing material for stators, we have a strong product line with which to contribute to the achievement of SDGs in the mobility sector. In light of society’s growing needs concerning environmental initiatives, we are also enhancing our materials development by adopting bio-based raw materials, and materials that can be stored at room temperature and cure at low temperatures.

Business Strategy to Achieve Medium-term Business Plan Targets

Climbing Higher to Increase Our Presence as a Leading Company

In this segment, we identify our purpose as being a material solution provider that makes dreams for the future a reality in the field of electronics and mobility. We will maintain sustainable growth by striving to further increase our market share in power semiconductors and highly integrated semiconductors while continuing to focus on vehicle electrification, autonomous driving, and high-speed, high-bandwidth data transmission as the main pillars of our business.

Fiscal 2022 sales revenue

¥79.5 billion



Outlook for business performance in fiscal 2023

¥80.8 billion

High Performance Plastics



Continuing to take on the global market while creating new functions to meet the needs of society

Director, Executive Vice President of the Company

Sumitoshi Asakuma
Priority SDGs



Fiscal 2022 business performance for the segment



A Review of Fiscal 2022

Fiscal 2022 was a difficult year to navigate due to the uncertain business environment. During the first half of the year in particular, profits were sharply squeezed due to factors such as the war in Ukraine, China's "zero-Covid policy" and increased labor costs due to inflation in Europe and the United States. We began to see signs of recovery in the second half of the fiscal year due to effective cost-cutting measures and price hikes in response to soaring raw materials and energy prices.

SWOT analysis

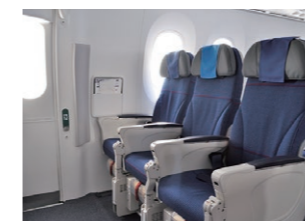
<p>Strengths</p> <ul style="list-style-type: none"> • A pioneer, building technological prowess with thermoset molding compounds • A seamless value chain for resins, molding compounds, and molded products • A four-part global business framework responding to key markets • Relationships of trust built with customers worldwide • Environmentally friendly products and technologies 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Slower growth due to mature markets for mainstay products
<p>Opportunities</p> <ul style="list-style-type: none"> • Acceleration of vehicle EV conversion • Stronger environmental controls in locations worldwide • Increased demand for environmentally friendly products • U.S.-China decoupling accelerating the trend in China toward domestic production and demand 	<p>Threats</p> <ul style="list-style-type: none"> • Rising costs of raw materials, energy, and logistics • Intensified competition for mainstay products • Introduction of carbon pricing

However, this was short-lived, and consumer demand in the Asian market declined after the end of the year alongside automotive sales. As a result, business profits fell below the previous fiscal year. On the other hand, there are products that achieved good results through new applications and new materials, and I feel that we are starting to see a recovery in 2023.

Business strategy overview for fiscal 2023

- 01. Early business portfolio transformation**
 - Concentrate development resources in the three growth areas of mobility and transportation, communications and control, and energy and environment
- 02. Enhance market competitiveness of phenol-related products**
 - Set up new organization and supply system to develop new applications and products
 - Focus on areas for market expansion
 - Construction underway on new plant in Nantong, China with improved environmental safety and productivity (Expected to begin operations within this fiscal year)
- 03. Accelerate development of materials for power devices whose use is expanding in the automotive, consumer, and industrial equipment segments**
 - Established Heat Dissipation Materials Business Development Department.
 - Aiming for business scale in excess of ¥7 billion by 2030
- 04. Promote expansion of aircraft-related business in Europe**
 - Promote sales of aircraft interior products in Europe

Strategic products



Aircraft interior components



Lignin-modified phenolic resin



Gear pulley made using SION®, a high-dimensional accuracy phenolic resin molding compound



Substrate materials for heat dissipation

A Year that Will Serve as a Stepping Stone to Where We Want to be in 2030 through Transformation of Our Business Portfolio

Fiscal 2021, the first year of the Medium-term Business Plan, began amid a chaotic social situation due to concerns about the impact of COVID-19. Thanks to a quicker than expected market recovery, we posted results that surpassed our numerical targets. However, negative factors remained unsolved, including automotive production adjustments due to the semiconductor shortage, logistics disruptions, and increases in various costs. Making things worse, amid these trends in fiscal 2022 we were hit hard by automotive production adjustments and a sharp fall in demand in China. As a result, our annual budget and business profits fell short of the targets in our Medium-term Business Plan. By contrast, efforts to transform our business portfolio for the future have produced solid results, and we recognize this as a key measure. In our aircraft interior components business, we

have achieved profitability by consolidating locations at our affiliate Vaupell, strengthening relationships with customers, and streamlining efforts.

In our new Medium-term Business Plan starting from the next fiscal year, we will "lay out our vision for 2030, and work out the next three years for reaching it," then set concrete numerical targets based on this. We will swiftly convert our business portfolio with the aim of achieving a form that emphasizes profit margins. Also, to expand the scale of our business, we want to focus on creating a workplace culture in which "All members can build relationships of acceptance and trust with one another. And each employee can have autonomy, think for themselves, and act on their own."

Accelerate the Shift to Sustainability and Introduce Materials Aligned to Customer Needs

In our existing businesses, we are working to improve the profitability of phenol-related products in particular, and expand our lineup of products adapted to sustainability in areas where we foresee future market expansion.

At present, we are pursuing measures to enhance our competitiveness in the market at a rapid pace. We are currently building a new plant with high productivity and low environmental impact in Nantong, China. We intend to lay a solid foundation for business expansion by increasing production capacity targeting the Chinese market. We will also establish an organizational structure tailored to developing new products and applications. Concerning environmental measures, we are promoting initiatives that leverage the strengths of our "seamless value chain for resins, molding compounds, and molded products." We will develop materials aligned to market needs such as

lignin-modified phenolic resin, biomass-based polymers, and the molding compounds applied to them, and support customers from throughout our value chain. In addition, there are more and more cases in which companies must prove their environmental contribution from a LCA (Life Cycle Assessment) perspective, and we are working to respond accordingly.

Moreover, in the field of power device materials, which are seeing growing application in the automotive, consumer, and industrial equipment sectors, we will strengthen our lead in heat dissipation substrate materials, and aim to achieve a business scale in excess of 7 billion yen by 2030.

Close communication with customers is essential to implementing these measures. We plan to deepen the bonds of trust that form the foundation of our business.

Business Strategy to Achieve Medium-term Business Plan Targets

Becoming an Innovator who Creates Growth Markets and Opens Up New Possibilities

The purpose of the high performance plastics segment that we drew up last year is to "move us from a 'pioneer' to an 'innovator' and help create a sustainable society together with customers by expanding the possibilities of plastics." We are striving to renew our business portfolio to be full of technological innovation, and aim to achieve a business profit margin under the next Medium-term Business Plan of 10% or more.

Fiscal 2022 sales revenue
¥102.4 billion



Outlook for business performance in fiscal 2023
¥106.9 billion

Quality of Life Products



Continuing to contribute to society by providing higher quality value

Director, Senior Managing Executive Officer
Takashi Kobayashi

Priority SDGs



Fiscal 2022 business performance for the segment



A Review of Fiscal 2022

Business results for fiscal 2022 surpassed those of the previous fiscal year. Strong sales of healthcare products for North America, as well as film and sheets for pharmaceutical packaging and food products, and reflecting increases in the cost of raw materials in final sales prices, contributed to these results. On the other hand, some products saw a decrease in revenue and profit due to soaring costs of energy and raw materials and inventory adjustments for semiconductors and other products due

to a decline in demand for consumer products. This led to very different outcomes for different products even in the same field of business. Looking to the future, the year provided signs of hope, with an increase in inquiries for high-value-added optical sheets and insulating sheets in the field of industrial functional materials, and progress on our merger with Kawasumi Laboratories in the field of medical equipment.

SWOT analysis

<p>Strengths</p> <ul style="list-style-type: none"> High market share in each niche market Advanced technical capabilities to support customer needs Utilize digital transformation to increase the efficiency of sales and manufacturing 	<p>Weaknesses</p> <ul style="list-style-type: none"> High-reliance domestic market Maturity of the building materials market
<p>Opportunities</p> <ul style="list-style-type: none"> Global expansion of environmentally friendly materials Expansion of more sophisticated medical care with low invasiveness Expand commercialization of regenerative medicine industry Create fashions in eyewear market Automation and electrification in automotive market Increase in urban housing and renovated properties 	<p>Threats</p> <ul style="list-style-type: none"> Intensified competition in markets for mainstay products Medical equipment development, long-term approval Increased costs due to tighter environmental laws and regulations Orientation toward reducing plastic in daily life Rapid decline in Japanese population leading to decrease in number of housing projects and construction workers

Business strategy overview for fiscal 2023

- Promoting development of environmentally friendly products in our films & sheets business**
 - Environmentally friendly materials through utilization of biomass, recycling, volume reduction, etc.
 - Contribute to reduced food loss in food packaging applications
- Global expansion of our films and sheets business**
 - Expand sales of industrial products in the Asia and ASEAN markets, and enter the European medical products market with recycled PTP
- Increased presence in the medical equipment industry**
 - Maximize integration synergies with "SB-Kawasumi"
 - Increase market share in North America by expanding our lineup of blood collection kits, and promote approval of high-quality blood bags in the Asian and ASEAN markets
- Promoting development of in-house diagnostic drugs in the S-Bio business**
 - Expand North American market by strengthening alliances with leading companies in regenerative medicine
 - Develop in-house diagnostic systems in unmet areas through fusion with glycan technology
- Advancing sales promotion for products by utilizing differentiated technologies in the industrial functional materials business**
 - Co-create functional materials in growth fields such as eyewear and automotive components for EVs and ADAS.

Strategic products



Aortal stent graft



Biomass PTP



Skin packaging



Optical products for eyewear

Increasing Competitiveness by Maximizing Synergies and Developing Products with Support from a Diverse Array of Fields

Since our business integration with Kawasumi Laboratories in October 2021, we have strived to improve the management, organizational, and operational efficiency of our healthcare and medical equipment business. The synergies that were generated exceeded our initial expectations, and we were able to expand our business and improve profitability in fiscal 2022. Our S-Bio business has also benefited from the incorporation of diagnostics pharmaceuticals business SB Bioscience as a subsidiary in April 2021, from the perspective of both manufacturing and sales. We have also established a system to quickly commercialize products with higher added value by setting up a Bioscience Research Laboratory in Kobe. And we were able to expand sales of highly flexible 3D culture substrate materials for regenerative medicine by actively strengthening our alliances with global companies.

In our films and sheets business, the impact of COVID-19 infections promoted the digital transformation of sales activities. Webinars and remote factory tours utilizing digital technologies were well received, and helped to strengthen our relationships with customers. In the pharmaceutical packaging business, we increased market share by steadily taking on new projects for generic pharmaceuticals. In the industrial sector we are seeing increased transactions in the Asia and ASEAN markets, and in the food products sector, we have entered market after market with our environmentally friendly films made from biomass raw materials.

In the industrial functional materials business and Waterproofing-related business, we will strive to increase the sales ratio of high value-added products and improve profitability.

Gain a Favorable Position in the Market with High Value-Added Differentiated Products

In the medical devices segment of our healthcare business, we aim to expand sales by strengthening our lineup of products in the markets for endovascular treatment devices and gastrointestinal stents. In the S-Bio business, we have globalized our drug discovery support business by expanding glycan solutions. In the films and sheets business, we plan to further differentiate ourselves by expanding our lineup of environmentally friendly products. And in manufacturing, Smart Factory operations are moving forward steadily with the introduction of autopilot technology. In all of our businesses, we will strive to review our portfolio and accelerate the shift to growth areas. As part of our efforts to achieve the SDGs, we have expanded our lineup of biomass and mono-materials for pharmaceutical packaging in the films and sheets business. In the area of food products, we offer a wide variety of products that help to reduce food loss, including skin packaging that delivers improved design and taste in addition to excellent freshness retention, and our "P-Plus" freshness-preserving film that provides anti-fog and

anti-mold functions. In the area of industrial functional materials, applying high-durability polycarbonate helps lengthen service life. We are developing and bringing to market new products for a variety of applications. These include heat-ray reflective polycarbonate that reduces energy loss in living environments, machinable insulation sheets optimized for vehicle electrification, and optical control sheets to enhance automobile driving safety. In the area of Waterproofing-related, we support a resource recycling-oriented society through high-durability sheets that extend service life, waste reduction, and obtaining the Eco Mark for parts made from recycled waterproof sheet scraps. In this segment, where products that affect people's lives and health account for the majority of our business areas, we will intensify our efforts by designating areas of focus as we seek to contribute toward achieving the SDGs by creating markets and increasing our market share.

Business Strategy to Achieve Medium-term Business Plan Targets

Aiming to Achieve "Top Share in Niche Markets" with Goods and Services

We will identify growth markets where we can leverage our strengths, review our business portfolio to ensure it is suited to a carbon-neutral society, and develop new applications, new markets, and new customers. At the same time, we will build business models that combine goods and services in areas where our company is strong, and tie these to business expansion. We will work to promote digital transformation (DX) in all departments, and strive for cost-competitive manufacturing that achieves both increased productivity and stable quality together with work-style reforms.

Fiscal 2022 sales revenue
¥102.3 billion



Outlook for business performance in fiscal 2023
¥106.5 billion

Research and Development/Intellectual Property



Research and Development

We create new products and businesses that contribute to SDGs with fusing our "One Sumibe" activities and innovation together

Executive Officer, General Manager of Corporate Research & Development Division Hisao Nakanishi

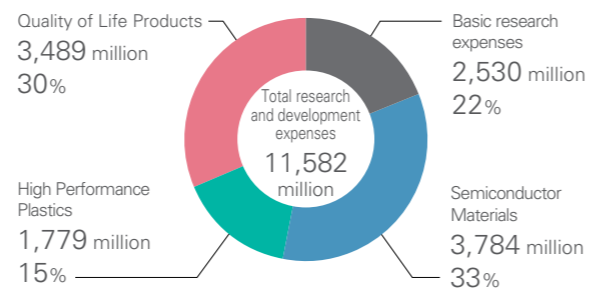
We will contribute to achieving the SDGs and the realization of a carbon-neutral society in our three business fields: Highly integrated devices, Automotive - Aircraft, and Healthcare. In order to do this, our R&D team is continuously and swiftly scouting out, planning out, and creating new R&D themes to propose new solutions for customers' needs.

We have three base technologies: "Material Creation" to realize new functions, "Innovative Process" to build up ideal production processes and "Advanced Analysis Technology" to reveal the relationship between chemical structures and functions. In order to expand our product development capability based on the three technologies, we are moving forward to cultivate Data-Driven R&D capabilities.

In fiscal 2022, we developed and launched new products such as "epoxy resin for motor stators," "Ag sintering pastes for bare Si wafer of power semiconductors," "insulating polymers for semiconductors," "epoxy molding materials for power modules," "high-strength phenolic molding compounds for mechanical components," "button-type catheters for gastric fistula," "needle-

shaped knives for endoscopes with high-frequency electromagnetic wave," "cell culture vessels for regenerative medicine," "pharmaceutical packaging film made from biomass-derived raw materials," "barrier skin packaging film for paperboard," and "ultra-weatherproof polycarbonate sheets."

Research and Development Costs (Fiscal 2022)



Research & Development Department Policy and Structure

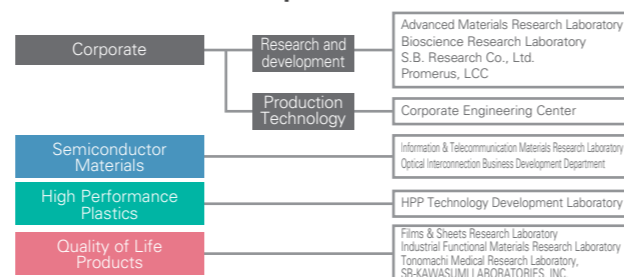
The Group has development bases in Japan and overseas, and is engaged in research and development to meet the needs of the global market in close cooperation.

In Japan, the company's R&D structure consists of the Advanced Materials Research Laboratory and the Bioscience Research Laboratory, which are in charge of research into new products and the underlying technologies behind them based on medium- to long-term perspectives, the Corporate Engineering Center, which is in charge of production technology development, and five application research laboratories (the Information & Telecommunication Materials Research Laboratory, HPP Technology Development Laboratory, Films & Sheets Research Laboratory, Industrial Functional Materials Research Laboratory, and SB-KAWASUMI LABORATORIES, INC.)

Overseas, we have established corporate divisions in Akron, Ohio (U.S.), semiconductor materials-related facilities in China, Taiwan, and Singapore, and HPP-related facilities in the U.S., Canada, Belgium, Spain, China, and Indonesia.

We would like to be a company which can create innovation continuously. In order to realize this aim, we built up our original "Innovation Management System" tailored to all of SB Group companies, and are spreading it to them. We're exploring new business opportunities by executing feasibility studies quickly. In this activities, we research new business field and make judgement of our compatibility and competitiveness.

Research and Development Structure



TOPIC Developing Packaging Materials for Pharmaceuticals Made from Biomass-derived Raw Materials

We developed the SUMILITE® NS Biomass Series, a packaging film that contains 50% or more biomass-derived raw materials. Also we got "Biomass Plastic" certification of Japan Bioplastics Association (JBPA).

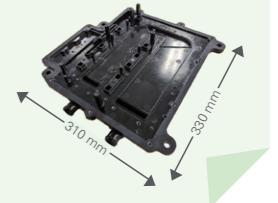
The SUMILITE® NS Biomass Series contributes to reduce environmental impacts by using plantbased materials. This product achieves both higher moisture-proof properties and greater moldability than conventional ones.

We will continue to provide customers with technical support and try to expand our lineup of products which reduce environmental impacts.



TOPIC Developed the first-ever large-scale molding technology of thermoset resins in Japan

The technology contains analysis technology required for large-scale molding, a high precision molding method for dedicated injection molding machines developed with a molding machine manufacturer, and long fiber reinforced thermoset molding materials which has high impact resistance. This is the first-ever technology to realize 1Kg molding components by injection process in Japan. Furthermore we're trying to apply plastic materials to large-size metal components like e-Axles.



Intellectual Property

By advancing Intellectual Property Strategy, We Aim to Boost Business Competitiveness and Corporate Value

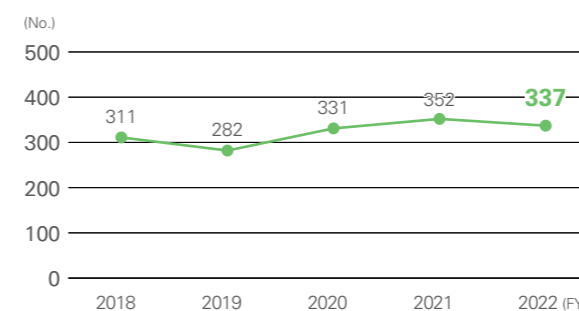
The aim of our intellectual property activities is to contribute to improving corporate value by promoting our intellectual property strategy in a cohesive manner together with our business strategy and R&D strategy. We have set forth contributing to improving our business competitiveness through the use of intellectual property (rights) as a medium-term target for achieving this. In responding to the globalization of research and development, we are working with each of our overseas subsidiaries on arrangements to establish their regulations regarding intellectual property

(regulations on employee inventions and confidential information management), as well as rules on how to handle inventions when they emerge.

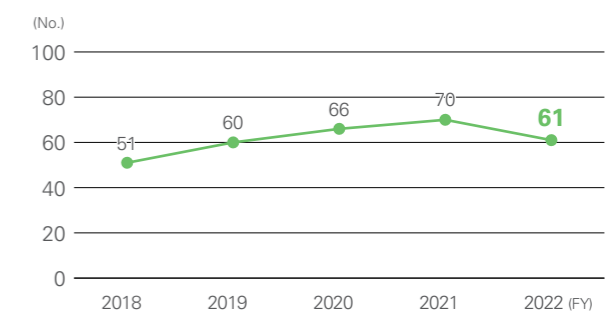
We have established the following six basic policies regarding intellectual property activities. Going forward, we will focus on ① and ⑥. The Company will strengthen its competitiveness in overseas markets, particularly with respect to ①. As for ⑥, we will further enhance the power of new proposals by utilizing and applying information on intellectual property and analyzing competition.

- Strengthening our business competitiveness by drafting and executing intellectual property strategies for the major products from each of our business divisions.
- Strengthening our intellectual property strategy by drafting and executing intellectual property strategies for major themes from each research laboratory.
- Clarifying our response to intellectual property risks and reducing business risks.
- Carrying on with preventative legal approaches that support business scenarios and research scenarios and implementing proposal-based preventative legal approaches.
- Establishing an intellectual property management structure for our company group as a whole (particularly for overseas subsidiaries).
- Contributing to improvement of business competitiveness through application of the IP landscape

Number of Domestic Patents Published



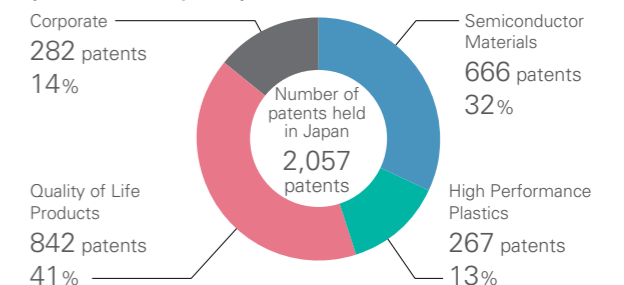
Number of Overseas Patent Applications



Number of Patent Applications for SDG-Contributing Products and Technologies

Of the applications filed in 2022, 40% were related to SDG-contributing products and technologies.

Share of Patents Held by Each Business Division (as of March 31, 2023)





Kazuhiko Fujiwara

Sumitomo Bakelite Co., Ltd.
President and
Representative Director

Tomoko Kurabayashi

Freelance Announcer
Communication Specialist

People are the cornerstone of sustainability. We will cultivate the “human ability” that enables everyone to shine in their own way, and close the gap to the future that we aim to achieve.

We invited Ms. Tomoko Kurabayashi, a freelance announcer who also has a great deal of insight into education, to interview President Fujiwara on the theme of human resources, and discuss his thoughts about employees, and the future he envisions through personnel development.

– **Shift New Business Creation Into High Gear through Both Planning and Teamwork**

Kurabayashi: I was surprised that Sumitomo Bakelite Co., Ltd. products play an active role in various industries and daily life. Can you tell us about what type of people a company needs to create new businesses in a wide range of fields?

Fujiwara: Our Group sees people as our most important asset. You need to have a high level of expertise, but I think that people with planning skills will be in high demand from now on as well. We always encourage our employees to make proposals. These don't have to be grand ideas or anything. The experience of coming up with a plan on your own, and taking responsibility to see it through, as opposed to merely carrying out the company's orders, is something that allows people to grow a lot. We are investing liberally in such people.

Kurabayashi: Planning skills are certainly essential for creating new businesses. Is there anything else that you consider vital in terms of personnel?

Fujiwara: There are countless processes involved in commercializing a product proposal and bringing it to market. It is important that your team be able to effectively allocate personnel with mastery in each field, including R&D, production, and marketing. You need (1) growth-oriented types that are motivated to acquire new knowledge and skills, (2) change-oriented types who constantly aim to improve their skills, (3) team players who can harmonize with others, and (4) professionals with outstanding knowledge and skills who can produce results both in Japan and abroad.

Kurabayashi: What kind of initiatives do you have to cultivate such people?

Fujiwara: In 2007, we opened the SB School to provide all employees with educational opportunities. We have systematic programs that allow employees to develop competencies that match their level and job description. These programs carefully provide opportunities for growth aligned to each stage in their career, such as training for new hires and employees in their second year at the company. On top of this, employees have recently spontaneously engaged

in activities such as inter-departmental exchange meetings that are intended to strengthen our internal network. We also have an overseas trainee system that allows employees to gain around two years of experience working at Group companies overseas. Overseas sales currently account for approximately 60% of Group revenue. We are also focused on training people who are passionate about taking on the challenge of doing business overseas.

– **Cultivate “Human Ability” in a Horizontal Organization that Breaks Stereotypes**

Kurabayashi: You have repeatedly said that it is important to increase “human ability.” What exactly is “human ability”?

Fujiwara: What I think of when I use the term “human ability” is the cumulative effect obtained from multiplying motivation, capability, personality, and character. After all, it is important to have motivation for your work. Concerning capability, I believe that the latent capabilities of the employees in our Group are high to begin with. As far as personality and character are concerned, it is important to be yourself. They are strongly affected by differences in the environment and value system in which you were raised. There are times when it is necessary to restrain yourself in the course of your work, but you must not lose your own identity. Individuality is very important. I want our employees to cultivate it. If work is too uniform, it stops being interesting. I believe that improving “human ability” will lead to a more resilient business.

Kurabayashi: I think that it is wonderful to be recognized and to be able to express your personality. As a company, do you have any initiatives to support people in improving “human ability”?

Fujiwara: I feel that the “One Sumibe activities” that we are currently rolling out globally have a positive effect on improving “human ability.” Their aim has been to eliminate the conventional vertical organizational framework, and expand operations with a more horizontal organizational structure. They have dramatically increased the opportunities to learn about products from other departments and interact with people with whom you previously had no point of contact. This facilitates self-improvement, and expands community with fellow employees. For example, I





PROFILE

President and Representative Director, Sumitomo Bakelite Co., Ltd.

Kazuhiko Fujiwara

Joined the Company in 1980. Became Team Leader of the Biotechnology-related Product Development Project in 2003, Department Manager of S-Bio Development Department in 2007, General Manager of S-Bio Business Division and Executive Officer in 2009, Managing Executive Officer in 2013, Director in 2014, Director and Senior Managing Executive Officer in 2016, and President and Representative Director in 2018.

recently received a written proposal from several young employees requesting creation of a space that can be used for free communication. Of course, I adopted the proposal immediately. We set to creating the space right away, and have already completed it. I am very happy to see these kinds of ideas come from the bottom up.

Kurabayashi: It looks like you enjoy having new ideas. Your “One Sumibe activities” have already brought results in unexpected ways.

Fujiwara: As part of our “One Sumibe activities,” we hold an annual meeting to report results. This gives people a chance to thank those in other departments who have helped them, and we have started to share these letters of thanks in the company newsletter. It is great to help someone outside of your regular job. The habit of thanking and praising each other is starting to take root, and I think it is a result of our “One Sumibe activities.”

Kurabayashi: In a vertically structured organization, you often do not even know what other departments are doing. New projects that transcend organizational boundaries are likely to emerge by getting to know them.

- **Failure is Proof You Have Taken On Challenges Toward the Next Step**
- **A Personnel Evaluation System that Encourages Taking On Challenges**

Kurabayashi: You overhauled your personnel evaluation system in 2021. Can you tell us about what has changed and what new things you brought in?

Fujiwara: The key point of the revised personnel evaluation system is that we have changed to a merit-based system that is not linked to age.

One thing we kept in mind when changing the personnel system, was that failure should be viewed as proof of taking on challenges and should be evaluated more highly than not doing anything at all. With regard to compensation and other treatment as well, responsibilities, actions, and achievements carry more weight than years in the job.

Kurabayashi: What points in particular did you stress as the basis for performance evaluation?

Fujiwara: One thing that we were particular about was adding the concept of “taking on challenges” as a factor in evaluation. This has made it possible for people who have taken on big goals to be highly evaluated.

Kurabayashi: This kind of evaluation system would seem to encourage even those who are relatively new to the company to take on challenges without fear of failure. I think it helped to motivate young people. Can you actually feel new changes taking place within the company?

Fujiwara: I think that we are starting to have a more lively exchange of opinions. The pace of change is rapidly accelerating. The only way to respond is to change ourselves. While we should preserve the things that have made our Group great, we must drastically change aspects that are out of step with the times. Our personnel evaluation system was one such aspect.

- **Becoming a Company where People Experience Happiness in an Open Environment Full of Diversity**

Kurabayashi: DE&I is now an integral part of corporate philosophy. How are you engaging with this at Sumitomo Bakelite?

Fujiwara: In April 2023, we established the DE&I Promotion Office. We aim to create a workplace that allows a diverse

variety of people, including women, non-Japanese nationals, and people with disabilities, to fully demonstrate their human ability, regardless of gender or age. We also encourage men to take childcare leave to support women’s participation in the workplace. The ratio of female employees in our Group currently stands at about 10%, but we are strengthening our efforts to support a balance between career and life events.

Kurabayashi: As a working woman, I am happy to hear that your company supports both life events and career development for women. This creates a sense of security that makes people want to join the company and work there for a long time.

Fujiwara: I have also heard that the number of women looking for jobs is steadily rising. We have also recently appointed two new female executive officers.

Kurabayashi: I think that many people looking for jobs pay attention to senior employees’ working styles. The presence of female executives should be a big encouragement. In the past few years we have seen active promotion of institutional reforms in response to changes in the social environment.

- **We Want to Continue to Take on the Challenge of Cutting-edge Manufacturing While Boosting the Well-Being of Every Employee**

Fujiwara: All of our Group’s activities are rooted in the purpose of “creating a sustainable society by expanding the possibilities of plastics.”

Plastics are currently facing headwinds, but research is underway to replace petroleum-based materials with plant-based materials. We contribute to society by improving functionality that can only be provided by plastics, such as developing automobile parts that result in lower CO₂ emissions.

Kurabayashi: What kinds of expertise do you think your personnel will need to have to engage in business based on your Basic Policy from here on out? Is there any areas you want to focus on?

Fujiwara: As for areas, I want to hire people who can proactively take on new challenges in addition to expertise in chemistry, machinery, and electricity. Right now, within the company, we are focusing on training data scientists. There is a greater call for data utilization than ever before, and we need to leverage AI to increase the speed of research and development. We are training data scientists who are distinct to our Group, and who have a manufacturing mindset.

Kurabayashi: What do you think “happiness” means as an employee? And what do you believe is necessary in order to achieve this?

Fujiwara: If you can wake up in the morning and think to yourself, “I want to try this out at work today,” then I think you will have fun every day. It is important to be able to approach your work with eagerness, and without feeling anxious, but we also need to devise ways to prevent anyone from becoming isolated.

In most work, stress and pressure come with the territory. But I think the most important thing is cultivating an open atmosphere in which people immediately can consult someone when they face a problem, instead of having to deal with it by themselves. We aim to be a company with a high level of psychological safety, where members support each other, and can take on new challenges with a comfortable sense of tension.

Kurabayashi: What kind of company do you want Sumitomo Bakelite to become?

Fujiwara: I want it to be a rewarding place to work, and to be profitable. It is important that we have plenty of resources to take on new challenges. I believe that the key to growth in a company brimming with growth potential is its people. I want to make it a company that people will be glad to have joined.



PROFILE

Freelance Announcer
Communication Specialist

Tomoko Kurabayashi

Broadcaster, journalist and communication specialist. Tomoko is a news and sports anchor and reporter, with 15 years of experience in television and radio journalism covering news, business and sports. She has reported on a wide range of news and sports for media in Japan and other countries. In addition to her journalism activities, Tomoko started working for international organizations as a communication specialist in 2020. She is a graduate of Essex University in England and received a Bachelor of Science Degree in Economics. In her spare time, she enjoys volunteering and travelling.

Promoting Business That Helps Solve Social Issues

VISION We aim to become “a company that makes your dreams for the future a reality” by creating value for our clients.

In order to fulfill our responsibility as a member of society as we meet stakeholder expectations, it is necessary that we think together as one about healthy, sustainable corporate growth and medium-term increase in corporate value. At

Sumitomo Bakelite, we proactively engage in management with consideration for ESG (Environment, Sustainability, and Governance) through business operations that create new advanced functions from plastics.

Solving Social Issues through Business

The Basic Policy (Company Policy) of the Sumitomo Bakelite Group is as follows: “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.” In keeping with this, we have helped solve social issues that have arisen from time to time by expanding the

potential of plastics through technological innovation.” Based on this thinking, we engage in ESG management in order to help solve social issues, defining our materialities as “issues related to ensuring harmony with environment,” “issues related to providing safety and peace of mind,” “issues impacting society,” and “issues representing the foundation of business activities.”



Materiality Determination Process

In fiscal 2015, we identified our Company’s materiality (priority items) in order to determine the social issues we should address and to carry out sustainability activities closely in tune with the needs and expectations of

stakeholders in an integrated manner on a company-wide basis. In fiscal 2016 and beyond, we have been reviewing and will continue to review the materiality we have identified, and continue to carry out activities.



Sumitomo Bakelite’s Activities and Proper Stance on the Environment, Society, and Governance

The materiality items of our Group are as follows. We examine the activities of our business operations that involve ESG with reference to SDGs, and then promote those operations through which we can contribute to solving social issues, advancing initiatives toward specific materialities so as to help achieve the SDGs.

In fiscal 2022, we considered international frameworks such as the SDGs, ISO 26000, and GRI standards in addition to the perspectives of a wide range of stakeholders, and reviewed relevant areas.

	Field	Materiality item	Related stakeholders	Page number
E Environmental	Issues related to ensuring harmony with environment 	Mitigate environmental impacts	Local communities, Business partners	▶ P48–61
		Resource and energy conservation	Business partners, Employees	▶ P54–60
		Biodiversity conservation	Local communities, Employees	▶ P61
S Social	Issues related to providing safety and peace of mind 	Safety and Security	Local communities, Governments, Business partners, Employees	▶ P73–75
		Chemical Substance Management	Business partners, Governments, Employees	▶ P78
		Product Liability	Customers	▶ P76–78
		CSR procurement	Employees	▶ P79
	Issues impacting society 	Identifying and selecting satisfaction	Customers, Shareholders & investors, Local communities, Governments, Business partners, Employees	▶ P62–72 ▶ P80–83
		Human resource development	Employees	▶ P66–68
		Diversity, work-life balance	Employees	▶ P69–71
G Governance	Issues representing the foundation of business activities 	Compliance	Employees	▶ P93–94

* See pages 46–47 for the activity details of each materiality item.

Sustainability Promotion Activity

Concept and Initiatives Concerning Sustainability

Our business activities are based on the Basic Policy of our Group, which is as follows: "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." We cannot deny that in recent years people have tended to have a negative image of plastics that utilize fossil fuels. However, we believe that plastics will continue to have an important role to play in solving the issues facing society for the practical functions that only plastic can provide in the pursuit of safety, comfort, and peace of mind. The approach our Group should take to sustainability is to pursue the diverse functions of plastics and further expand their potential, while minimizing the environmental impact of existing products and increasing their contribution to achieving the SDGs. At the same time, we should work to create new environmental and social value by bringing new products and services to society.

Our Group will strive to generate appropriate economic value by raising awareness among customers and society of the positive intrinsic value of the plastics we provide, and work to continuously improve our corporate value through these comprehensive efforts. In order to accelerate our sustainability management, in April 2023, we established the Sustainability Promotion Department with the mission of driving our efforts throughout the entire Group, and the DE&I Promotion Office with the role of creating a foundation for transformation of our corporate culture into one where all employees can take on the challenge of innovation. In all of our business activities, our entire company will work together to contribute toward the realization of a sustainable society by engaging in research, development, production, and sales of sustainable products and services that provide the requisite social value in accordance with our Basic Policy.

Sustainability Promotion System

We solve social issues and achieve growth and value creation under a structure comprising our Sustainability Promotion Committee (which is chaired by the President) and its subcommittees based on our Business Philosophy (Company Policy), which respects the Sumitomo Business Philosophy and sets forth our management principles. We regularly and comprehensively verify the extent of the progress made by these committees, based on which we continuously revise the contents of our activities and actively

improve upon them. In addition, We widely announce the results of our activities within the company and outside it in aiming for communication with our stakeholders. Our Group's governance process, controls, and procedures for managing risks related to sustainability are outlined below. We have also incorporated this approach in the Basic Policy on Internal Control Systems decided on by the Board of Directors.



*1 A committee headed by the President and composed of directors and division representative that meets about once every two to three months.
 *2 Related departments: Corporate General Affairs, Personnel Division, Corporate Finance & Planning Division, Information Systems & Data Processing Department, Research & Development Division, Production Management & Engineering Division, Global Procurement Division, Smart Community Market Development Division, Sustainability Promotion Department (newly established)
 *3 Company-wide committees: SDG Promotion Committee, Carbon Neutrality Promotion Committee (Life Cycle Subcommittee, CN Technology Deliberation Subcommittee), Compliance Committee, Risk Management Committee (TCFD Task Team, Information Security Committee), etc.

Relations with Stakeholders

The stakeholders of the Sumitomo Bakelite Group are the same as those defined in the Corporate Governance Code, and check that our Board of Directors implements each principle of the Corporate Governance Code of the Tokyo Stock Exchange.

There have not been any major concerns up to this point; we value our relationship with all our stakeholders, and we promote our business while engaging with them. Those stakeholders with whom we engage are those linked to our materiality items (p.43).

Stakeholders	Main Responsibilities	Main Methods of Communication
Customers	We work in good faith to live up to our responsibilities related to such issues as product quality, delivery dates, and prices as well as to quickly respond to customer needs. To achieve this, we have established the CS Promotion Committee, which continuously endeavors to improve customer satisfaction.	<ul style="list-style-type: none"> ● Communication through daily routine business activities ● Quality assurance support ● Information exchange at exhibitions and similar events ● Providing information and customer support through the website
Shareholders & investors	We are committed to distributing stable dividends in accordance with consolidated performance and are taking steps to disclose all relevant information. To attain these goals, we are increasing the rigor of corporate governance, and ensuring the timely disclosure of relevant information. 357 people attended our fiscal 2022 business results presentation.	<ul style="list-style-type: none"> ● Shareholders' meeting ● Business results presentation ● Response to press reporting ● Issuance of reports for shareholders ● Website-based information disclosure
Local residents	Operating as a member of local communities, we seek to contribute to the regions in which the Group operates while giving careful consideration to environmental protection issues. We disclose information to local residents by organizing factory tours and proactively participating in local events.	<ul style="list-style-type: none"> ● Interaction and mutual dialogue with local residents ● Participation in local events ● Welcoming next-generation internships and factory visits ● Environmental conservation and beautification activities in local areas ● Various activities with economic and industry organizations
Government entities	Besides maintaining rigorous compliance with relevant laws and regulations, we endeavor to make information publicly available and engage in two-way communication with local government entities. For this purpose, we are establishing internal mechanisms for monitoring the revision and enactment of laws.	<ul style="list-style-type: none"> ● Dialogue with local and regional governments ● Various activities and dialogues with economic and industry organizations ● Survey/questionnaire responses ● Various notifications
Business partners	We engage in impartial and fair business transactions and cooperate with our business partners to realize CSR procurement objectives. Accordingly, we ensure both companies fulfill their social responsibilities through survey forms, questionnaires, contract conditions, and day-to-day dialogue with business partners.	<ul style="list-style-type: none"> ● Dialogue through purchasing & procurement activities ● Dialogue through survey forms, questionnaires, laws and regulations, and conclusion of contracts containing provisions concerning corporate social responsibility ● Website-based public disclosure of information
Employees	We strive to create safe and pleasant working environments and provide employees with meaningful and satisfying careers. We are endeavoring to reduce workplace risks by implementing diverse risk assessments, and we are providing all employees with educational opportunities through the SB School.	<ul style="list-style-type: none"> ● All-employee education through SB School ● Implementing varied human resource development & training ● Regular central gatherings, regular labor-management gatherings, and labor-management gatherings on occupational health and safety ● Provision of information through monthly internal publication ● President's web page, intranet ● Whistleblower System, Consultation Contact Point

Fiscal 2022 Highlights of Sustainability Activities

○: Target attained △: Target not attained (but improvement over the previous fiscal year) ▼: Target not attained (deterioration from the previous fiscal year)

Item	Relevant SDGs	Major items	Fiscal 2022 targets	Fiscal 2022 results	Fiscal 2023 plan	Achievement evaluation	Relevant page
Issues related to ensuring harmony with environment							
1. Environmental initiatives		Reduction in CO ₂ emissions	Domestic: 62% reduction from fiscal 2013	Domestic: 65% reduction from fiscal 2013	Domestic: 64% reduction from fiscal 2013	○	55
			Overseas: 15% reduction from fiscal 2013	Overseas: 24% reduction from fiscal 2013	Overseas: 32% reduction from fiscal 2013	○	55
		Reduction in material loss	Domestic: 14% reduction from fiscal 2013	Domestic: 18% reduction from fiscal 2013	Domestic: 21% reduction from fiscal 2013	○	55
			Overseas: 16% reduction from fiscal 2013	Overseas: 22% reduction from fiscal 2013	Overseas: 30% reduction from fiscal 2013	○	55
Reduction in chemical substance emissions	Domestic: 65% reduction from fiscal 2013	Domestic: 56% reduction from fiscal 2013	Domestic: 69% reduction from fiscal 2013	▼	55		
	Overseas: 33% reduction from fiscal 2013	Overseas: 23% reduction from fiscal 2013	Overseas: 46% reduction from fiscal 2013	▼	55		
2. Resource and energy conservation		Energy conservation activities	As in fiscal 2021, continue to provide technical support by establishing an energy conservation plan and raising the level of energy-saving technology by sharing information across all our business sites in Japan, and achieve this overseas by promoting the rollout of best practices through collaboration between the mother plants in Japan and offices throughout the company. In addition, the installation of solar power generation facilities will be examined at each of the bases in Japan and overseas as CN promotion.	In Japan, the implementation of this concrete plan reduced energy consumption equivalent to 3,710 kL of crude oil. As part of our promotion of carbon neutrality, the company maintained its contracts for electricity from renewable energy at all of its domestic business sites in fiscal 2022. Overseas, we reduced energy consumption equivalent to 2,607 kL of crude oil by continuing to promote the rollout of best practices.	As in fiscal 2022, continue to provide technical support by establishing an energy conservation plan and raising the level of energy-saving technology by sharing information across all our business sites in Japan, and achieve this overseas by promoting the rollout of best practices through collaboration between the mother plants in Japan and offices throughout the company. In addition, the installation of solar power generation facilities will be examined at each of the bases in Japan and overseas as CN promotion.	○	48
3. Biodiversity		Biotopes conservation	<ul style="list-style-type: none"> Continue with self-led conservation activities. Continue to be open to the public and communicating externally, including regular dialogue with schools. 	<ul style="list-style-type: none"> Promoted conservation through voluntary activities (maintenance by the relevant parties) and site-wide activities (beautification activities within business sites). Public exhibitions were still being canceled as a measure to prevent the spread of COVID-19, so there were no visitors from the general public. Thanks to ongoing dialogue with schools, 365 schoolchildren visited on school excursions—the highest number ever. Also, visiting guest lessons were presented at four schools (for a total of 356 students). 	<ul style="list-style-type: none"> Continue with self-led conservation activities. Continue to be open to the public and communicating externally, including regular dialogue with schools. 	○	61
		Initiatives to protect forest ecosystems	<ul style="list-style-type: none"> Continuing to support forest thinning mainly in Iwate Prefecture through the use of Paper Products that Contribute to Forest Thinning (Forest Neighborhood Association). 	<ul style="list-style-type: none"> Contributed to thinning of 0.42 ha of forest by using 6,245 kg of paper from the Forest Neighborhood Association. 	<ul style="list-style-type: none"> Continuing to support forest thinning mainly in Iwate Prefecture through the use of Paper Products that Contribute to Forest Thinning (Forest Neighborhood Association). 	○	61
Themes for providing safety and reliability							
4. Safety and security		Prevention of occupational accidents	Fatal accidents at domestic sites: 0	Fatal accidents at domestic sites: 0	Fatal accidents at domestic sites: 0	○	74
			Fatal accidents at overseas sites: 0	Fatal accidents at overseas sites: 0	Fatal accidents at overseas sites: 0	○	75
		Security and disaster prevention	Serious accidents (fires/explosions): 0	Serious accidents (fires/explosions): 0	Serious accidents (fires/explosions): 0	○	74
			Spills out of the premises: 0	Spills out of the premises: 1	Spills out of the premises: 0	▼	75
5. Chemical substance management		Chemical substance management	<ul style="list-style-type: none"> Strengthening the comprehensive management system: Preparation of raw materials data. System efficiency study on REACH quantity monitoring. Promotion of compliance with laws and regulations in each country: Monitoring information and establishing policies for the revision of laws and regulations concerning chemical substances in Japan and overseas. Implementation of measures accompanying the revision of the PRTR Law and Industrial Safety and Health Act. 	<ul style="list-style-type: none"> Utilized quantity counting functions of Japanese Chemical Substances Control Act such as REACH to check the chemical substance content, and made a report about it in 2022. Complete revision of SDSs in response to revision of PRTR Law. We are still implementing our response to the revision of and Industrial Safety and Health Act. 	<ul style="list-style-type: none"> Promotion of compliance with laws and regulations in each country: Monitoring information and establishing policies for the revision of laws and regulations concerning chemical substances in Japan and overseas. Continued implementation of measures accompanying the revision of Industrial Safety and Health Act. Response to changes in chemical regulations, particularly in the EU. 	○	57 78
6. Product liability		'Monozukuri' Audits	<ul style="list-style-type: none"> Japan: Nine business sites under our direct control/belonging to subsidiary companies. Overseas: Specify priority business sites in China, Southeast Asia, as well as North America and Europe. Improve system to further enhance internal audits. 	<ul style="list-style-type: none"> Japan: Nine business sites under our direct control/belonging to subsidiary companies. Overseas: Carried out at 1 business site in China, Southeast Asia, North America, and Europe. In order to enhance internal audits, we included guidance on how to review the content of questions and identify and correct issues in our training to facilitate deeper exploration of issues in a unified manner. 	<ul style="list-style-type: none"> Japan: Nine business sites under our direct control/belonging to subsidiary companies. Overseas: Specify priority business sites in China, Southeast Asia, as well as North America and Europe. Improve system to further enhance internal audits. 	○	78
7. CSR procurement		CSR procurement	<ul style="list-style-type: none"> Secure stable procurement of raw materials affected by carbon neutrality. BCP measures for special raw materials produced by SB-Kawasumi are implemented. Secure stable procurement of green chemicals. Secure power derived from renewable energy in Japan after 2023, and pursue investigation and introduction of solar and biomass power generation at domestic and overseas bases. 	<ul style="list-style-type: none"> Begin investigation of and evaluation of alternatives to raw materials affected by carbon neutrality. List the raw materials at risk for SB-Kawasumi, and prepare and implement a BCP response plan. Secure Bio-PE, ensure supply framework for furfuryl alcohol, and conduct market research into bio-phenol and bio-methanol. Secure sufficient power derived from renewable energy for business sites in Japan in 2023, and increase amount of solar power generated by 3.4 times in Japan and 15.6 times overseas compared to 2021. 	<ul style="list-style-type: none"> Investigate use of minerals survey templates in relevant supply chains for existing raw materials in order to continue our efforts for responsible mineral procurement. Conduct surveys of major suppliers using CSR check sheets. Secure stable procurement of green chemicals. Support procurement of power derived from renewable energy and adoption of solar power generation. 	○	79

Sumitomo Bakelite aims to deliver safety and reliability as well as achieve harmony with the environment and coexistence with society. We are working to contribute to the realization of a sustainable society by resolving various issues facing society through our businesses, including energy issues and environmental issues, linking all our activities to the SDGs. Toward that end, we carry out activities focused on social issues and businesses in need of attention in a steady manner while establishing plans and targets.

Item	Relevant SDGs	Major items	Fiscal 2022 targets	Fiscal 2022 results	Fiscal 2023 plan	Achievement evaluation	Relevant page
Issues impacting society							
8. Improvement of stakeholder satisfaction		Improvement of customer satisfaction	<ul style="list-style-type: none"> Activities conducted until last year will continue, and we will also strengthen human resource development elements to ensure customer trust. In particular, personal know-how is shared. 	<ul style="list-style-type: none"> We held face-to-face business briefings with trading firms for the first time in three years, and were able to interact with customers while introducing actual products. We exhibited at mobility-related exhibitions (Automotive Engineering Exposition 2022, Car-Ele Japan 2023), and IoT-related exhibitions (CEATEC 2022). Approximately 2,000 customers came to our booths, where we conducted business negotiations and introduced our latest initiatives for addressing social issues such as the environment and SDGs. 	<ul style="list-style-type: none"> Promote making activities visible and encourage change in employee awareness to take the extra step beyond "customer satisfaction" to "impressing customers." Under our policy of "making customer satisfaction (CS) a top priority," our CS Promotion Committee highlights QCDs activities throughout the entire company, and strives to implement CS activities that facilitate participation by departments with few points of contact with customers, as well as employees at overseas locations and subsidiaries. 	○	80
		Dissemination/ Advertising of company information	<ul style="list-style-type: none"> Develop and update contents for information dissemination tools through a wide range of media including external advertising, billboards, and websites. Provide company-wide support for social contribution activities. 	<ul style="list-style-type: none"> Continued to provide support for the Japan Inclusive Football Federation, which the company signed a partnership agreement with. 	<ul style="list-style-type: none"> Develop and update contents for information dissemination tools through a wide range of media including external advertising, billboards, and websites. Provide company-wide support for social contribution activities. 	○	82
9. Human resource training		Development of products that contribute to the environment and SDGs	<ul style="list-style-type: none"> Expanding ratio of revenue from SDG-contributing product and technology sales Fiscal 2023 target: 50% or higher. 	<ul style="list-style-type: none"> Expanding ratio of net sales from SDG-contributing product and technology sales 2020 37.2% ⇒ 2021 47.8% ⇒ 2022 54.5% greater. 	<ul style="list-style-type: none"> Expanding ratio of revenue from SDG-contributing product and technology sales Fiscal 2023 target: 50% or higher (Progress toward fiscal 2030 target of 70% or higher). 	○	23 50 53
		Internal human resource training	<ul style="list-style-type: none"> Continue to carry out employee training at SB School. Continue to carry education for management staff. 	<ul style="list-style-type: none"> A total of approximately 29,000 employees attended, Approx. 43,000 hours of education provided. 	<ul style="list-style-type: none"> Continue to carry out employee training at SB School. Continue to carry education for management staff. 	○	66 67
10. Work-life balance		Women's empowerment	<ul style="list-style-type: none"> Continue a ratio of female career-track recruits of 20% or greater. 	<ul style="list-style-type: none"> Ratio of female hires: 26% (7 of 27 hires recruited upon graduation). In September 2022, we declared our commitment to promoting Diversity, Equity, and Inclusion (DE&I) as our first step toward promoting the empowerment of women. Conduct training for both executive level and management level. 	<ul style="list-style-type: none"> Continue a ratio of female career-track recruits of 20% or greater. Establish DE&I Promotion Office. Establish Women's Empowerment Working Group. Conduct education and awareness-raising activities with the goal of increasing the ratio of female employees in management positions to 5% by 2025. Start activities for LGBTQ people, and employees with employment restrictions due to nursing care, disabilities, etc. 	○	69
		Employment of people with disabilities	<ul style="list-style-type: none"> Employment rate for people with disabilities: Maintain statutory employment rate of 2.3% or more. Continue internships for people with disabilities. 	<ul style="list-style-type: none"> Employment rate of people with disabilities: 2.72%. Internships accepted from schools for the deaf: Two from two schools, one of whom will be hired in April 2024. 	<ul style="list-style-type: none"> Employment rate for people with disabilities: Maintain statutory employment rate of 2.5% or more (From March 2024, the statutory employment rate is set to increase to 2.5%). Continued internships for people with disabilities. 	○	66 69
11. Compliance		Work-style reform	<ul style="list-style-type: none"> Continue to support work with both childcare & nursing care. Promotion of taking of birth leave and parental leave for men. Shorten prescribed work hours for shift workers Increase the number of days of simultaneous downtime at the production plant. 	<ul style="list-style-type: none"> A 100% rate of returning to work after taking childcare leave (No nursing care leave taken). Childcare leave participation rate in fiscal 2022: 25.9% for men, 100% for women. Implementation of regular working hours for shift workers: 1,849 hrs/yr => 1,834 hrs/yr (▲15 hrs). Increase in the number of days of simultaneous downtime at production plants: 20 days/yr => 22 days/yr. Relaxation of the number of consolidated working hours at production sites: 10 times/yr => 8 times/yr. 	<ul style="list-style-type: none"> Continue to support work with both childcare & nursing care. Continued promotion of the taking of birth leave and parental leave for men. Flexible start time when working from home. Increased number of days of annual paid leave. Expansion of menstrual leave. Liberalization of dress codes at work. 	○	70 71
		Promoting employee health	<ul style="list-style-type: none"> Continue implementing the Data Health Plan, preventing the worsening of illnesses in our company and certain Group companies in Japan. Continue to achieve a 100% rate of employees receiving regular scheduled health checks. Increase the specific health guidance rate. 	<ul style="list-style-type: none"> Continued efforts to prevent illnesses from becoming severe. Achieve a 100% rate of employees receiving regular scheduled health checks. 	<ul style="list-style-type: none"> Continue implementing the Data Health Plan, preventing the worsening of illnesses in our company and certain Group companies in Japan. Continue to achieve a 100% rate of employees receiving regular scheduled health checks. Increase the specific health guidance rate. Achieve recognition under Certified Health and Productivity Management Organization Outstanding Recognition Program. 	▼	72
Fundamental Themes							
11. Compliance		Compliance promotion	<ul style="list-style-type: none"> Revision of Our Code of Conduct and establishment of Group Code of Ethics (replacing existing Group Code of Business Ethics and Conduct). Partial revision of the Compliance Reporting System with the revision of the Whistleblower Protection Act in mind. Promoting compliance awareness activities (dissemination of our Code of Conduct, Group Code of Ethics and whistle-blowing system, review of Compliance Slogans, in-house newsletters, e-learning training, etc.). 	<ul style="list-style-type: none"> Completed revision of our Code of Conduct and establishment of the Group Code of Ethics in July 2022. Completed revision of Compliance Whistleblower System in June 2022. Conducted compliance awareness activities in October 2022. 	<ul style="list-style-type: none"> Implementing company-wide compliance training in the Compliance Enhancement Month (Our Code of Conduct, Group Code of Ethics, overview of internal whistleblowing system etc.). Compliance awareness by publishing "Way to Become a Compliance Master!" (4-panel comics + commentary) in our in-house newsletter. 	○	93 94

Environmental management



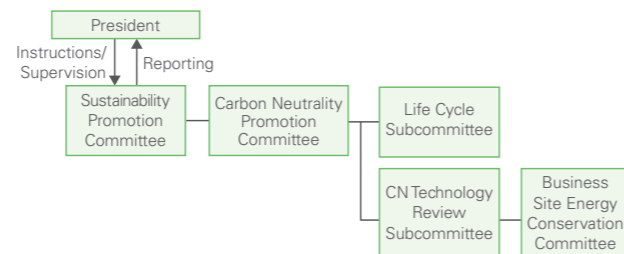
Environmental Management Structure

We solve social issues and aim to achieve sustainable growth and value creation under a structure comprising our Sustainability Promotion Committee (which is chaired by the President) and its subcommittees based on our Business Philosophy, which upholds the Sumitomo Business Philosophy (Company Policy) and sets forth our management principles.

Environmental management involves running responsible care activities for voluntarily implementing and improving environmental and safety measures, in line with our Group's Policy on Responsible Care Activities.

Ensuring that measures are in place toward achieving carbon neutrality is deemed essential these days. To this end, the Carbon Neutrality (CN) Promotion Committee, which also encompasses the "Life Cycle Subcommittee" and the "CN Technology Deliberation Subcommittee," was established to strengthen and promote CN initiatives in the relevant sectors throughout the Sumitomo Bakelite Group.

Environmental Management Structure



* The above system diagram is only an excerpt of our committees related to environmental management. See page 44 or page 50 for details.

[External link](#) Policy on Responsible Care Activities

Activities of the Carbon Neutrality Promotion Committee

Our Group has specified the following measures in response to the government's 2050 Carbon Neutral Declaration and the 2030 target.

- 2050 target: Taking on the carbon neutrality challenge
- 2030 target: Reducing CO₂ emissions by 46% or more (compared to fiscal 2013)

The Carbon Neutrality Promotion Committee recaps each year's progress toward medium- to long-term environmental targets at the end of the fiscal year and determines the targets for the following fiscal year. It carries out its activities with the approval of the Sustainability Promotion Committee, which serves as its parent body. Two subcommittees were established within the committee in order to achieve its objectives, and these subcommittees work to reduce our environmental impact.

The Life Cycle Subcommittee aims to establish production systems with minimal environmental impacts through scientific, quantitative, and objective assessments of environmental impacts, from the R&D phase onward.

Each R&D department must decide on a theme and work on it with an awareness of Life Cycle Assessment (LCA), from raw materials extraction to final disposal (cradle to grave). We are moving forward with these activities having established the goal of credentialing 25% of all researchers to understand LCA and calculate GHG emissions in fiscal 2022. In fiscal 2022, we reached 25%, as we provided all education and tutoring related to LCA in an online format.

We will continue to enhance educational opportunities again in fiscal 2023.

In addition, we will establish a system enabling us to speedily provide LCA information on all of our Group's products by the end of fiscal 2024, in response to the rapid increase in inquiries from customers regarding LCA since the Japanese government's October 2020 net zero greenhouse gas emissions declaration. In fiscal 2022, we conducted LCA calculations for Akita Sumitomo Bakelite and SB Kawasumi's new standard products, from raw material extraction to

factory shipment (cradle to gate), achieving a rate of 73% (planned at 70%) for the end of fiscal 2022 for initiatives in Japan. In fiscal 2023, we will continue working to horizontally deploy LCA evaluations on standard products.

The CN Technology Review Subcommittee has established a system for continuously soliciting and implementing energy conservation ideas, and is promoting voluntary energy conservation activities at domestic sites.

In fiscal 2022, energy consumption successfully reduced by as much as 3,710 kL (143,798 GJ) in crude oil equivalent, or 7,766 t-CO₂, compared with fiscal 2021, primarily by reducing city gas and electricity consumption. Overseas, the subcommittee worked to ensure a similar level of activities as in Japan and continued to promote the rollout of activity methods and best practices. In addition, as part of our efforts to promote CN toward the 2050 target mentioned above, we began switching all purchased electricity at all domestic business sites to electricity derived from renewable energy sources in January 2022, and will continue with contracts moving forward. At overseas Group companies, three European companies, two North American companies, and one Chinese company have currently switched to electricity derived from renewable energy sources.

In fiscal 2023, in line with the objectives of the CN Promotion Committee, the CN Technology Deliberation Subcommittee will formulate a plan and work toward the most recent 2030 target. In terms of energy conservation, we will build on past efforts to set energy conservation targets and also to complete our reduction plans for each business site. In particular, the subcommittee will focus on creating a system across business sites in domestic for sharing energy conservation practices and technical information related to energy conservation in order to improve the level of energy-saving technology throughout our Company; and having the mother plants in domestic provide technical support to their affiliated sites through a tie-up with the Company-wide Energy Conservation Secretariat.

Environmental Vision for 2050 (net zero)

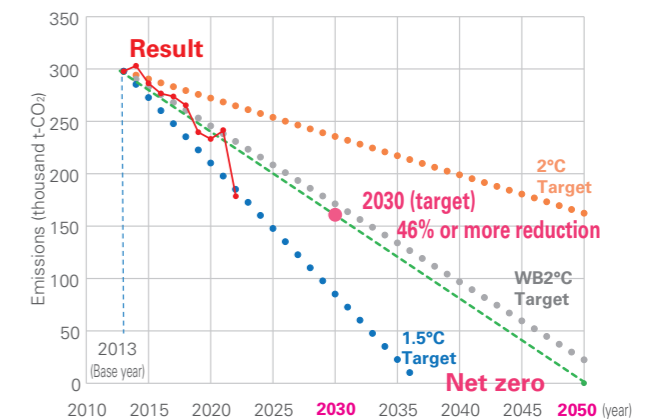
Our Group relies on the earth's natural resources and energy in order to do business. However, doing business generates garbage and air and water emissions. For this reason, we believe it is important for our Group to adhere to environmental laws and regulations, conduct business in an environmentally friendly manner, and engage in initiatives that reduce the environmental impact on the entire society through our products and services.

In fiscal 2018, our Group established a plan with medium- to long-term targets ending in fiscal 2030, and has been promoting activities based on this. However, considering the environmental issues that have become more severe recently, we thought it necessary to advance activities from a more long-term perspective, and have announced Environmental Vision for 2050 (net zero), which ends in 2050.

Since then, due to the government's "2050 Carbon Neutral Declaration" and subsequent presentation of its target of reducing GHG by 46% or more (compared to fiscal 2013) by 2030, we performed a revision based on the new standards, and in fiscal 2021 we set 2050 as our target for taking on the challenge of carbon neutrality, and 2030 for 46% or more

reduction in CO₂ emissions (compared to fiscal 2013). In a new development, SBTi has made the 1.5°C target mandatory starting July 15, 2022, and the Group is in the process of studying ways to meet the 1.5°C target.

Taking on the Challenge of Zero CO₂ Emissions



Environmental Vision for 2050 (net zero)

01. Strive to achieve zero CO₂ emissions (Scope 1 and 2) by 2050.

- Reduce CO₂ emissions via energy conservation activities, MFCA¹ activities, and improving process efficiency
- Increase the share of our electricity derived from renewable sources by getting a grasp of the electric power conditions in each country

02. Contribute to reducing CO₂, including along supply chains.

- Develop products that factor in reducing CO₂ throughout their life cycle (improve efficiency, reduce weight, lengthen service lives, recycle, switch to mono-material design, etc.: Use LCA)
- We will work together with our supply chain

*1 See the website glossary page.

Climate Change Program Efforts, TCFD Initiatives, and Participation in GX League

CDP (headquartered in London)² is an international NGO established in 2000 in partnership with institutional investors from around the world. It carries out projects in which it sends out questionnaires to major companies and municipal governments around the world on issues such as climate change, water security, and forests, and that seek climate change strategies and specific declarations related to emissions of greenhouse gases.

With the CDP's 2022 survey, survey activities were conducted on behalf of 680 institutional investors with net invested assets totaling 130 trillion U.S. dollars. More than 18,700 companies disclose environmental data on their initiatives for climate change programs via the CDP.

From 2022, the number of companies in Japan requested to disclose their information on climate change was expanded to all companies (1,841) listed in the Prime Market of the Tokyo Stock Exchange.

Upon responding to the CDP questionnaire for fiscal 2022, we received a B rating for climate change and water security in December 2022. Having received requests for responses in fiscal 2023 regarding climate change and water security as well, we have responded.

The TCFD initiative, for which we expressed our agreement

in February 2021, is introduced in [Information Disclosure Based on the TCFD recommendations (Response to Climate Change)] (p. 50–53).

As a new initiative, following to express our agreement with the "GX League Basic Concept" announced by the Ministry of Economy, Trade and Industry in 2022, we decided to participate in the "GX League"³ that will begin operating in full from fiscal 2023, becoming a participating company in May 2023.

Moving forward, our Group will continue to conduct proactive information disclosure regarding risks and opportunities associated with climate change, as we hold ourselves accountable to all of our stakeholders.

We will move forward with environmental information disclosure as we contribute to the response to climate change through environmental impact reduction, resource and energy conservation, chemicals management, and development of products that contribute to the environment.

*2 CDP: Formerly "The Carbon Disclosure Project," "CDP" is now the official name.

*3 GX League: Established as a forum for cooperation between a group of companies and the government, universities, and academic institutions in order to meet greenhouse gas reduction targets and increase industrial competitiveness by using Japan's goal of carbon neutrality by 2050 as an opportunity for economic growth.

Disclosure based on TCFD recommendations (Response to Climate Change)



Support Initiative for TCFD Recommendations

In February 2021, the Group announced its agreement with the TCFD recommendations. In addition to switching to electricity from renewable energy sources and increasing the sales ratio of products that contribute to the SDGs, we

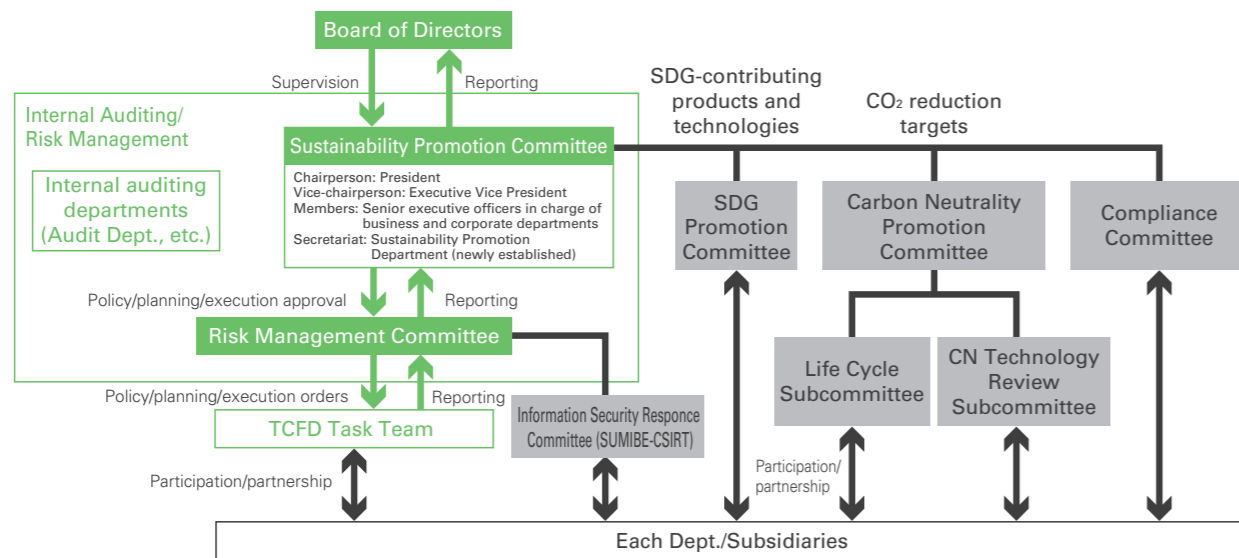
formed a company-wide cross-organizational task team and began full-scale efforts to disclose information based on the TCFD recommendations.

Governance

A TCFD Task Team was established under the Risk Management Committee under the Sustainability Promotion Committee for ongoing TCFD (information disclosure)

and more comprehensive disclosure details. See the "Sustainability Promotion System" (P.44) for details of governance related to the "TCFD Task Team."

Sustainability Promotion Structure



Strategy (Impact on the Organization's Business, Strategy, and Finances)

As part of its efforts to address and strengthen its response to climate change, the Group has established Environmental Vision for 2050 (net zero), with the goal of reducing CO₂ emissions by 46% or more (compared to fiscal 2013) by 2030, and the 2050 target of taking on the carbon neutrality challenge. We have introduced electricity derived from renewable energy sources to all of our domestic establishments from January 2022. The introduction of energy conservation activities, solar power generation, electricity derived from renewable energy sources, and other efforts resulted in a 40% reduction in CO₂ emissions

(compared with fiscal 2013) in fiscal 2022. With regard to TCFD, in fiscal 2021 the TCFD Task Team also led a climate-related scenario analysis project for the year 2040 (long term), identifying potential risks and opportunities associated with climate change. We have identified the following risks and opportunities that we expect will have a relatively large financial impact. In fiscal 2022, we updated information about "plausible scenario components" of the "climate-related scenario analysis," and verified that there were no changes to "our Group impact assessment."

The 1.5/2°C scenario

<Risks>

The significant risks we have identified include increased operating and transportation costs due to higher carbon prices, higher electricity prices due to advances in low-carbon technologies, and higher prices for biomass

feedstocks, and higher prices for various plastic feedstocks due to higher naphtha prices resulting from lower gasoline demand.

<Opportunities>

In the current social environment, the movement of people and goods is being replaced by digital means due to incentives to avoid physical contact and the increased burden of travel costs. We think this presents opportunities to expand sales of semiconductor-related products. In addition, we will pursue new business opportunities by developing new technologies, products, and services

with an eye toward a low-carbon society and a recycling-oriented economy. These include 3R + Renewable products, electric vehicle (EV)-related products such as battery materials and lightweight automotive materials, as well as food packaging films with room-temperature storage and freshness preservation functionality.

The 4°C scenario

<Risks>

Assuming that the introduction of electricity derived from renewable energy sources will be systematically promoted toward the 2050 goal of taking on the carbon neutrality challenge, we can foresee that the impact of transition risks, such as fluctuations in fossil fuel prices (especially crude oil and natural gas) and higher operating costs due to soaring electricity prices caused by stricter GHG emission regulations, would be greater than under the 1.5/2°C

scenario. We have also identified significant physical risks associated with rising atmospheric temperatures. These include reduced sales due to disruptions to the supply of key raw materials and the shutdown of operations at our own manufacturing sites that could be caused by the occurrence or increased frequency of extreme weather events, such as cyclones and floods.

<Opportunities>

Sales of various sheeting products for building materials and waterproof sheeting products and services are expected to increase amid the promotion of efforts to build resilient cities that can withstand extreme weather conditions and major disasters. These include building materials and waterproof roofing sheet products that are lightweight, highly durable, impact resistant, highly insulating/heat shielding, fire-resistant, and have other functions. Due to severe environmental changes, including rising atmospheric temperatures, demand for packaging materials for long-term preservation of foods and processed products is expected to increase as the numbers of livestock used for meat decreases, and as demand for packaging materials for fruits and vegetables is expected to increase with declines in crop yields, leading to higher sales of various packaging film products. With regard to diseases and mobility restrictions associated with climate change, we anticipate increased need for home

care, including treatment and medication, and increased opportunities for diagnosis at local hospitals and immediate remote diagnosis at home (Point-of-Care Testing, or POCT) for infants and the elderly, who are particularly sensitive to rising atmospheric temperatures. We expect to expand our healthcare business, including various medical devices and diagnostics, and our medical device and pharmaceutical packaging business. By further improving the performance and environmental adaptability of these products, we will contribute to solving social issues on a global scale. The GHG emission reduction targets for 2030 and 2050 will be implemented as a response to the carbon price increase, tighter GHG emission regulations, and changes in fossil fuel prices (these are identified as risks in the 1.5/2°C or 4°C scenarios). We will work to accomplish these efforts ahead of time as we convert long-term transition risks into short- and medium-term business opportunities to expand sales.

Based on the three-year Medium-term Business Plan starting from fiscal 2021, the Sustainability Promotion Committee and Risk Management Committee will also play a central role in fiscal 2023 following on from fiscal 2022 (by backcasting from the results of this scenario analysis) to materialize short-term measures, which are being deployed to relevant internal departments and implemented and promoted with speed. In the medium- to long-term, we will update our

scenarios and financial impact estimates as appropriate in light of changes in the macro environment, and work to enhance corporate value through the development of new technologies and products that contribute to a low-carbon society and a recycling-oriented economy. We will also work to enhance the sophistication of our management strategy by reforming our foundational organizational culture and strengthening our human resources.

The 1.5/2°C scenario analysis

	Drivers	Plausible scenario components (world developments)	Our Group impact assessment	Risks Opportunities
Policies & regulations	Carbon price increase	<ul style="list-style-type: none"> Carbon price rise <Carbon prices under the 1.5°C scenario (advanced industrial nations)> 2030: 140USD/t-CO₂ 2040: 205USD/t-CO₂ 2050: 250USD/t-CO₂ (2022 IEA World Energy Outlook) 	<ul style="list-style-type: none"> Increase in operating costs due to higher manufacturing energy costs Transport cost increase 	Risks
Market	Low-carbon technology progress	<ul style="list-style-type: none"> Higher electricity prices due to greater demand for electricity from renewable energy sources Rising prices of raw materials due to increasing demand for biomass-derived raw materials 	<ul style="list-style-type: none"> Operating cost increase Soaring prices of biomass feedstock 	Risks
	Reduced demand for gasoline associated with low-carbon technology progress	<ul style="list-style-type: none"> Naphtha gains status as a main product, rather than its conventional by-product status Along with gasoline and diesel, naphtha is in stable supply, but prices are rising 	<ul style="list-style-type: none"> Increase in purchase and procurement costs due to higher naphtha prices 	Risks
	Digital alternatives to the movement of people and goods	<ul style="list-style-type: none"> Carbon taxes and GHG emission regulations make the movement of people and goods more costly Increased demand for semiconductors used in digital devices 	<ul style="list-style-type: none"> Sales increase due to sales expansion of semiconductor-related products 	Opportunities
	Low-carbon technology progress	<ul style="list-style-type: none"> Resource recycling requirements from customers Accelerate switchover to 3R + Renewable (sustainable resource) related products 	<ul style="list-style-type: none"> Sales increase due to early market launch of 3R + Renewable products 	Opportunities
	Increased demand for low-carbon technology products	<ul style="list-style-type: none"> Shift to a low-carbon society Tightening of carbon tax and GHG emission regulations Progress in development of CO₂ transport technologies sensitive to economic efficiency, and infrastructure buildup 	<ul style="list-style-type: none"> Sales increase due to expanded sales of low-carbon products and services 	Opportunities
	Increased EV-related demand (battery materials, lightweight automotive materials)	<ul style="list-style-type: none"> EVs steadily increase as a percentage of total vehicle sales volume 	<ul style="list-style-type: none"> Sales increase due to expanded sales of products/services for EVs Increased sales of lightweight automotive materials 	Opportunities

• Higher operating costs due to carbon price rises:
Assuming our Group's total CO₂ emissions for fiscal 2040 is at the same level as fiscal 2022 of approximately 180,000 t/year (Scope 1 + Scope 2) and the carbon price is 27,675 yen/t-CO₂ (135 yen/USD), the increase in costs is calculated at approximately 5 billion yen/year.

The 4°C scenario analysis

	Drivers	Plausible scenario components (world developments)	Our Group impact assessment	Risks Opportunities
Market	Fossil fuel price fluctuations	<ul style="list-style-type: none"> Crude oil and natural gas prices rise Crude oil 2021: 69 USD/barrel → 2030: 82 → 2050: 95 Natural gas Japan 2021: 10.2 USD/MBtu* → 2030: 10.9 → 2050: 10.6 Decrease in Japan. Increases in other regions (2022 IEA World Energy Outlook) * MBtu: 1 million British thermal unit 	<ul style="list-style-type: none"> Increase in raw materials costs due to higher purchase and procurement costs Increase in operating costs due to higher manufacturing energy costs 	Risks
Physical risk: Acute	Cyclones, flooding, and other extreme weather events increase in frequency and severity	<ul style="list-style-type: none"> Intensifying and increasing frequency of cyclones, torrential rains, floods, droughts, etc. Major raw material suppliers: operations suspended In-house manufacturing sites (domestic and overseas): Operations suspended 	<ul style="list-style-type: none"> Reduced sales due to temporary suspension of operations 	Risks
		<ul style="list-style-type: none"> Resilient urban development promoted → Increased demand for building materials and industrial materials resistant to natural disasters (Examples of required functions: lightweight, highly durable, impact resistant, highly insulating/heat shielding, fire-resistant) 	<ul style="list-style-type: none"> Increase in sales of various sheeting products for building materials and waterproof sheeting products and services 	Opportunities
	<ul style="list-style-type: none"> Decrease in meat livestock → increased demand for packaging materials for long-term preservation of foods and processed products Decrease in crop yields → Increased demand for fruits and vegetables packaging materials 	<ul style="list-style-type: none"> Increase in sales of various packaging film products 	Opportunities	
	Infectious diseases/rising temperatures leading to illness and restrictions on mobility	<ul style="list-style-type: none"> Increased need for diagnosis at local hospitals, homes, remote diagnosis Increased healthcare treatment opportunities for young children and the elderly who are sensitive to environmental changes (diagnosis and treatment) → Point-Of-Care Testing (POCT)/ increased demand for medical devices 	<ul style="list-style-type: none"> Expanded sales of healthcare products/increase in sales Increased demand for pharmaceutical packaging 	Opportunities

Risk Management

Identification, assessment, and management of TCFD related risks and opportunities is conducted in accordance with our

Group risk management processes. See Responding to Business Risks and Opportunities (page 26) for details.

Metrics and Targets

We will respond to the risks identified in the 1.5/2°C or 4°C scenarios, such as carbon price increases, stricter GHG emission regulations and fluctuations in fossil fuel prices by proceeding with the GHG emission reduction targets of a 46% or more reduction of CO₂ emissions (compared to fiscal 2013) by 2030, and taking on the challenge of carbon neutrality by 2050. (Achievements to date are listed in "Taking on the challenge of zero CO₂ emissions" on page 49.)
With regard to the development of new technologies and products that contribute to a low-carbon society and a recycling-oriented economy included in these opportunities, the Group decided in fiscal 2018 to incorporate the SDGs as one of its corporate policies and started a certification system for SDG-contributing products, technologies, and activities in fiscal 2019. Contributing to the response to climate change (measures to counter global warming, reduce environmental impact, etc.) is part of the opportunity to achieve the goals of the SDGs, and we hope to contribute to a sustainable society through our business.
With the aim of providing products and technologies that

contribute to the SDGs, the Corporate Planning and R&D departments, among others, examine R&D and sales strategies, then incorporate them into specific goals and plans to manage progress. The Sustainability Promotion Committee has decided on a target ratio of sales revenue from products and technologies contributing to SDGs of 70% or more for fiscal 2030 and 50% or more for fiscal 2023 and is implementing the required activities. The actual results were 48% for fiscal 2021 and 54.5% for fiscal 2022, and the target of 50% for fiscal 2023 was achieved earlier. Moving forward, we will undertake a series of initiatives that will contribute to the sustainable enhancement of corporate value. We will periodically confirm and update the risks and opportunities identified in our climate-related scenario analysis with an eye to changes in the external environment and market conditions, and will fulfill our responsibility for accountability by disclosing information to stakeholders as appropriate upon quantifying the financial and other impacts, and specifying and enhancing metrics and targets.

Material Flows and Investments in Environmental Protection



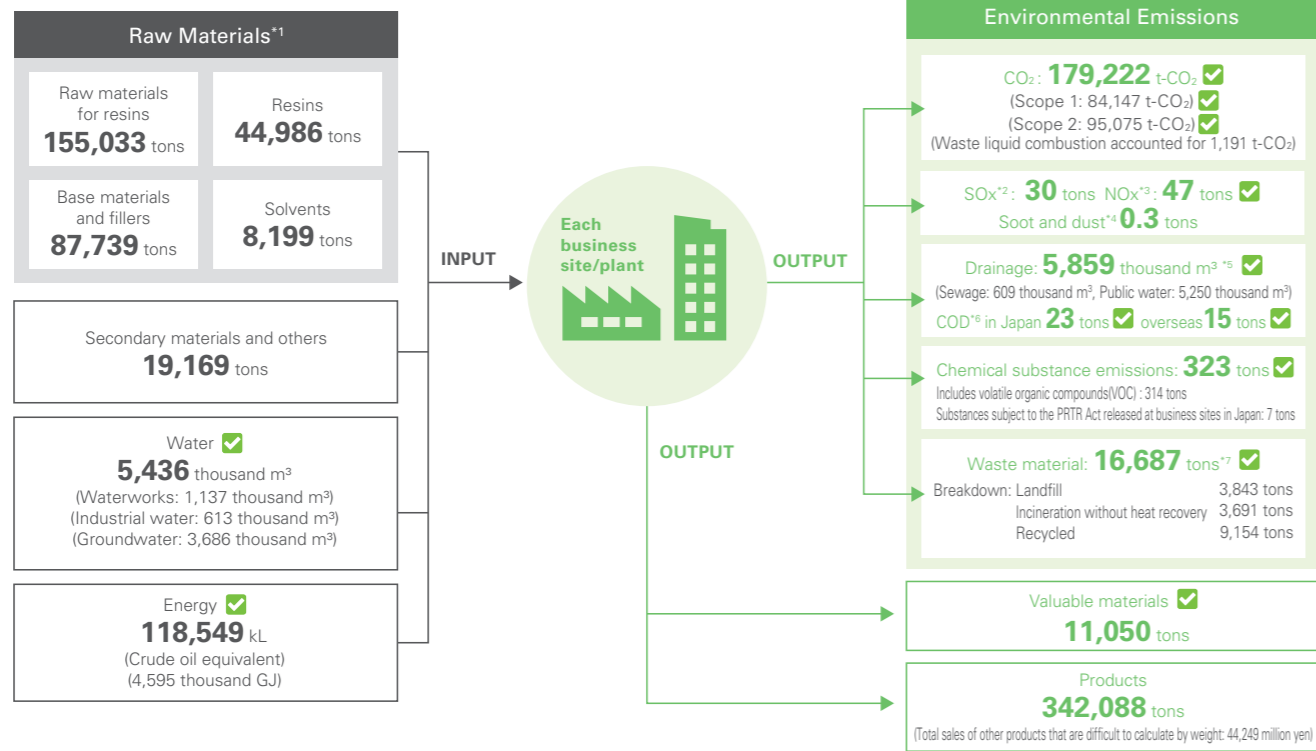
The figure below shows inputs, including raw materials and energy, and outputs that are products and emissions released into the environment.

The Group is working to reduce its impact on the environment by means of waste reduction and resource savings through promoting more efficient use of raw materials, energy, and water. We have also been advancing CO₂ emissions reduction through our carbon neutral efforts.

In fiscal 2022, the sudden increase in production volume in the wake of COVID-19 slowed down, and social circumstances like the situation in Ukraine have also impacted production volume, resulting in a decrease in raw material input and product sales

volume compared to fiscal 2021. On the other hand, the switch to electricity derived from renewable energy sources that began from fiscal 2021 and the active promotion of solar power generation on the company's premises from fiscal 2022 made greenhouse gas (CO₂) emissions much lower than the drop in our production activities. From this report, we also began disclosing the amount of emissions of VOC*⁸ included in our chemical substance emissions. Through the ongoing activities of our Group, we are contributing to the response to aspects of climate change such as warming by working to effect reductions in outputs that affect the environment, with respect to increases in input.

Material Flows



*1 The ratio of renewable raw materials to total raw materials used is about 3.1% at the current point in time, but we will make efforts from the development stage onward in order to increase the ratio of renewable raw materials use.
 *2, 3, 4, 6 See the website glossary page. SOx, NOx, and soot and dust are calculated using the company's own formula based on exhaust gas readings and fuel usage amount, among other variables. Since methods of calculating emissions of soot and dust differ among countries, this figure is compiled solely for business sites in Japan at present. COD is calculated based on the measured concentration and drainage volume. Data on overseas COD cover sites that measure COD within drainage. Data for overseas sites are stated separately because the types of oxidant (potassium dichromate is mainly used overseas) used for measurement differ from those used in Japan.
 *5 Drainage volume is determined by calculating drainage into sewages based on the breakdown of total usage. Drainage into public water areas is calculated using readings from flow meters installed at business sites; while water usage volume is used for business sites without flow meters.
 *7 The volume of hazardous waste found in our total waste volume came to 5,492 t (based on the definitions used by each country). The volume of hazardous waste is not subject to assurance.
 *8 VOC: Volatile Organic Compounds
 * The volume of products shipped and value of products sold are not subject to assurance.

Investments for Environmental Protection

Our Group has compiled data annually on the amounts of investments in environmental protection of all Group companies in Japan since fiscal 2000. In fiscal 2022, 320 million yen in total was invested in such protection. Since fiscal 2020, we have been engaged in a full-fledged effort to adopt solar power generation based on our commitment to carbon neutrality, and we continued to phase it in at each of our business sites in fiscal 2022. Further expansion is planned for fiscal 2023. We will continue to promote aggressive investment to reduce CO₂ emissions.

Investment Amounts for Environmental Protection in Fiscal 2022

Category	Investment amounts (millions of yen)
Emissions control	88
Energy conservation	177
Waste reduction, recycling, and treatment	50
Total	315

*Data cover the time period and business sites in Japan listed on page 2.

Medium- to Long-term Environmental Targets and Performance



Medium- to Long-term Environmental Targets

In fiscal 2018, we established a medium- to long-term environmental plan ending in fiscal 2030, and have been engaged in activities based on it. Following the government's 2050 Carbon Neutral Declaration and presentation of its 2030 target, however, we performed a revision, and reset our 2030 target policy to include a 46% or more reduction in CO₂ emissions (compared to fiscal 2013). In doing so, we re-set the base year to fiscal 2013 and set targets based on the following factors as well.

- The CO₂ emissions coefficient for domestic electricity was changed from basic to adjusted.^{*1}
- Response to sustainable development needs with 2030 as the target year established in the SDGs.
- Response to Act on the Rational Use of Energy/Promotion of Global Warming Countermeasures.

The targets were defined upon considering the impact of the difference between the base year of fiscal 2013 and the current scope of coverage, which includes the Vaupell Group having become subject to environmental management from fiscal 2015, and the SB Kawasumi Group from fiscal 2021. (The effects of the differences in coverage of the SB Kawasumi Group, the Vaupell Group, etc., have been added to the base year graph.)

In Japan, the target for 2030 is well above 46% due to switching purchased electricity to electricity derived from renewable energy sources at all major business sites from January 2021.

Given future efforts to go carbon neutral at overseas sites as well, the Group's overall target will also greatly exceed 46%.

We also continue to work with the Japan Business Federation (Keidanren) on its "Society 5.0 with Carbon Neutral" commitment through the Japan Chemical Industry Association.

Other targets were also revised to unify the base year as fiscal 2013, taking into account the impact of the SB Kawasumi Group. We will continue to improve the resource utilization rate by curbing the amount of material loss (waste and valuable resources), promote effective use of raw materials, and also promote reduction of chemical substance emissions in order to systematically reduce our environmental impact.

*1 According to adjusted emissions coefficients for each electric utility published by the Ministry of the Environment and the Ministry of Economy, Trade and Industry. To accommodate menu-specific emission factors from the introduction of electricity from renewable energy sources, recalculations were made retroactively back to fiscal 2013.



■ Additional data for SB Kawasumi Laboratories and Vaupell SB Kawasumi Laboratories and Vaupell were included in the data tabulation after fiscal 2013. Their data have been added to the base year (fiscal 2013) data for comparison with actual results.
 * See the organizations listed on page 2 regarding those included in the data.
 * For definitions and the calculation method of CO₂ emissions, material loss, and chemical substance emissions, refer to page 107.
 * Total emissions of the 31 chemical substances subject to the PRTR Act at our Group's domestic business sites amounted to 7 tons, and the total amount transferred was 86 tons. For details of the transfer and release of substances subject to the PRTR Act, refer to the Data Section on page 109.

Environmental Performance



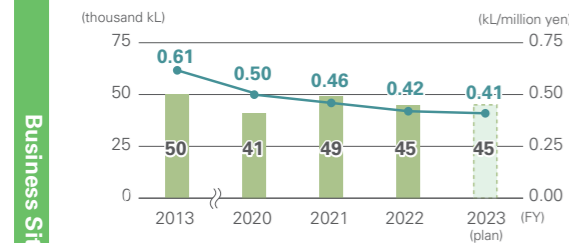
Reducing Energy Use and CO₂ Emissions

Energy consumption at domestic business sites decreased in line with production volume, but the effects of switching purchased electricity to electricity derived from renewable energy sources at all major business sites had an effect throughout the year. Coupled with an increase in installation of solar power generation, CO₂ emissions per production amount value decreased significantly. Similarly, energy consumption also decreased at overseas business sites, but the switch to electricity derived from renewable energy sources at the three European companies as well as some sites in North America and China, coupled with aggressive installation of solar power generation, resulted in CO₂ emissions per production amount value decreasing more than energy consumption per unit of production. More improvement is expected in the future by promoting the switch to electricity derived from renewable energy sources and the introduction of solar power generation scheduled for fiscal 2023 and beyond.

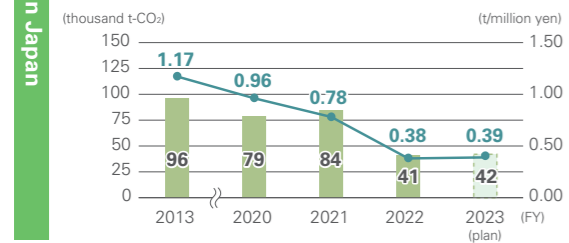
Scope 3 Data Disclosure

In 2015, our Group began calculating and disclosing Scope 3 emissions in the supply chain of business sites belonging to Group companies in Japan because of the growing importance of understanding CO₂ emissions covering the entire supply chain. In fiscal 2018, we enlarged the scope to cover overseas business sites. The scope of said disclosures covers a total of eight categories including Category 1 "Purchased goods and services." In addition, we confirmed that three categories including Category 8 "Upstream leased assets" were not applicable. Both in Japan and overseas, Category 1 "Purchased goods and services" accounted for a large portion of CO₂ emissions. In fiscal 2022, Category 1 emissions decreased from the previous year due to the decreased raw material input as well as production volume, both in Japan and overseas. Moving forward, we will continue to calculate and disclose data on other categories and work to increase the accuracy of the data for each category, while also promoting ongoing efforts to reduce emissions across the entire supply chain.

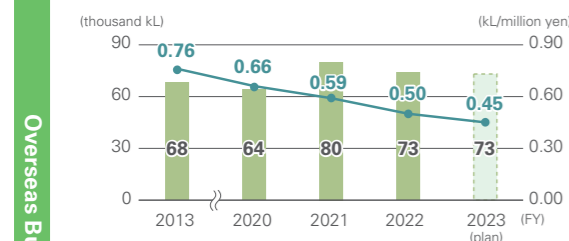
Energy Usage per Production Amount Value*1



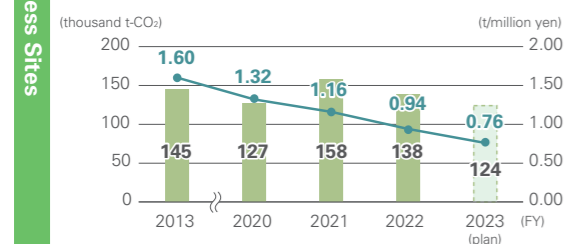
CO₂ Emissions per Production Amount Value*2



Energy Usage per Production Amount Value



CO₂ Emissions per Production Amount Value



CO₂ Emissions in Certain Categories of Scope 3 and Other Scopes (At Sites in Japan and Overseas)

No.	Category	Emissions (thousand t-CO ₂ /year)
1	Purchased goods and services ✓	842
2	Capital goods	50
3	Fuel- and energy-related activities not included in Scope 1 & 2	40
4	Upstream transportation and distribution	71
5	Waste generated in operations	10
6	Business travel	2
7	Employee commuting	5
8	Upstream leased assets	Not applicable
13	Downstream leased assets	Not applicable
14	Franchises	Not applicable
15	Investments	10
Scope 3 Total		1029
Scope 1 (All direct emissions)		84
Scope 2 (Indirect emissions associated with purchased power and steam)		95

Calculation method: We calculated the amount of emissions based on the Emissions Intensity Database for Calculating Greenhouse Gas Emissions of Organizations through the Supply Chain Ver. 3.3 issued by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan, using the emission coefficients stated in this database, and in the IDEA Ver. 2.3 Carbon Footprint Communication Program Basic Database developed jointly by the National Institute of Advanced Industrial Science and Technology and the Japan Environmental Management Association for Industry.

*1 Energy usage per production amount value is determined using the following equation: Energy usage per production amount value = energy usage/(production amount x unit price). Energy consumption is calculated as a crude oil equivalent.
*2 CO₂ emissions per production amount value are determined using the following equation: CO₂ emissions per production amount value = CO₂ emissions/(production amount x unit price). Also, CO₂ emissions are the sum of Scope 1 and Scope 2 emissions.
* See the organizations listed on page 2 regarding those included in the data.

Chemical Substance Management throughout Product Life Cycles

The targets for 2020 agreed on at the WSSD*1 call for the worldwide and comprehensive management of chemical substances throughout the product life cycle, from development to manufacturing, use, and disposal in order to minimize the significant adverse effects on human health and the environment caused by the manufacture and use of chemical substances. Since then, the laws and regulations in each country have become stricter, and our Group is taking action to comply with laws and regulations. Aiming to achieve the SDGs in 2030, the government of each country is taking action proactively. The Group (each of our plants and research institutes worldwide) is working

on the SDGs through the management of chemicals carried out as part of our Responsible Care activities. In terms of its management of chemical substances, the Group has a system in place for studying and reviewing chemical substance-related laws and regulations in Japan and throughout the world from the product development phase onward. We manage the chemical substances contained in products in order to comply with the laws of the countries where we operate and to minimize environmental impacts throughout product life cycles.

*1 See the website glossary page.

Chemical Substance Management System

We are focusing on promoting the use of SDSs*2 across the Group not only for disclosing information related to chemical substances under regulatory control in Japan and overseas, but also for disclosing relevant information voluntarily so as to improve the quality of the Group's information disclosure practices. Particularly for the GHS*3 system, we have introduced ExESS*4 and offer SDS and

labels that are compliant with the laws and regulations of 46 countries and territories, including Japan, in the official languages of each country. We are revising our SDSs to comply with the addition of substances subject to the Industrial Safety and Health Act from April 2023.

* 2-4 See the website glossary page.

Countries and territories for which we provide SDSs (number of SDSs of which the latest version can be provided as of April 1, 2023)

USA	702	Austria	15	Thailand	792	Brazil	25	Morocco	21
Ireland	—	Netherlands	235	Czech Republic	8	France	135	Russia	17
UAE	—	Canada	24	Denmark	3	Vietnam	214	South Korea	2022
United Kingdom	87	Costa Rica	—	Germany	519	Belgium	124	Taiwan	1195
Israel	9	Singapore	481	Turkey	5	Poland	5	China	2836
Italy	183	Switzerland	41	New Zealand	5	Portugal	24	Japan	6951
India	128	Sweden	5	Norway	—	Malta	55		
Indonesia	208	Spain	17	Hungary	71	Malaysia	642	Molded parts	589
Uruguay	—	Slovakia	—	Philippines	452	Myanmar	1		
Australia	32	Slovenia	8	Finland	—	Mexico	86		

* Countries and territories for which we provide SDSs: 46 (Asia: 12, Europe: 23, North America: 3, Latin America: 3, Oceania: 2, Middle East: 2, Africa: 1)
* Items marked with "—" are those for which SDSs were provided in accordance with the local laws and in the local language, but are no longer available due to discontinuation or other reasons.

Waste Management

Our Group conducts business activities in compliance with environmental laws and regulations while minimizing our impact on the global environment. For waste, we have established rules for on-site verification of waste disposal contractors in accordance with the Waste Management and Public Cleansing Act, and we continue to manage and quantify the amount of waste generated based on the issuance of manifests. Based on the above, we promote minimization of material loss and effective utilization (reuse/recycling), and promote activities to reduce material loss, including of valuable materials. We also consider it important to work to reduce the environmental impact of society through our products and services as stated in our Environmental Vision for 2050 (Net Zero) "02. Contribute to reducing CO₂, including along supply chains": "Develop products that factor in

reducing CO₂ throughout their life cycle." In this context, weight (volume) reduction, longer service life, recycling, and mono-material design are also initiatives by which we reduce waste in the supply chain as well as CO₂ emissions. Meanwhile, we have been systematically disposing of polychlorinated biphenyl (PCB) waste in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes. Disposal of high-concentration PCBs has been carried out systematically in accordance with the capabilities of the Japan Environmental Safety Corporation (JESCO) in each region, and as of the end of fiscal 2022, approximately 89% of the PCBs had been disposed of. Planned disposal of low-concentration PCBs has also been under way since fiscal 2017, and we are moving forward to complete disposal by the legally mandated deadline.

Environment

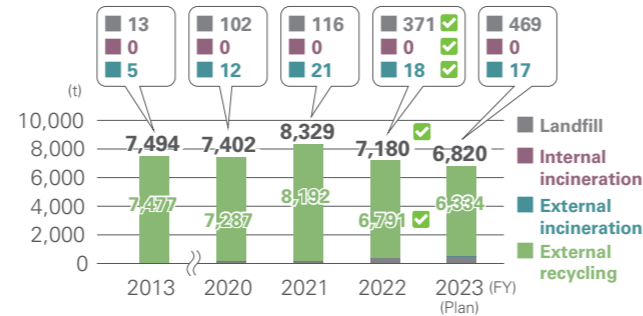
Reducing Material Loss

Our Group is working to increase the efficiency of resource utilization because it regards the reduction of environmental impacts as an opportunity to improve profitability. The increase in material loss, including both waste and valuable materials, leads to an increase in resource losses and in the loads involved in processing. Through MFCA initiatives, the Group is promoting load reduction through the reduction of material loss and the improvement of effective use of raw materials.

Changes in the type of treatment for waste material at domestic business sites are shown in the graph on the right. The amount of waste treated using a combination of landfills and simple incinerators did drop to 18 tons in fiscal 2013 through reduction measures conducted at each site, but subsequent restrictions to exports of waste plastics overseas and the lack of capacity at recyclers in Japan has led to a gradual increase.

We will continue to move forward with loss analysis using MFCA as we aim for still greater reductions.

Material Subject to Zero Emissions Measures in Japan



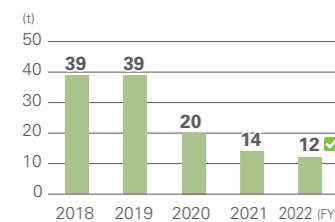
* Figures include the total of landfill waste, internally incinerated waste, and externally incinerated waste. No waste was internally incinerated at business sites in Japan from fiscal 2012 onward.

Emissions into the Atmosphere

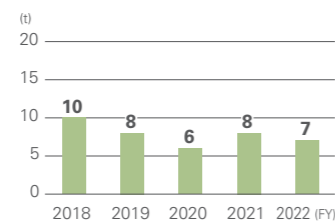
The Group's business sites in Japan have been promoting a shift of boiler fuel from heavy oil to city gas since fiscal 2004. With the completion of the fuel conversion from heavy oil at the Shizuoka Plant in mid-2019, SOx emissions for the Group as a whole have been further reduced. We were able to greatly decrease emissions of NOx due to a decrease in the nitrogen content of city gas and stabilization of combustion conditions.

Heavy oil is still in use at some business sites in regions where city gas supplies are unavailable, and we are working to optimize the combustion conditions and keep both emissions of SOx and soot and dust down at low levels. The switch to city gas is also currently being considered to stem the use of heavy oil.

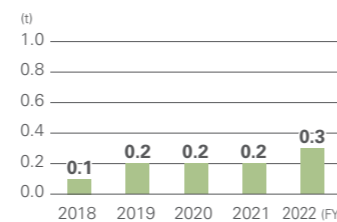
NOx Emissions



SOx Emissions



Soot and Dust Emissions



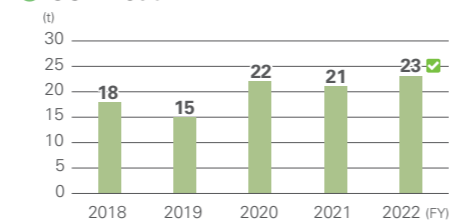
* NOx data covers business sites obligated to conduct measures in accordance with laws and regulations, out of business sites in Japan listed on page 2.

Emissions into the Hydrosphere

Effluent discharged from plants includes pollutants, which are categorized into industrial and household sewage. Treatment facilities, such as high-concentration phenol recovery equipment and activated sludge treatment equipment, and surveillance systems for constant monitoring are in place to ensure compliance with environmental standards and laws and regulations at the national and local government levels. Additionally, risk assessments are conducted on leakages into rainwater that also includes cooling water to prevent sudden and unexpected increases in environmental impacts.

COD load, a typical indicator of water quality, increased only slightly from the previous year in fiscal 2022, and emissions for the whole Company in Japan remain at low levels from a long-term perspective.

COD Load



* Data covers business sites obligated to conduct measures in accordance with laws and regulations, out of business sites in Japan listed on page 2.

Conservation of Water Resources

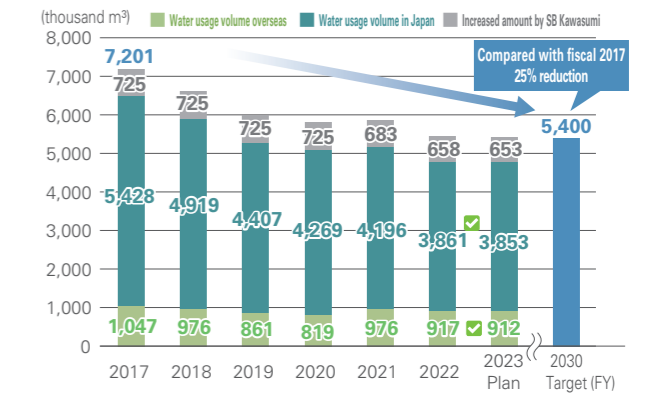
When it comes to the water used at our Group's locations, in Japan a large share of the water used comes from groundwater, while overseas a large share of this comes from waterworks. The water used in our plants in Japan accounts for 78% of the water used by the entire Group.

The Group has always worked continuously to reduce the amount of water it uses. Having begun to provide responses to the CDP water program, we have now established a medium- to long-term target for water use reduction from fiscal 2020 onward, calling for a 25% reduction from the fiscal 2017 level by fiscal 2030. The impact of the participation of SB Kawasumi Group was retroactively included in fiscal 2013.

We are engaging in activities to achieve targets at all business sites. In particular, we are eagerly promoting reductions of water usage at our Shizuoka Plant, which accounts for a large percentage of the Group's water usage in Japan, and have achieved consistent decreases in water usage. The impact of production increases led to a major increase in water consumption at overseas business sites and thus a slight increase in company-wide water consumption in fiscal 2021, but the decrease in production volume and reduction measures at each site allowed for a return to a reduction in fiscal 2022.

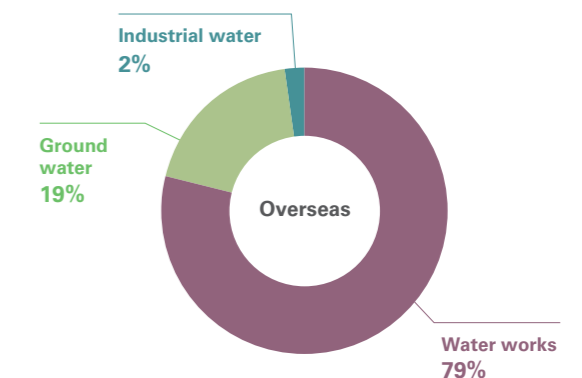
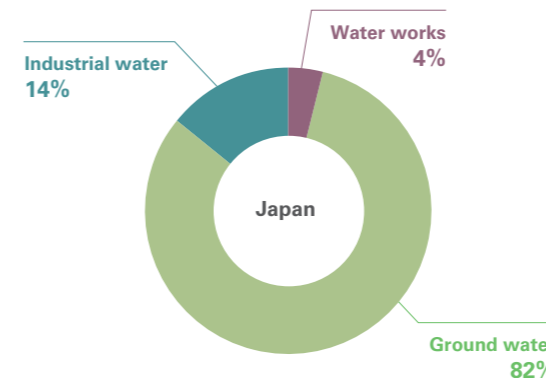
The current overall domestic and international reduction rate for five years from fiscal 2017 is 24%, well above the planned rate. We will continue to implement steady reductions to achieve our goals.

Water Usage Volume



* See the organizations listed on page 2 regarding those included in the data.

Water Usage by Source in Fiscal 2022



Assessment of Water-Related Risk in Fiscal 2022

Since fiscal 2015, we have been continuously surveying the regional watershed risk of all sites in the Group. From fiscal 2021, we began disclosing data for R&D and logistics sites, included the newly added Group member SB Kawasumi Group, with 17 domestic locations and 27 overseas locations subject to information disclosure.

Regarding the identification of water risk, in fiscal 2022, our Group revised risk levels based on the results of a study using the WRI Aqueduct tool*1 in addition to independent

studies performed on each business site. We compiled the results into a table that contains the risks facing each of the regions in which the Group operates.

There are no major differences in the evaluation trends this year, but the results from Southeast Asia and China indicate relatively high risk. In light of these results, we will undertake more highly effective water resource conservation moving forward.

*1 A tool providing information on water risks developed and published by the World Resources Institute (WRI).

Assessment of Water-Related Risk in Fiscal 2022

Region		Risk level					Total
		Extremely high	High	Medium to High	Low to Medium	Low	
Japan	Number of bases				8	9	17
	Water consumption (thousand m³)				3,295	928	4,223
China (and Taiwan)	Number of bases		2	3	2		7
	Water consumption (thousand m³)		103	90	96		290
Southeast Asia	Number of bases		2	1	2	2	7
	Water consumption (thousand m³)		53	249	117	25	444
North America	Number of bases			1	3	6	10
	Water consumption (thousand m³)			119	20	235	375
Europe	Number of bases			1	2		3
	Water consumption (thousand m³)			3	102		104

Soil/Underground Water Pollution Countermeasures

Response to Soil/Underground Water Pollution

Our Group carries out risk assessments relating to leakage of chemical substances at all of our business sites, and we promote both the development and implementation of preventive frameworks. At the same time, when contamination caused by past leakage accidents is confirmed, we actively undertake voluntary surveys and institute countermeasures in order to prevent the environmental impact and health damage from spreading. In February 2022, approximately 9 t of industrial ethanol

raw material leaked from a storage tank at the Niagara Falls Plant, resulting in a leakage accident where the ethanol was discharged into the sewage plant of the industrial park. Staff noticed that the level in the storage tank had dropped and immediately reported this to administration and the sewage plant, and shut off the source of the leakage. No abnormal water quality readings were detected at the sewage plant, and it was revealed that no water quality problems had occurred, so a survey and corrective action report was submitted to close off the incident.

Results of Soil and Groundwater Studies, Related Actions, and Monitoring Results

Site	Results of investigation	Countermeasures and monitoring results
Amagasaki Plant	Lead was detected by soil content sampling in 2009 and 2010 (max. 500 mg/kg, whereas the standard is 150 mg/kg). No groundwater contamination was detected.	Heavy metals exceeding the standard values of the Soil Contamination Countermeasures Act were detected at the business sites on the left. Monitoring of the groundwater is conducted at these sites every year and their contamination levels have been confirmed to be below standard values.
Akita Sumitomo Bakelite Co., Ltd.	Lead was detected by soil elution sampling in 2005 (max. 0.032mg/L, whereas the standard is 0.01 mg/L). No groundwater contamination was detected.	
Yamaroku Kasei Industry Co., Ltd.	In January 2016, 1,4-Dioxane in excess of the standard concentrations was detected in the company's cooling water effluent, with concentrations of a similar amount confirmed in well water drawn from on the premises that had been used. In consultation with the government, the plant stopped drawing water and switched to a closed water cooling system. The company has no history of using the substance in question.	The company cooperates with an ongoing monitoring survey of the groundwater quality that is regularly conducted by Osaka Prefecture, and also continues to perform independent examinations as well. The latest measurement results were 1.4mg/L (standard value of 0.05mg/L).

Initiatives for Resource Recycling

Marine plastics

When it comes to the problem of marine plastics, we are moving ahead with activities to contribute to reducing plastic marine waste via a number of initiatives based on the Japanese government's Plastic Resource Recycling Strategy. These initiatives include managing the raw materials used and the plastic products we manufacture, promoting the recycling of said products, and developing new products. We are currently taking part in the Clean Ocean Material Alliance (CLOMA), which was established by a broad range of business operators related to supply chains for plastic products, including those in the chemical industry and distribution/retail industries, with the goal of forming cross-industry partnerships. Through this, we are working to address a variety of challenges by aiming to curb plastic waste across our supply chain as a whole and promoting recycling via 3R activities for plastic products.

Recycling

Our Group promotes recycling as a means to make effective use of resources. This recycling includes the recovery and recycling of phenol from waste liquid produced by phenolic

resin reactions during the product production process, fine grinding of offcuts from phenolic laminated sheets and decorative melamine resin laminate for use as a filler in phenolic resin molding compounds' reuse of molded article by-products (sprues and runners) as raw material for molding materials, as well as reuse of excess sludge from activated sludge effluent treatment equipment as compost (organic fertilizer).

Renewable raw materials

Our Group has been using inedible plant-derived raw materials as renewable raw materials, primarily of phenolic resins (cashew nut shell oil, rosin (pine resin), wood flour, etc.) and molding compounds. They account for about 3.1% of all raw materials used.

In fiscal 2022, we added to our lineup of packaging films for food and pharmaceutical products made from renewable biomass materials, and in April 2023 we added eco-friendly phenolic resin molding material using plant-derived lignin. We will be undertaking initiatives in order to further increase the rate at which we use renewable raw materials in the future.

Response to the Fluorocarbon Emissions Control Act

Details of the "Fluorocarbon Emissions Control Act" that was enacted on April 2015 and further enhanced in April 2020 have been provided to each business site to ensure that they conduct regular quick inspections of the commercial air conditioners and freezer systems under their possession (or management), and regular inspections as required by law for equipment with a rated output of 7.5 kW or higher. We are also promoting the switch to refrigerants with

zero ozone depletion potential and low global warming potential, with a view to preventing depletion of the ozone layer and curbing global warming. Existing facilities are regularly inspected annually for the amount of leakage in accordance with the "Fluorocarbon Emissions Control Act," to check that there are no leaks in amounts that need to be reported.

Biodiversity Conservation Initiatives

Our Group's business activities rely on nature's bounty. Based on the philosophy of our Responsible Care Activity Guideline, we understand the importance of conserving biodiversity, and have become a promotion partner of "The Declaration of Biodiversity by Nippon Keidanren." By understanding the importance of biodiversity outlined in these guidelines, applying it to our basic management stance, and following these declarations, we are working to reduce our environmental impact, complying with our procurement policy, and engaging in dialogue with communities

through conservation activities such as setting up biotopes at some of our business locations. In terms of our initiatives during the product life cycle, we develop eco-friendly products, while outside of Japan we take part in local initiatives, including those that protect rare tree species.

Our Group joined the "30by30 Alliance for Biodiversity," launched in April 2022 as an initiative headed by the Ministry of the Environment and comprising 17 proposing member organizations.

Biotope and Visiting Guest Lesson Initiatives

The results of an investigation into the relationship between the business sites of our Group worldwide and protected areas where biodiversity is considered important indicated that none of our business sites were located in these areas. Although not a protected area, the results of an ecosystem survey conducted in fiscal 2011 at the site of our Shizuoka Plant located in Fujieda City, Shizuoka Prefecture, confirmed the presence of Japanese killifish, a vulnerable species (VU). After determining the strong need for preserving the biodiversity of this site, we decided to create a company biotope. The creation and maintenance of the biotope were completed in March 2017. The biotope, which occupies about 5% of the Shizuoka Plant's 287,000m² site, serves as a habitat for a wide variety of fauna and flora, including ancient Oga lotus and jewel beetles, among others, in addition to Japanese killifish. We continue to engage in communication with local communities, such as by spreading the word on the significance of our biotope for biodiversity to the community and supplying some of the Japanese killifish that have taken root and multiplied within our biotope to neighboring locations.

During fiscal 2022, the impact of the COVID-19 infections resulted in a major decrease in visitor numbers. In addition, visitor reception of school study excursions has remained suspended in order to prevent the spread of contagion. At the same time, we continue to engage in dialogue with neighboring elementary schools regarding biodiversity conservation efforts centered on the biotope, and during the COVID-19 pandemic, as in the previous year, we have responded to requests for visiting guest lessons at schools, field trips using the biotope, and other activities. We provided a total of approximately 120 killifish to four elementary schools in the neighborhood, and gave a visiting guest lesson at four schools (356 students in total) on how to conserve Japanese killifish while introducing our SDG initiatives. In addition, two field trip visits to the biotope were made (total 280 students), one in the spring and the other in the fall, and a set of visiting guest lessons and tour of the biotope provided as one class (70 students). We will continue to strengthen relations mainly with local elementary schools into the future.



Biotope (blossoming hill)



Japanese killifish (a vulnerable species (VU))



Elementary school student excursions and lessons



Visiting guest lessons for elementary school students

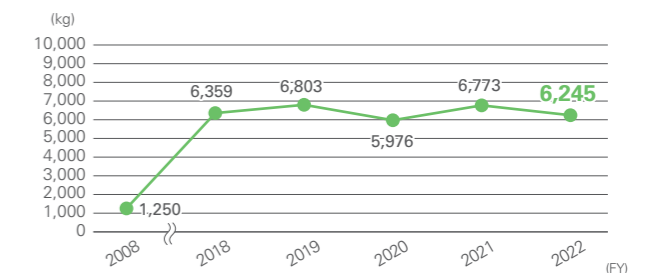
Initiative to Protect Forest Ecosystems

Our Group contributes to conservation of biodiversity by protecting forest environments through our support for activities including forest thinning projects and afforestation activities of the environmental NPO Office Chonakai (Office Neighborhood Association). Our company has supported forest thinning mainly in Iwate Prefecture since fiscal 2008 by expanding the use of Paper Products that Contribute to Forest Thinning Efforts promoted by the Morino Chonai-Kai (Forest Neighborhood Association).

The cumulative amount of paper used since fiscal 2008 is approximately 89,300 kg, which corresponds to the thinning of 6.01 hectares.

Our business site in Indonesia engages in afforestation activities for growing mangrove forests that protect various species of marine organisms, and is also carrying out activities to mitigate climate change. Going forward, we will continue to conserve biodiversity tailored to the environment surrounding each of our business sites.

Amount of Paper Products that Contribute to Wood Thinning Efforts Used by Sumitomo Bakelite



Mori no Chonakai logo

Respect for Human Rights



Basic Approach and Policy Related to Human Rights

Our Group acknowledges that our own corporate activities may have a direct or indirect negative impact on human rights. We fulfill our responsibilities toward respecting human rights in accordance with “Our Code of Conduct” and the “Code of Ethics for Group of Sumitomo Bakelite Co., Ltd.” by ensuring that there are no violations of human

rights of people affected by our corporate activities, and in the case that our corporate activities have been identified as having, or having played a role in having, an adverse impact on human rights, ensuring that appropriate measures are made to correct the situation.

Our Code of Conduct (excerpt)

5. We respect the human rights of all those involved in our group’s business.

Code of Ethics for Group of Sumitomo Bakelite Co., Ltd. (excerpt)

II Human Rights and Work Environment Responsibilities (+ Responsibilities to Business Partners)

II-1 Prohibition of Discrimination

We will not discriminate in any way based on sex, age, nationality, ethnicity, race, religion, ideology or creed, sexual orientation or gender identity, or disability. We also do not tolerate such discrimination.

II-2 Prohibition of Harassment and Violence

We will not engage in harassment or behavior that hurts others, whether mentally or physically. We also do not tolerate such harassment or hurtful behavior.

II-3 Prohibition of Child Labor and Forced Labor

We will comply with the employment laws and regulations of each country or region. We will not engage in “child labor,” i.e. the act of having those under the minimum working age stipulated by laws and regulations of the country or region in which we are located engage in labor, or “forced labor,” i.e. work done against the will of the worker. We will not tolerate child labor or forced labor.

Internal Training on Human Rights

Every year, we provide training to our employees via e-learning to coincide with Human Rights Week in December. In fiscal 2022, education was provided for all employees at the Company and affiliated companies in Japan, and some employees at affiliated companies overseas, to help deepen their understanding of typical types of harassment, including power harassment, sexual harassment, and maternity harassment, which are social problems, and teaches them points to be aware of to ensure that they do not perpetrate harassment.

Going forward, training content for “Business and human rights” will be updated with details including the specific human rights that need to be respected through our Group’s business activities and how our business may be affected by respecting human rights, as part of plans to increase the

opportunity for systematically enhancing understanding among our Group’s employees.



Employees receive computer-based internal education

Measures to Ensure Human Rights Throughout the Supply Chain

We strive to ensure compliance with the laws, regulations, and social norms of Japan and the other countries and regions in which we operate. We also require our business partners to observe these standards of fulfilling their social responsibilities given the changing social expectations placed on companies.

In principle, we ask for a basic contract with each business partner from which we purchase items such as equipment, which requires the contracting parties to comply with details that include respect for human rights.

We have stipulated “Prohibit inhuman treatment including discrimination, harassment, child labor, and forced labor, and respect human rights of laborers” as part of our Procurement Policy, and conduct procurement activities

with consideration for human rights.

We have created the Sumitomo Bakelite Group Supply Chain CSR Checksheet that covers human rights and labor, and conduct surveys of our major business partners to verify the state of initiatives toward human rights throughout our supply chains.

To ensure ongoing measures for responsible procurement of minerals, we have also identified applicable raw materials and started conducting surveys.

We verified the raw materials we purchase that contain tin, tantalum, tungsten, gold, cobalt, and mica with 42 materials identified as applicable throughout our entire Group. We will continue conducting surveys of our suppliers using our minerals survey template.

Procurement Policy of Group of Sumitomo Bakelite Co., Ltd. Corporate Social Responsibility

We carry out CSR procurement and request our suppliers to follow suite. We deem, among others, followings are important:

- (1) to prohibit inhuman treatment including discrimination, harassment, child labor and forced labor and to respect human rights of labors;
- (2) to comply with laws, regulations and social norms;
- (3) to ensure occupational safety and health;
- (4) to conserve global environment and reduce environmental load;
- (5) to conserve biodiversity;
- (6) to exercise due diligence on the source and chain of custody of conflict minerals; and
- (7) to reject relations with antisocial forces.

[External link](#) Procurement Policy

Grievance Mechanism

As a means of redress in cases where our Group is causing or contributing to negative impacts on human rights, our Group have established a reporting and consultation contacts (Compliance Reporting System) that can be used by all stakeholders of our Group, which includes our Group’s director, officer and employees, as well as retired employees, job applicants, and business partners. In addition, Sumitomo Bakelite Co., Ltd. and its affiliated companies in Japan have set Harassment Consultation Points, which is a dedicated consultation desk for harassment, and provides consultation services for

employees regarding various forms of harassment such as power harassment, sexual harassment, and maternity harassment. Additionally, some affiliated companies other than Japan have their own internal whistleblowing systems and grievance mechanism. Our Group will continue to work to operate an even more effective grievance mechanism.

[External link](#) Compliance Reporting System” of Group of Sumitomo Bakelite Co., Ltd.

Endorsed the “My Jinken Declaration”

The Group has announced our endorsement of the aims of the My Jinken Declaration project by the Ministry of Justice and the National Federation of Consultative Assemblies of Civil Liberties Commissioners. The My Jinken Declaration is an initiative to achieve a society where everyone respects human rights, and companies, organizations, and individuals declare that they will take actions to respect human rights.



Our Company’s My Jinken Declaration

[External link](#) Ministry of Justice My Jinken Declaration

Recruiting and Employment



Basic Approach and Policy

The Group's business activities would not be possible without its employees. Recruiting and employment is an important aspect underpinning the stable continuity of our business operations. Through new recruitment upon graduation and career recruitment, we aim to secure appropriate human resources. A target of ensuring that 20% or more of newly graduated recruits are women has been defined, to promote the

advancement of women. Current social circumstances will also be taken into consideration to raise starting salaries, with further improvements to be applied in a flexible manner. These initiatives are being reported to the Sustainability Promotion Committee, which monitors, reviews, and makes changes to recruitment practices.

Number of Group Employees and Executive Officers

Numbers of Employees in Japan and Overseas (as of March 31, 2023) ✓

	Directors	Executive officers	Employees	Temporary employees*1	Total
Sumitomo Bakelite Co., Ltd.	9	12	1,594	242	1,857
Subsidiaries in Japan	26	-	1,492	320	1,838
Overseas subsidiaries	33	-	4,899	357	5,289
Total	68	12	7,985	919	8,984

* The number of Directors of Sumitomo Bakelite Co., Ltd. is shown as the number of Directors, including Part-time Directors. The number of Executive Officers excludes Directors.
* The numbers of Directors of subsidiaries in Japan and overseas include Directors sent from Sumitomo Bakelite Co., Ltd. This figure represents the number of standing corporate officers not serving concurrently in other positions.
* Temporary employees: part-time and casual workers

Breakdown of Employees by Region, Age, and Gender (as of March 31, 2023)

Region	Male				Female				Total			
	Age 29 or younger	Age 30 to 49	Age 50 or older	Subtotal ✓	Age 29 or younger	Age 30 to 49	Age 50 or older	Subtotal ✓	Age 29 or younger	Age 30 to 49	Age 50 or older	Total ✓
Japan	250	1,203	1,082	2,535	124	257	170	551	374	1,460	1,252	3,086
East Asia	95	660	87	842	61	427	42	530	156	1,087	129	1,372
Southeast Asia	178	543	115	836	391	886	250	1,527	569	1,429	365	2,363
North America	80	190	273	543	27	99	115	241	107	289	388	784
Europe	32	165	131	328	5	28	19	52	37	193	150	380
Total	635	2,761	1,688	5,084	608	1,697	596	2,901	1,243	4,458	2,284	7,985

* Numbers for Japan are the total for Sumitomo Bakelite Co., Ltd. and its domestic subsidiaries.

Breakdown of the Number of Temporary Employees by Gender and by Region (as of March 31, 2023)

	Male	Female	Total
Number of temporary employees	412	514	926

	Japan	East Asia	Southeast Asia	North America	Europe	Total
Number of temporary employees	569	192	127	30	8	926

* Numbers for Japan are the total for Sumitomo Bakelite Co., Ltd. and its domestic subsidiaries.

Breakdown of the Number of Newly Recruited Employees in Fiscal 2022 (by gender, age, and region)

	Male	Female	Total	Age 29 or younger	Age 30 to 49	Age 50 or older	Total
Number of persons	454	399	853	471	329	53	853
Ratio of employees as of March 31, 2023	9%	14%	11%	38%	7%	2%	11%

	Japan	East Asia	Southeast Asia	North America	Europe	Total
Number of persons	118	263	220	210	42	853
Ratio of employees as of March 31, 2023	4%	19%	9%	27%	11%	11%

* Numbers for Japan are the total for Sumitomo Bakelite Co., Ltd. and its domestic subsidiaries.

Breakdown of Employee Turnover Number in Fiscal 2022 by Gender, Age, and Region

	Male	Female	Total	Age 29 or younger	Age 30 to 49	Age 50 or older	Total
Number of persons	381	337	718	242	317	159	718
Ratio of employees as of March 31, 2023	7%	12%	9%	19%	7%	7%	9%

	Japan	East Asia	Southeast Asia	North America	Europe	Total
Number of persons	111	230	156	193	28	718
Ratio of employees as of March 31, 2023	4%	17%	7%	25%	7%	9%

* Numbers for Japan are the total for Sumitomo Bakelite Co., Ltd. and its domestic subsidiaries.

Company Employee Recruitment (numbers of newly graduated/career recruits)

Recruitment upon graduation	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022 ✓	Fiscal 2023 (scheduled)
Number of Company employees recruited	33	37	38	43	55	55
Ratio of newly graduated recruits*1	82.5%	90.2%	84.4%	75.4%	83.3%	
Male	27	31	34	33	45	-
Female	6	6	4	10	10	-

* Figure for Sumitomo Bakelite Co., Ltd. (non-consolidated basis).
*1, 2 The ratios of newly graduated recruits and career recruits are given as percentages of the total recruit count for the relevant fiscal year (the sum of newly graduated recruits and career employee recruits).

Career recruitment	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022 ✓	Fiscal 2023 (scheduled)
Number of Company employees recruited	7	4	7	14	11	15
Ratio of career employee recruitment*2	17.5%	9.8%	15.6%	24.6%	16.7%	
Male	6	2	7	12	10	-
Female	1	2	0	2	1	-

*2 The ratio of career employee recruitment pertains to disclosure of mid-career recruitment under the Act on Comprehensive Promotion of Labor Measures.
* Does not include persons forwarded from other companies or employees reassigned from subsidiaries or affiliates in Japan.
* Includes temporary employees who are not post-retirement hires.
* Since employee recruitment is gender-neutral, the gender composition of the planned intake of new employees for fiscal 2023 is unknown, and is not covered by third-party assurance.

Breakdown of the Number of Newly Recruited Employees in Fiscal 2022 (by gender and age)

	Age 29 or younger	Age 30 to 49	Age 50 or older
Number of Newly Recruited Employees in Fiscal 2022	58	8	0
Male	48	7	0
Female	10	1	0

* Figure for Sumitomo Bakelite Co., Ltd. (non-consolidated basis).
* Counted based on the person's age when they were hired.

Retention of Newly Graduated Recruits (within three years of being hired)

	Fiscal 2018	Fiscal 2019	Fiscal 2020
Number of men hired	21	24	26
Number of women hired	6	6	4
Number of men retained	19	22	24
Number of women retained	5	5	2
Retention rate 3 years after joining company (Male)	90.5%	91.7%	92.3% ✓
Retention rate 3 years after joining company (Female)	83.3%	83.3%	50.0% ✓
Retention rate 3 years after joining company (Total)	88.9%	90.0%	86.7% ✓

* The numbers in the table represent the rate among newly graduated recruits with at least a bachelor's degree.
* Figure for Sumitomo Bakelite Co., Ltd. (non-consolidated basis).
* For fiscal 2020, this indicates the percentage of employees hired on April 1, 2020, who were still employed with the company on April 1, 2023.

Employee Turnover and Turnover Rate in Fiscal 2022 (by gender and age)

	Male	Female	Total	Age 29 or younger	Age 30 to 49	Age 50 or older	Total
Number of persons	49	7	56	12	7	37	56
Ratio of employees as of March 31, 2023	3.6%	3.6%	3.6%	6.5%	1.0%	5.7%	3.6%

* Figure for Sumitomo Bakelite Co., Ltd. (non-consolidated basis).
* Counted based on the person's age when they left the company.

Regarding Retirement Benefit Obligations

Regarding retirement benefit systems, the Company employs a defined-benefit system in Japan. Overseas, some consolidated subsidiaries concurrently use defined-contribution and defined benefit systems. The consolidated retirement benefit obligations for fiscal 2022 totaled ¥37.1 billion, and ¥39.8 billion for pension funds.

Human Resources Development



Basic Approach and Policy

Our Group believes that the growth of each and every employee is a driving force behind the sustainable growth of our businesses. We have clarified the type of people we seek who understand our Group's Basic Policy and Mission, and actively offer education so that employees can take action toward their own personal and professional growth. The education and training we provide for human resource development and the underlying framework is dubbed "SB School," and creates opportunities to learn and experience the skills required to achieve sustainable growth for our Group's businesses. It plans

the educational program required by all grades of employees in all departments for business activities, and implements it in a systematic and scheduled manner to nurture talented personnel for businesses, with the aim of helping our Group achieve sustainable growth of business operations while maximizing corporate value. As the development of each and every employee is considered the source of sustainable business growth, all registered employees are eligible to enroll in "SB School" courses, and can attend the school from the moment they join the company until when they retire.

The Type of Personnel We Seek

Our company seeks to hire and foster people who will share and commit to our Basic Policy (Company 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." Furthermore, we need people who will embrace the Company's mission to become an excellent global enterprise that helps enhance customer value through its products and services, creating plastics with more sophisticated functions, and that can achieve sustainable growth in the advanced chemical-products sector. Specifically we seek personnel with the four characteristics listed on the right.

- **Key characteristics of the autonomously motivated personnel Sumitomo Bakelite Co., Ltd. seeks**
 1. **People who are growth-oriented** and have the drive to acquire new skills and knowledge necessary for their jobs;
 2. **People with a pro-reform stance** who are not satisfied with the status quo, but are always looking for ways to do a better job;
 3. **People with a team-oriented approach** who can combine their individual strengths with the strengths of those around them to deliver better results; and
 4. **People with professionalism who possess outstanding skills and know-how and can produce results through their work anywhere in the world**

TOPIC Manufacturing-oriented SBPS Education

SBPS activities originally began as an offshoot of on-site kaizen (improvement) activities but are now implemented throughout the Company in order to generate the values demanded by customers and society. The activities are aimed at securing the revenue and safety (personnel, facilities, environmental, and quality) that our company requires to achieve sustainable development. The activities involve setting specific targets (financial, quantitative, and delivery), planning who needs to achieve each of these targets by when, and implementing these plans without delay, meaning the activities are just the same as the daily work tasks carried out by employees. We believe that, through the ages, technical capabilities, knowledge, experience, and tireless will that each individual has who promotes these activities will always bring about our required results. Based on this idea, we have organized education programs targeting each employee grade and level as part of the SB School system. The planning and operation of the education is in principle carried out by employees themselves.

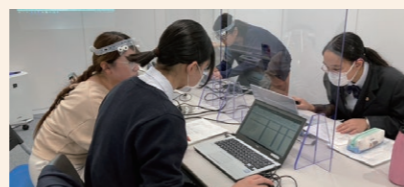


Training course (at Amagasaki) for foremen

Attendees are required to submit reports, and the emphasis is placed on putting what they have learned into practice in their own departments. Regular follow-ups are carried out to track their progress. Our training course for foremen is one example of our employee grade-based education. We began offering courses designed to foster future workplace leaders back in 2013. In fiscal 2022, the course was conducted online due to COVID-19, and attended by seven participants at the Kanuma Plant and 10 participants at the Amagasaki Plant.

TOPIC Welcoming the Next Generation to Internships and Factory Visits

In order to support the growth of the next generation of students, we proactively accept student interns and also welcome students to company briefings and site visit events (factory and online tours) to aid their understanding of our business and the work carried out at our production plants.

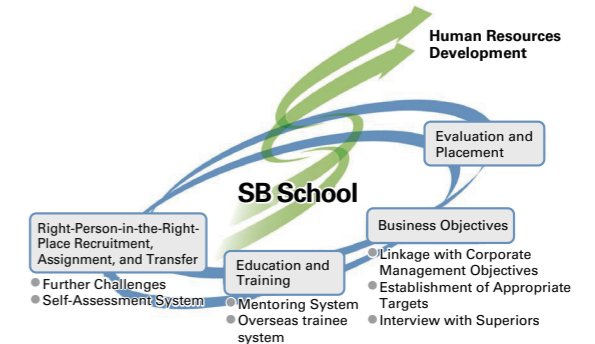


Sumitomo Bakelite Co., Ltd. (Head Office) Interns from a senior high school for the hearing impaired accepted at the Corporate Communications Department of the Head Office (work experience)

The Group's in-house training institute, "SB School"

In September 2007, our Group opened the Sumitomo Bakelite Co., Ltd. School (SB School) as an in-house training institute. The aim of SB School is to provide lifelong education and training courses that help our Group achieve sustainable growth of business operations while maximizing corporate value. The school offers courses for all grades of employees from all departments. These include "all-employee education" courses that confirm and reinforce employee awareness of the Company's Business Philosophy as well as fundamental knowledge about such issues as enhancement of CS, compliance, human rights, occupational safety, quality, and environmental protection. The school also systematically plans and implements various other kinds of educational and training courses needed by employees. During fiscal 2022, many of the educational programs were conducted in remote formats due to the impact of COVID-19. During the year April 2022 through March 2023, the cumulative participation in SB School courses was about 29,000 employees, and the number of hours of education provided was approximately 43,000. We will plan and implement an increasingly wide range of programs to develop the capabilities of all employees—the Company's most precious management resource.

● SB School and Human Resource Development



● Education and Training Structure of SB School

Grade	All-employee education	Training by corporate departments	Special purpose training	Education for each employee grade	Self-development support
Executive officers		<Research and Development> Data science, new product development (SBInno), material optics, etc.			
MG4/5 SPR		<SBPS> Foreman training, thought process development, etc.			
MG3 PR		<Environment and Safety> Health and safety, LCA, chemical regulations, etc.	CS	Education for line managers (advanced)	Life plan education
MG2		<Quality> Quality Control Manager training, QC basics, etc.	Strategic scenarios	Education for line managers (basic)	
MG1		<Intellectual Property> Patent information search, technical contracts, Japan Intellectual Property Association, etc.	Negotiating skills enhancement	MG2 education	Self-development/English conversation
Superintendent, Team Leader		<Legal> Personal information management, confidential information management, security export management, etc.	Facilitation	MG1 education (advanced)	
Mid-career employees		<Finance & Accounting> Credit receivables management, introduction to monthly account closing, taxation tips ("don'ts")	Writing emails in English (basic/advanced)	MG1 education (basic)	Correspondence courses
Second year		<Human Resources & Employee Relations> Personnel evaluation, business goals, mental health, etc.	Presentations (performance/materials)	Education for site leaders	
New recruits		<Information Systems> DX Basics, information security Excel utilization, etc.	Logical thinking	Statutory education for superintendents	Education for new recruits
			Marketing	Education for mid-career employees	
			Global mindset	Education for employees in their third year in the company	
			Team-building	Follow-up education for new recruits	

● SB School Course Participation (fiscal 2022)

(Unit: Persons)

Type of course	Number of participants	Educational Aims
Education for line managers (advanced)	30	An educational course that focuses on identifying opportunities (chances) at sites, and acquiring the management skills for maximizing the abilities of members and workplaces beyond logical limits, despite being subjected to so many sudden environmental changes.
Education for line managers (basic)	15	An educational course for nurturing managers capable of expressing with their own intentions the direction of their organization, and leading top management to site staff toward targets.
Leadership development and education	11	Education for further developing leadership skills for managers, by examining themselves from every angle and reviewing their current state, in order to achieve management as the top of an organization
MG1 education (advanced)	25	An educational course for experienced MG1 personnel, designed to systematically organize and deepen their understanding of management principles
MG1 education (basic)	30	An educational course for employees promoted to MG1, to encourage them to think about the role expected of management employees and to change their awareness and behavior
Education for mid-career employees	7	An educational course enabling younger personnel to reflect on themselves and gain new insights as they enter the stage in which they drive the company forward as young to mid-career employees
Education for employees in their third year in the company	30	An educational course for looking back on the previous two years, sharing experiences to date, and gaining insights for making the third and subsequent years with the company more fulfilling
Follow-up education for new recruits	29	An educational course enabling new employees to reconfirm their own strengths and weaknesses through a review of their first year, and to promote further growth in their second year and beyond
Education for new recruits	30	An educational course to create a foundation for new employees to become active members of the workplace after they are assigned jobs
Life plan education	159	An educational course enabling employees approaching retirement to examine what they need to be aware of in order to further enhance their careers and learn to plan for life after retirement
Total	366	

R&D and Tech Day Held

In November 2022, we held “R&D and Tech Day 2022” to share information about technology across the boundaries of the various departments and businesses that we operate with the aim of enhancing our overall Group-wide technological capabilities. Due to the impact of COVID-19 infections, this year we continued from the year before last in using a hybrid of online and in-person formats. The event was spread out over four days, and more than 300 staff members from Japan and overseas participated, primarily from research departments, manufacturing-

related departments, marketing, and sales. Total viewership amounted to 1,400 or more employees. The same type of format is also planned for the 2023 event.



Optical circuit material development project team selected for the Award for Excellence

‘Gemba Kaizen’ Activity Presentation Meeting Held

Due to the impact of COVID-19, ‘Gemba Kaizen’ Activity Presentation 2022, which is held in May for presenting successful outcomes of daily improvements at each business location, was conducted in a hybrid format with on-site participation and online streaming. Nearly 400 people attended, mostly from domestic and international production divisions.



Shizuoka Plant Polymer Manufacturing Department selected for the Award for Excellence

Quality Control Skill Enhancement

We offer 30 quality-training programs at our SB School to increase our employees’ awareness of quality, to prevent quality problems, and to improve quality techniques. November every year is designated as “quality month,” and quality education via e-learning is provided for all employees.

We provide education for second-year employees in the engineering track through the Sumitomo Bakelite educational system by offering lectures and practical training in areas such as the company’s quality policy and approach to quality assurance, regulations, quality management systems, problem-solving methods (FTA, FMEA, Why-Why Analysis, and Further Investigation), and statistical methods from the early stages of the careers of employees assigned to the research and production

engineering departments. Administrative employees were also included in the eligible group for receiving education in areas such as quality in general, regulations, and management systems. In the current era of VUCA, which is highly volatile, uncertain, complex, and ambiguous, we have enhanced the curriculum of the Quality Management Representative Training Course with the aim of developing human resources capable of making appropriate judgments in each emergent situation that cannot be handled by experience alone. We put effort into securing personnel who will be immediately effective as quality control managers. We also began to embark on company-wide initiatives to train data scientists capable of operating in an era where process information is supplied as big data with the use of IoT.

Environmental Education

Our laboratories and plants handle a wide range of chemical substances. We conduct periodic group education programs for employees, including new employees, with the objective of protecting the environment in the vicinity of our business sites and ensuring that employees work in safety. These programs are designed to enhance employees’ understanding of the properties of chemical substances and the content of relevant laws and regulations, thus enabling them to handle chemical substances appropriately.

In addition to group education programs, environmental education by e-learning is conducted every year for all employees in June, a month dedicated to enhancement of environmental protection. These days, more and more companies with global operations are disseminating information centered on sustainability. After learning about and outlining the relationships between sustainability and SDGs, CSR, Responsible Care/ESG, etc., students learn about and deepen their understanding of the various environmental and safety-related activities that we are involved in.

Engagement Survey

We are implementing measures to achieve the top share in niche markets in the field of functional chemicals expanding the scale of business, with the aim of becoming a company that makes dreams for the future a reality by expanding the potential of plastic and creating value for our clients.

We believe that identifying the current situation pertaining to individuals and organizations, as well as developing measures to resolve any issues, is essential for making these measures more effective. To

achieve this, we conducted our first engagement survey in July 2019, and applied those results to foster a challenge-oriented culture, review the personnel system, improve work styles, and implement various action plans proposed by each business department. We conducted the second engagement survey in March 2023, and will identify changes from the first survey and new issues, and continue implementing effective measures in line with the survey results.

Promotion of Diversity



Basic Approach and Policy

In September 2022, the Sumitomo Bakelite Group declared that it would be promoting Diversity, Equity, and Inclusion (DE&I), and established the “Basic Policy” for achieving DE&I in October 2022. In line with this, We are working toward the realization of a company where diverse human resources can demonstrate their individuality and abilities, where fair opportunities are provided to each individual in accordance with his/her circumstances, and where they can actively work with mutual understanding and respect.

<Basic Policy>

- (1) The promotion of “Diversity, Equity, and Inclusion (DE&I)” is being addressed as one of Sumitomo Bakelite Group’s management actions.
- (2) We will promote the active participation of diverse personnel, with women’s career development as the first step forward.
- (3) To support the success of diverse human resources, we will aim to facilitate different ways of working by providing support for balancing their careers with life events.

Initiatives to Promote the Advancement of Women

We are aiming to achieve the following targets to enable female employees to balance their own careers and life events.

- (1) Continue working consistently and in the long term
- (2) Perform at high levels
- (3) Aim for higher positions

In fiscal 2022, to nurture a culture conducive to the active participation of women, we conducted diversity promotion training for members of management and diversity management training for department managers who have female employees in their line of command. These initiatives are monitored and reviewed by the Responsible Care Committee.

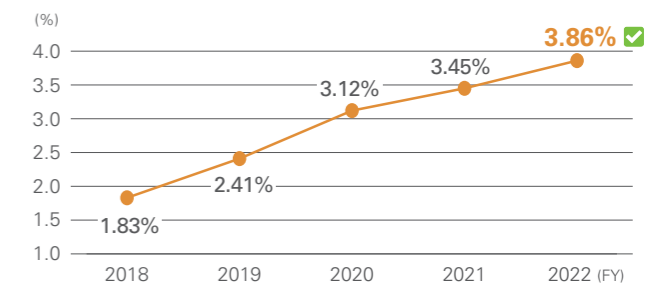
environment with leave systems so that male employees can take part in childraising.

* Registered as a company or organization supporting “childcare leave” being promoted by the Tokyo Metropolitan Government’ Kodomo Smile Movement. This movement runs educational and awareness activities that can help foster a social culture where anyone, regardless of gender, is able to take childcare leave if necessary.



In March 2022, there were 40 female managers, for a female management staff ratio of 3.86%. The action plan developed in April 2020 addresses the issue of the low ratio of female career-track employees by setting and working toward the target for the “ratio of female career-track recruits of 20% or more each year.” Of newly graduated recruits in fiscal 2022, the ratio of women was 25.9% (7 women among a total of 27 newly graduated recruits).

Trends in the proportion of female management staff



* Applies to management staff excluding Executive Officers.
 * Figure for Sumitomo Bakelite Co., Ltd. (non-consolidated basis).
 * Includes those seconded to other companies with qualifications as managerial staff.
 * Based on data at the end of March of each fiscal year.

To encourage women to play a more active role throughout society, promoting a system that allows men to take part in childraising is essential.

We have set a target of a 50% ratio of male employees taking childcare leave in fiscal 2023, and following the amendments made to the law in October 2022, we established the new “childcare leave after birth” system and provide five days of paid leave (100%), among other measures aimed at creating a workplace

Employment of People with Disabilities and Retirement-age Employees

Employment Rate of People with Disabilities over the Past Five Years

	(Unit: %)				
	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Employment rate of people with disabilities	2.37	2.66	2.64	2.63	2.72
Statutory employment rate	2.2	2.2	2.2	2.3	2.3

* The employment rate of people with disabilities for each fiscal year is calculated by dividing the total number of persons with disabilities as of the first day of each month by the total number of regular employees as of the same day.
 * Figure for Sumitomo Bakelite Co., Ltd. (non-consolidated basis).

Continued Employment after Retirement

	(Unit: Persons)				
	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of retirement-age employees	23	17	38	34	34
Number of post-retirement rehires	20	16	34	28	23
Rehiring ratio	87%	94%	89%	82%	68%

* For the rehiring ratio, the first decimal place was rounded to the nearest whole number.
 * Figure for Sumitomo Bakelite Co., Ltd. (non-consolidated basis).

Work-life balance



Our Position on Work-Life Balance

- To promote flexible approaches to work, while also reducing overtime hours and promoting the full use of annual leave entitlements, and encourage employees to devote the additional time available to worthwhile non-work activities, such as educational pursuits and activities related to family and communities.
- To offer a greater diversity of working styles that benefit employees who must deal with major life events, such as marriage, childbirth, and child rearing, and thus contribute to nurturing the next generation. We are deliberating and phasing in policies that will be effective in achieving these goals.

We are focusing on expanding leave systems, and from January 1, 2022, the number of annual days off for regular daytime workers

has been increased by two days, to reduce the annual number of working hours. The childcare leave after birth system was also established in October, ensuring that the first five days of leave are subject to full pay (exceeding the requirements of law). From January 2023, we abolished the upper limit for half holidays when taking annual paid leave, combined workers on shorter working hours for childcare with the flex-time system, established a system for shorter working hours for nursing and combined it with the flex-time system, and reduced the annual number of working hours for shift workers by 15 hours (1,849 hours/year ⇒ 1,834 hours/year). We will continue to implement such initiatives as part of efforts to further promote better work-life balance.

Creating a Workplace Environment

Our Group is naturally providing each employee with education on preventing infections, as we put effort into establishing an environment in which we can work with assurance by reducing the risk of infection for our employees and for guests who visit our Company. From January 2021, we introduced a work-from-home system for the entire company, and we are working to create an environment that allows employees to work from home regardless of what department they work in. We are also recommending remote conferencing as a

communication tool among customers and employees, and the environment is being expanded with the installation of dedicated private booths. While reducing infection risk in the future, we are working to make our operations even more efficient through optimum combinations of in-person and remote work. In addition, in October 2021, a special paid leave system was introduced to support the child-rearing generation, providing a total of 21 employees with a total of 47 days off as of March 31, 2023.

Employee Support for Various Life Events

We are focusing on creating an environment in which our employees can achieve their goals for both work and life events (such as childbirth and childcare). We are also encouraging employees to proactively utilize various programs provided by our Group to help them deal with important life events, and since the implementation of childcare leave and nursing care leave programs, the proportion of employees returning to work after taking childcare or nursing leave has been

almost 100%. The number of people who took childcare leave in fiscal 2022 came to two women and 10 men, while no employees took nursing care leave. We will continue to implement initiatives that exceed the specifications of legal standards in order to enhance employee support.



Programs Related to Childbirth and Childcare

Item	Details
Childcare leave after birth system	To encourage males to take childcare leave, up to 28 days of leave can be taken in two lots within 8 weeks after birth of their child (can be taken separately from childcare leave)
Childcare Leave Program	Childcare leave can be taken until children reach the age of 2 (until the day before a child's second birthday)
Altering work start times for workers caring for children	Employees with children in the sixth grade at elementary school or lower are able to shift their work start time in 30-minute increments up to either 1 hour forward or one hour back with the provision that there is no change to the length of their set work day
Shorter working hours for childcare	Employees with children up to the sixth grade of elementary school may, upon request, shorten their prescribed daily working hours by up to 2 hours. (can be used with flex-time)
Child nursing care leave	Employees with children in the sixth grade at elementary school or lower who have been employed at the Company for 6 months or more can take child nursing care leave in addition to annual paid leave the child satisfies any of the following categories 1. A child is injured or is infected with a contagious disease 2. A child requires a vaccination or a checkup • The number of days of child nursing care leave is up to 5 days per year for one child and up to 10 days per year for 2 or more children • Child nursing care leave can be taken in either 10-minute or 1 day increments • Wages will not be paid during leave, but annual paid leave can be used (in the case of accumulated annual paid vacation, leave may be taken in either 1 day or half-day increments.)
Childbirth leave	Female employees are granted 6 weeks' leave prior to giving birth (14 weeks in case of multiple pregnancy) and 8 weeks' leave after giving birth
Outpatient leave	• Pregnant employees can take leave during pregnancy and after giving birth for receiving health guidance from a health professional or receiving postnatal checkups • Wages will not be paid during leave, but annual paid leave can be used
Exemption from overtime work	Eligible person: Employees with a child under the age of 3 who request it Details: Exempted from overtime work
Limitations on overtime work	Eligible person: Employees with a pre-school age child who request it Details: Cannot be ordered to work more than 24 hours of overtime per one month or over 150 hours per year
Limitations on late-night work	Eligible person: Employees with a preschool-age child who request it Details: Cannot be ordered to work late at night

Programs Related to Nursing

Item	Details
Nursing leave programs	Employees are able to split leave up to three separate occasions for each situation where a family member requires care. Total period of leave: 1 year
Change of work start time	Employees are able to shift their work start time in 30-minute increments up to either 1 hour forward or 1 hour back with the provision that there is no change to the length of their set work day
Shorter working hours for nursing	Employees providing nursing care for a family member requiring care may, upon request, shorten their prescribed daily working hours by up to 2 hours. (can be used with flex-time)
Nursing leave	• Nursing leave can be taken in half-day increments up to 5 days per year when there is one family member requiring care or up to 10 days when there are two or more family members requiring care • Wages will not be paid during leave, but annual paid leave can be used
Limitations on overtime work	Eligibility: Employees with a family member requiring care Details: Cannot be ordered to work more than 24 hours of overtime per 1 month or over 150 hours per year
Exemption from overtime work	Eligibility: Employees with a family member requiring care who request it Details: Exempted from overtime work
Limitations on late-night work	Eligibility: Employees with a family member requiring care who request it Details: Cannot be ordered to work late at night


Number of Overtime Hours Worked and Days of Paid Leave Taken by Regular Employees

	2018 Fiscal year	2019 Fiscal year	2020 Fiscal year	2021 Fiscal year	2022 Fiscal year
Average number of overtime hours (per annum)	157.7	131.0	102.8	121.9	117.0 ✓
Average number of days of paid leave used	13.4	14.4	12.6	12.9	15.1 ✓

* "Regular employees" means our company (non-consolidated basis) personnel working during daytime hours, excluding managerial personnel.

Feedback from a person who took leave system to support life events

Discovering the difficulties and enjoyment of childcare by taking childcare leave boosted my awareness of productivity after I returned to the workplace




Akira Wada
Corporate Finance & Planning Division, Accounting Department

My first child was born in October 2021, and after my wife and child came back from giving birth at her parent's house, I took childcare leave for six months from January to June, 2022. I was concerned at first when thinking if six months off work was too long, but after I began caring for my child, I was busy every day, and the time passed so quickly. I did have some preconceptions about how difficult it would be to care for a newborn, but I definitely realized just how difficult it is after having to look after my baby every day of the week, regardless of the time. It was a wonderful experience that I would never have had if I had gone to work instead of taking childcare leave over this period. Newborns also grow so quickly at this age, and I saw changes with my baby on a daily basis. The joy of being able to witness each and every step is certainly one of the most invaluable experiences in my life. After I experienced first-hand during that time the amount of work and enjoyment that childcare brings, I found that after I returned to the workplace, I focused on ensuring that I produced the best results possible efficiently in the limited amount of time available, by limiting the amount of overtime and going home to look after my child. I must express gratitude to my company and colleagues for providing a system that allows childcare leave to be taken, and in return, I will be sure to focus on my work even more into the future.

Feedback from a person who took leave system to support life events

I could take my first maternity leave with peace of mind thanks to the support of my supervisor and colleagues



Yuki Taniguchi
HPP Business Division
Material Solutions Sales Division
Polymer Sales Department

I gave birth to my first child in October 2021, and took maternity and childcare leave for about 1.5 years before returning to work in April 2023. As this was my first time taking leave, I was unsure of what to do, but the staff in charge explained it carefully to me. My position is with sales, and my supervisor and colleagues assisted me from early on, so I was able to remain working stress-free until I took my leave. My company allows for up to 2 years of childcare leave to be taken, but other mothers around me said they were unable to take enough leave. I was fortunate to take 1.5 years of leave, and I am so grateful for having had the opportunity to watch over my baby at the fastest stage of growth of her life. I had so many concerns when I returned to the workplace, particularly regarding whether I would be able to perform my duties in sales despite shorter working hours. Yet my supervisor and everyone in my division showered me with warm words of support, and now I am able to focus on my work without any major worries. One thing I noticed after I returned was that I had a greater awareness toward working efficiently, no doubt in part due to restrictions in working hours. While contributing to the company in the future, I would be more than happy to lend my support to anyone who is planning to take childcare leave like I did.

Initiatives for Employee Health



Our corporate vision is “We aim to become ‘a company that makes your dreams for the future a reality’ by creating value for our clients,” and one of our ideals is to become “a company whose members can actively apply themselves”

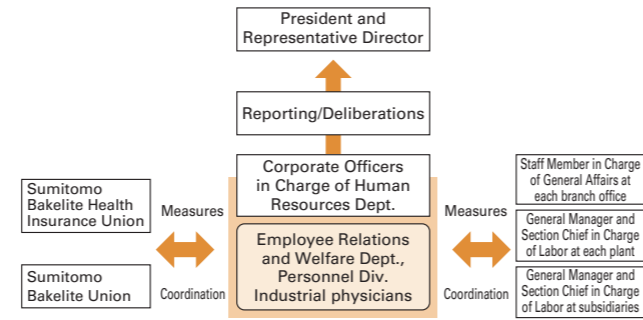
We consider the physical and mental health of each and every employee essential for achieving this, and to this end we implement various initiatives to support our employees’ health.

Sumitomo Bakelite Group Declaration on Health

Our Group believes that creating workplaces where each and every employee can work safely and cheerfully in a rewarding environment, both physically and mentally, helps us on our way to making our corporate vision a reality, leading to ongoing growth of the company. To achieve this, we actively support our employees maintain and improve their health.

Kazuhiko Fujiwara President, Representative Director

Promotion system for measures that support health



Initiatives for Maintaining and Improving Health

To maintain and improve the health of employees, information compiled from health-related data owned by Sumitomo Bakelite Health Insurance Union is used for the following initiatives through collaboration and coordination with related organizations like Sumitomo Bakelite Health Insurance Association.

Support for Mental Health

With regard to mental health, for which detection at an early stage is deemed important, mental health education is provided mainly for managers and foremen, and proves useful in the acquisition and enhancement of their knowledge. The ratio of employees who wish to undergo

an annual stress check is 86%, and consultations with physicians can be arranged for employees who wish to discuss further required actions based on the results of their check.

For employees suffering from mental health issues, measures are also put in place in line with a support program designed to help them return to work and to prevent relapses, with the aim of achieving the target of 100% follow-ups by healthcare staff. To assist employees with returning to work, employees coordinate efforts with healthcare staff like their superiors, people in charge of labor affairs, and industrial physicians, to ensure a smooth return to work and the prevention of relapses.

Labor-management relations



We recognize that pleasant and satisfying working environments contribute to the development of the company, and therefore, good labor-management relations and the collaboration they engender are essential ingredients of such working environments. As of March 31, 2023, 100% of general employees from Sumitomo Bakelite and its domestic Group companies are members of the Sumitomo Bakelite Union (hereinafter, “the Union”). 54.3% of all employees are covered by the company’s collective bargaining agreement. Corporate-level meetings of the company’s senior executives and representatives of the Union are held twice a year at the head office. These meetings are valuable opportunities to cultivate favorable labor-management relationships by sharing frank views on the business environment and the Company’s operations. Major business sites also hold monthly labor-management meetings at which information about conditions in each department is shared.

As for health and safety, we aim at creating safe and comfortable workplaces through labor-management

collaboration based on the provisions of the labor agreement. The annual labor-management meetings on occupational health and safety, where safety representatives from the Sumitomo Bakelite Union across Japan gather, had been placed on hold in fiscal 2022 due to the spread of COVID-19, but was held as a face-to-face meeting for the first time in three years, resulting in a lively exchange of ideas. We also recognize that occupational health and safety is an important theme to monitor between labor and management. At Sumitomo Bakelite along with its subsidiaries and affiliates with a labor union, provisions on health and safety are included in the labor agreements that establish a formal agreement between the company and its labor union. We are also putting effort into developing good labor-management relations at our overseas business sites. As of March 31, 2023, 16 out of 27 overseas business sites have labor unions, of which 14 have concluded labor agreements, while 8 have established arrangements on safety and health.

Occupational Health and Safety / Accident Prevention



Basic Approach and Policy

Our Group believes that ensuring the occupational health and safety of employees is the cornerstone of our business activities. We established the “Safety Action Guidelines” based on the safety philosophy of “Safety is the first

priority of all,” and ensuring that everyone, including our employees and subcontractors, focuses on achieving an accident- and disaster-free record to eliminate various hazardous or toxic factors from the workplace.

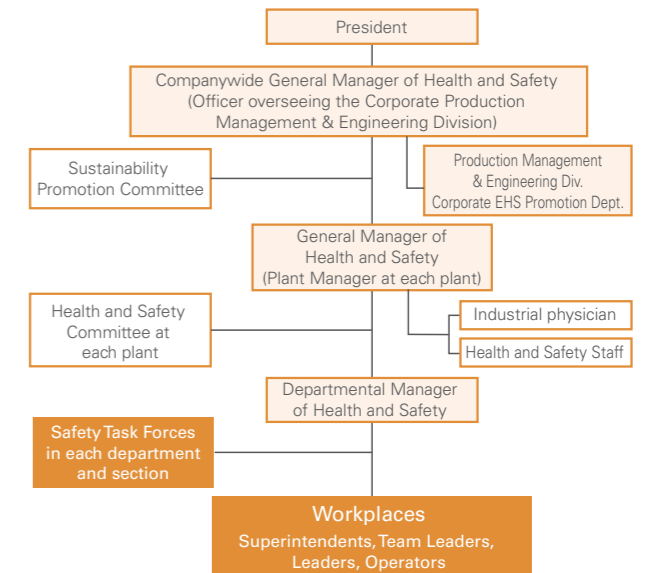
Occupational Health and Safety Management System

Our Group has established the “Sustainability Promotion Committee” chaired by the President. This committee determines health and safety policies along with important measures for preventing disasters and accidents, and based on these, rolls out health and safety activities across the entire company. What is more, in October 2019 we enacted our uniform, company-wide Safety Philosophy: Safety is the First Priority of All and our three Safety Action Guidelines to promote the complete elimination of deaths and serious accidents.

Each of our business sites makes efforts closely in tune with the needs of individual workplaces within a company-wide framework and under an accountability structure involving the managers of business sites. At its monthly meetings, the Health and Safety Committee inspects health and safety management activities, ensures thorough compliance with relevant laws and ordinances, and considers capital investments to realize risk reduction, among other actions.

In 2009, our Group’s plants and main subsidiaries in Japan began pursuing ISO 45000 accreditation, followed by our Group’s overseas subsidiaries from 2010. Today, a total of 25 business sites have received accreditation, including six business sites and three subsidiaries in Japan and 16 subsidiaries overseas.

Management Structure



Machinery and Equipment Risk Reduction Activities

All new machinery and equipment installed at domestic production plants and subsidiaries from 2008 and at overseas subsidiaries from 2009 have been designed in compliance with ISO 12100. We carry out risk assessments

of existing facilities when changes occur, such as when the facilities are restructured or work procedures change, in an effort to make machinery and equipment fundamentally safer.

Risk Reduction Activities relating to Chemical Substances

In 2012, we introduced chemical substance risk assessments at plants in Japan and subsidiaries worldwide. We verify our evaluation results when changes occur, such as information on the risks and hazards posed by chemical

substances and changes to work procedures. This is done in aiming to prevent adverse health effects to employees through exposure to chemical substances, and to prevent explosion or fire incidents caused by chemical substances.

Complaints from Authorities, Local Governments, and Local Communities

Our business sites in Japan along with subsidiaries worldwide comply with laws and ordinances and address prevention needs in order to preserve the environment. In fiscal 2022, one incident was a noise complaint from

local residents, for which a sound barrier was installed with positive effects. We will continue communicating with local residents and take appropriate actions to implement further improvements.

Health and Safety Education

We carry out measures to reduce the risks posed by machinery and chemical substances in order to ensure safety on sites where these are used. At the same time, we conduct hazard prediction training as well as initiatives, such as “pointing and calling” and making proposals for reducing near-miss accidents. We have introduced “Safety Gyms” at each production plant to allow employees to learn about the fundamentals of safety. They are able to improve their safety consciousness and learn hazard prediction skills and risk identification skills.

Health and safety activities in which plant managers take the lead and act as role models form the basis for specialized safety education for managers, education on laws and regulations for mid-level employees,

and hands-on education for new employees regarding safety. In addition, we make efforts to disclose disaster and accident information, and to share information in a timely manner through the use of our Safety Portal Site, which was set up online to be accessible by every employee. In addition, education has been implemented at all business sites by creating videos that outline our approach to Safety Philosophy and Safety Action Guidelines.



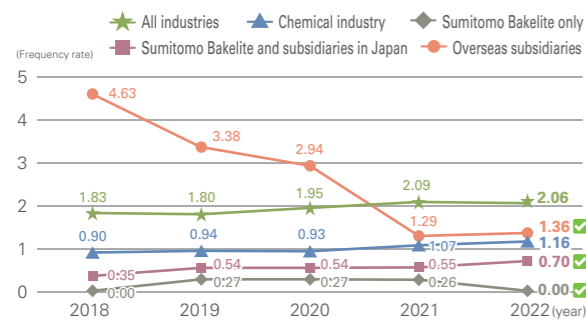
Educating new recruits on safety

Occupational Accident Figures

Trends in the Frequency Rate and Severity Rate of Occupational Accidents at Sumitomo Bakelite and Subsidiaries Worldwide

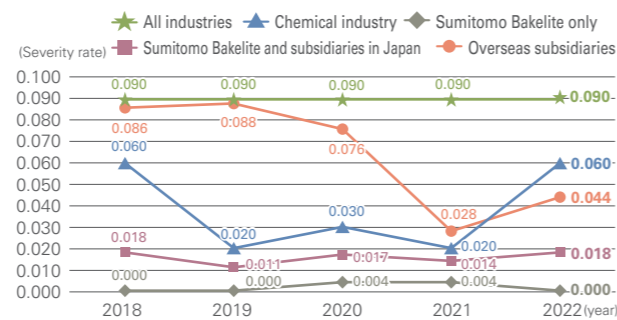
The graph below shows the overall frequency rate and severity rate^{*1} of occupational accidents including those occurring at subsidiaries worldwide. The frequency rate and severity rate increased slightly due to one occupational accident resulting in lost workdays in Japan and overseas.

Frequency Rate of Occupational Accidents Resulting in Lost Workdays at Sumitomo Bakelite and Subsidiaries Worldwide



^{*1} Frequency Rate of Occupational Accidents of Occupational Accidents = (Number of casualties due to occupational accidents resulting in lost workdays/total working hours) x 1,000,000
 Severity Rate of Occupational Accidents = (Total lost working days/total working hours) x 1,000
^{*} The period covered is from January to December of each year.
^{*} Total number of hours worked
 Sumitomo Bakelite Co., Ltd. only: 3,764,660 hours Sumitomo Bakelite Co., Ltd. and subsidiaries in Japan: 7,118,073 hours Overseas subsidiaries: 12,475,371 hours

Severity Rate of Occupational Accidents at Sumitomo Bakelite and Subsidiaries Worldwide

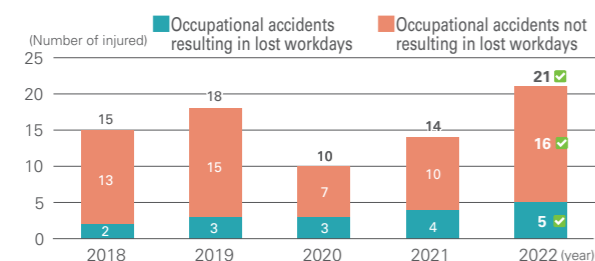


Trends in Occupational Accidents at Sumitomo Bakelite and Subsidiaries

Number of Employees Injured as a Result of Occupational Accidents
 The graph below shows the number of employees injured as a result of occupational accidents at our company as well as subsidiaries in Japan. In 2022, there was only one occupational accident not resulting in lost workdays that occurred at a subcontractor. In 2022, there were no cases of disasters resulting in deaths, injuries requiring 6 months or more for recovery, or injuries resulting in permanent disabilities.

* Total working hours of subcontractors: 685,309 hours

Number of Employees Injured as a Result of Occupational Accidents (in Japan)



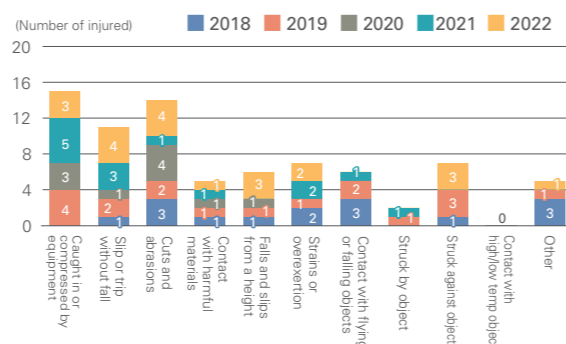
* The period covered is from January to December of each year.
 Data from SB Kawasumi Laboratories (3 domestic plants) are added from 2021.

Occupational Accidents by Type

Occupational accidents in Japan categorized by type are shown in the graph below. As the majority of accidents in 2022 were those that could have been prevented by complying with the Safety Action Guidelines, ongoing efforts will be made to notify all employees of the guidelines by using a video outlining the approach to safety and utilizing our Safety Portal Site to enhance safety awareness.

In the event of an accident, risk assessment and corrective measures are conducted based on the results of investigations into the cause, and efforts are made to prevent the recurrence of similar accidents.

Occupational Accidents by Type (in Japan)

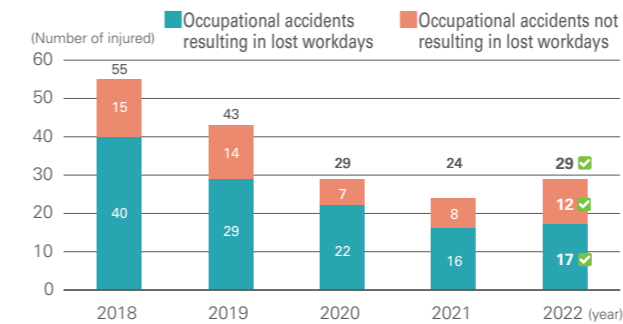


Trends in Occupational Accidents at Overseas Subsidiaries

Number of Employees Injured as a Result of Occupational Accidents
 The graph below shows the number of employees injured as a result of occupational accidents at our overseas subsidiaries. In 2022, there were no occupational accidents that occurred at a subcontractor. In 2022, there were no cases of disasters resulting in deaths or injuries resulting in permanent disabilities, but there was one case of injury requiring 6 months or more for recovery.

* Total working hours of overseas subcontractors: 676,044 hours

Number of Employees Injured as a Result of Occupational Accidents (Overseas)

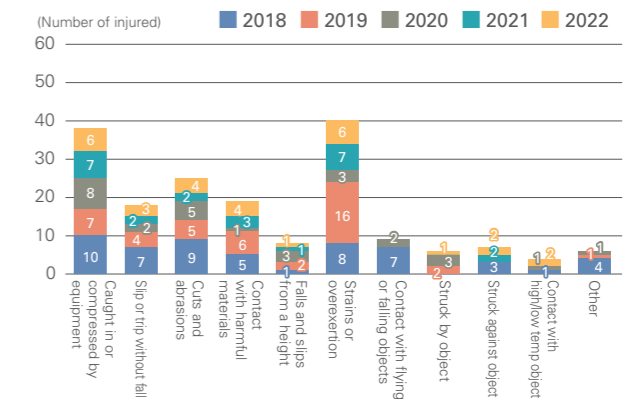


* The period covered is from January to December of each year.
 Data from SB Kawasumi Laboratories Inc. (2 overseas plants) are added from 2021.

Occupational Accidents by Type

Occupational accidents overseas categorized by type are shown in the graph below. We will prepare safety educational materials in multiple languages (English, Chinese), make progress in spreading awareness among all employees through use of videos outlining our Safety Action Guidelines, and aim to raise awareness of safety to the same level as in Japan. In the event of an accident, risk assessment and corrective measures are conducted based on the results of investigations into the cause, and efforts are made to prevent the recurrence of similar accidents.

Number of Employees Injured by Type of Occupational Accident (Overseas)



TOPIC Award for Zero Accidents

The following business sites were recognized for their initiatives toward safety, for which President Fujiwara presented certificates of commendation at the online awards ceremony.

- P.T. Indopherin Jaya: Achieved 1 million accident-free hours
- Amagasaki Plant: Achieved 2 million accident-free hours
- Kawasumi Laboratories (Thailand) Korat Plants: Achieved 1 year and 3 million accident-free hours

We will continue to implement initiatives in line with our Group's Safety Philosophy and Safety Action Guidelines to achieve even more accident-free operations by promoting improvements through the concerted efforts of all employees.

The Utsunomiya Plant was selected as a model site with excellent safety activities in the chemical industry at the Japan

Chemical Industry Association's award ceremony, and received the "Excellence in Safety" award.

The plant had previously received this "Excellence in Safety" award in 2016, with this marking the second time it has received the award. All employees will continue to work toward safe activities every day to achieve further accident-free operations.



Online award ceremony for P.T. Indopherin Jaya



Receiving the Utsunomiya Plant "Excellence in Safety" award

Accident Prevention

Accident Prevention is the top priority of all our business sites. Our objective is to make our business sites safer and more secure, and thus earn the confidence of the local community, ensure employee safety, and maintain stable supplies of products to customers. The Accident Prevention Committee

is convened and implements activities systematically with the aim of helping all business sites achieve an accident- and disaster-free record. It also, conducts drills and puts in place accident prevention measures to minimize damage in the event that an accident occurs.



Sumitomo Bakelite Singapore Pte. Ltd.: Night-time emergency drill



Sumitomo Bakelite (Nantong) Co., Ltd.: Plant-wide emergency drill



Tsutsunaka Kosan Co., Ltd.: Firefighting drill



SNC Industrial Laminates Sdn. Bhd.: Plant-wide emergency drill

Product Liability/Quality Assurance



The Group's Basic Policy and System for Quality Assurance

Our Group has established quality management systems (QMS) based on ISO 9001 and is continuing to acquire relevant certifications (a total of 41 sites have been certified as of May 1, 2023). Recognizing the provision of products and services that customers can always feel satisfaction and peace of mind in using is an important social mission for our Group, and all relevant departments collaborate on all processes—from product planning, research, design & development, preparation for production, production, sales & service, to quality assurance—with an awareness of the importance of ensuring the safety of products to create and appropriately implement and manage frameworks within which to enhance and maintain product safety and quality. In order to ensure that all employees of our Group systematically implement product safety and quality assurance initiatives in accordance with QMS, we have formulated a Quality Control Policy and provide education to quality control manager candidates as part of our Quality Management Representative Training Course.

Fiscal 2023 quality management policy

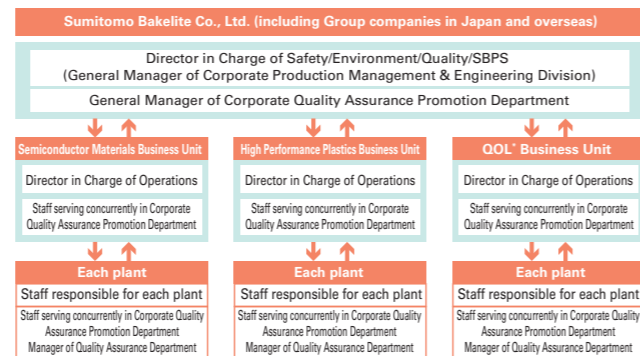
Basic policy By making essential improvements from creating a good flow of quality formation with customer first and quality first in mind and contribute to increasing profits, while at the same time promoting SDGs and contributing to society.

One Sumibe / Zero Defect / Proactive

Measures: SDGs 12: Ensure sustainable consumption and production patterns

- Working toward Ensuring Quality that Provides Safety and Security of Mind (QA Department's Role and Responsibility)
- Quality Improvement Activities of Existing Businesses (Complaints Handling Towards at Improving Customer Satisfaction, Reduction of F Costs)
- Risk Reduction of New Products and New Businesses
- Improvement of the Entire Total Manufacturing (Monozukuri) Process through Daily Inspection and 'Monozukuri' Audit
- Training Quality Management Representative who takes on the Next Generation

Quality Management System

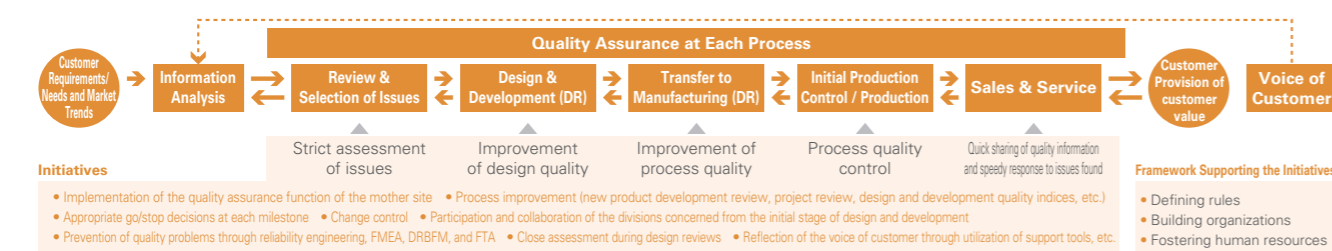


* See the website glossary page.

QMS Certification Received

Certification standard	Business/products
ISO 9001	Quality-of-life products (packaging films for food and pharmaceutical products, bio-based products, construction materials, waterproofing products, etc.)
	High Performance Plastics (included molded articles)
	Semiconductor Materials
IATF 16949	High Performance Plastics (included molded articles)
	Semiconductor Materials
	Thermoplastic sheets
ISO 13485	Medical devices, in-vitro diagnostics
ISO 15378	Packaging Materials for Pharmaceuticals
FSSC 22000	Packaging films for food
AS 9100 or JIS Q 9100	Aircraft components

Future State Vision of Appropriate New-Product Development and Commercialization Processes of the Group



Quality Improvement Activities for Existing Business

We are working to enhance the quality of our existing products through such efforts as ensuring rapid response to complaints, taking measures to prevent recurrences of problems, and rigorous 4M change control. Cross-functional responses are made to rapidly solve not only serious but also minor complaints. In order to prevent new occurrences and recurrence of issues leading to complaints

and process abnormality, we use methods like "Why-Why Analysis" and "Further Investigation" to identify what happened, causes, and countermeasures, among other factors, concerning these issues. From fiscal 2022, we have been promoting integrated management of complaints for new businesses too and collaborating on reduction activities, and will continue to do so in fiscal 2023.

Reducing Risk Relating to New Business

There is a need to improve (optimize) the output quality (degree of perfection) of product designs and process designs when developing new products and to shorten (minimize) the time required for the development process

by minimizing rework. In order for our Group to meet these needs, we continually make efforts toward improvement and refinement our QMS from the standpoint of functional assurance.

1 Shortening New-Product Development Periods and Improving Work Quality

In new product development, initial plans are often delayed because of the tendency for a variety of problems requiring reworking to arise. To prevent this, we implement the Plan-Do-Check-Action (PDCA) cycle to increase the degree of perfection of design quality and shorten the development period through collaboration of all the divisions concerned from the initial phases. Furthermore, we implement the following to ensure that the problems do not recur in subsequent development work.

- Feedback Review Analysis to identify problems through reviews of development processes over time.**
- Why-Why Analysis and Further Investigation to identify root causes of the occurrence and outflowing of problems in terms of technology and management. Why-Why Analysis and Further Investigation are also used to determine why problems were not prevented in terms of organizations, allocation of functions, systems, frameworks, and culture and to identify measures for preventing recurrence and new occurrences.**

2 Proactive Use of Various Quality Control Techniques

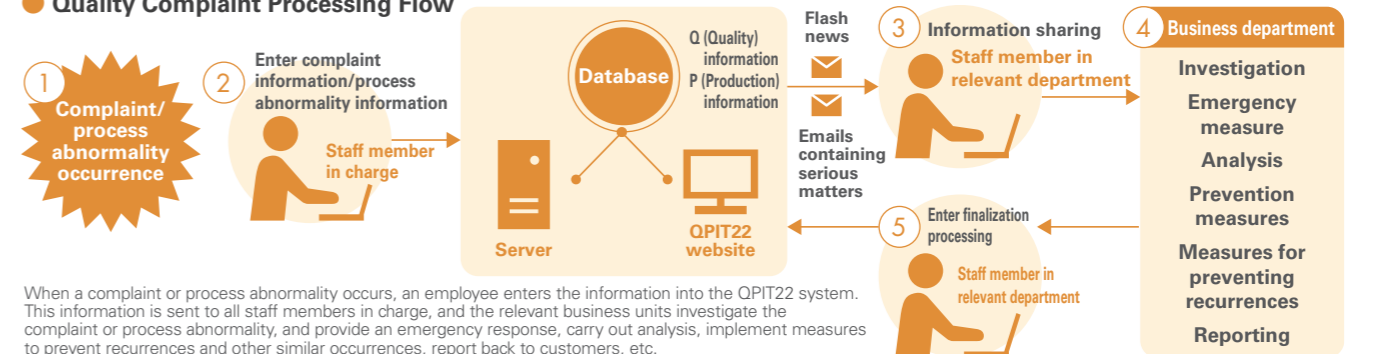
In addition to design review (DR) during each stage of product design and process design, we conduct Failure Modes and Effects Analysis (FMEA) to predict potential failures or abnormalities by analyzing health and safety risks regarding people including customers related to our products, along with Design Review Based on Failure Mode (DRBFM) that focuses on changes to the design and changes to conditions and the environment. In turn, we implement risk reduction measures in all processes of DR, FMEA, and DRBFM as well as during technical verification at the time of using new raw materials. In addition, we use Fault Tree Analysis (FTA) that rationally analyzes accidents and defects in a hierarchical manner to discover root causes and fundamental solutions for preventing recurrence. In fiscal 2022, our approach to functional assurance (functional block diagram with elementary blocks) has been added to quality training for young employees as activities to reduce missed extracts (exceptions) during failure mode. We will continue these educational efforts in fiscal 2023.

The "QPIT" System for Processing Quality-Related Complaints

We manage complaints relating to quality using the "QPIT" system. QPIT (Quality & Production Information Tools) is a system that allows the central management of quality- and production-related information, and it has been built into the Groupwide intranet. The system was introduced and utilized in order to accelerate the communication of quality- and production-related information within the Group, facilitate the sharing of information quickly with management, and encourage the integration and effective utilization of information levels. We can provide feedback of complaint statistics based on QPIT information to business units in order to confirm the effectiveness of claim recurrence prevention and to shorten the time required to respond to claims, ensuring quick and accurate handling of complaints in an efficient manner.

We are utilizing various kinds of information stored in the QPIT, like details of complaints and customer requests, to enhance CS. Similar complaints and customer requests, and cases from other department businesses can be used as reference, and by analyzing the content and trends of such information and implementing measures to address the issues while building a framework to improve these and sharing these internally, a wide range of divisions can work to achieve the aim of improving CS. We rolled out and began using the new QPIT22 system in fiscal 2022, which is used for statistical analysis of the complaints database that is compiled for data record purposes. We have also begun creating a centralized data dashboard to share quality information across the group.

Quality Complaint Processing Flow



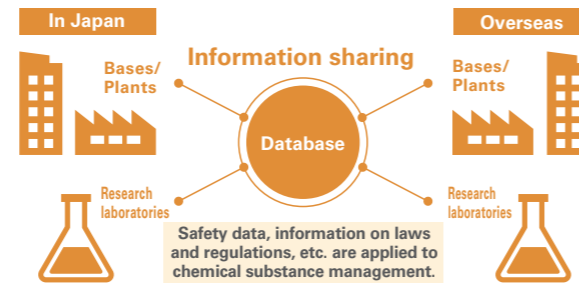
When a complaint or process abnormality occurs, an employee enters the information into the QPIT22 system. This information is sent to all staff members in charge, and the relevant business units investigate the complaint or process abnormality, and provide an emergency response, carry out analysis, implement measures to prevent recurrences and other similar occurrences, report back to customers, etc.

Chemical Substance Management System

In the interest of ensuring safety, we confirm that all of the chemical substances constituting the raw materials and products handled by the Group conform with the laws and regulations of each country. We are also making progress with the creation of a Chemical Substance Management System to centrally manage these related chemicals. Introducing this system allows us to speed up chemical substance-related investigations (inventory in each country, the safety of products and raw materials, regulatory information, etc.) and to provide accurate information. We are now rolling out the system laterally to plants that manufacture molded articles*1 and expanding application of volume tracking management to products for Taiwan and South Korea, in addition to Japan's Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture and Industrial Safety and Health Act as well as Europe's REACH*2. We will continue to enhance our system for managing chemical substances in order to ensure even more meticulous management of these substances.

*1 "Molded articles" here refers to all molded articles that have a defined shape with dimensions that can be measured. This applies to molded products and parts of devices, electronic components, paper, packaging materials, etc.
*2 See the website glossary page.

Chemical Substance Management System



Internal Quality Auditing and Daily Inspection/Review

For the quality audit for fiscal 2022, we continued to carry out the 'Monozukuri' Audits (see below), a multifaceted auditing system launched in 2017 by the Corporate Production Management and Engineering Division with the view to building a safe and reliable (personnel, facilities, environmental, and quality) approach to monozukuri. The Corporate Quality Assurance Promotion Department inspects and examines operations daily from customers' perspectives through

support of R&D activities at research departments (participation in DR, cooperation with FMEA, etc.) and support of production activities at each business department (change control, FEMA, FTA, Why-Why Analysis, and Further Investigation, participation in quality meetings and DR, maintaining/managing quality information and quality data, and checking the appropriateness of complaint countermeasures, etc.). It also carries out activities to raise awareness about quality improvement.

'Monozukuri' Audits

Purpose and method of the 'Monozukuri' Audits

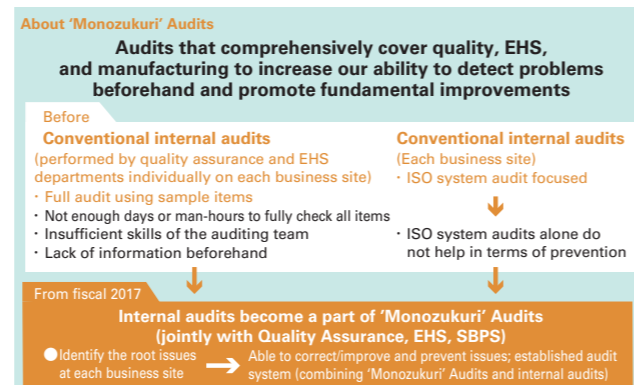
Conventional audits that have been conducted for quality, environment, and safety for each business site made it difficult for us to identify the root issues each business site is faced with, due to factors such as insufficient man-hours spent on the audits, inadequate skills of the auditors, and a lack of information provided beforehand. Furthermore, the internal audits conducted by each business site focused on the management system, and it was not possible to successfully link the activities from the extraction of essential issues to the prevention of recurrence and prevention. We built an audit system (combining 'Monozukuri' Audits and internal audits) that is able to identify the root issues at each business site, correct and improve the situation, and prevent occurrence and recurrence of issues.

- (1) Audits will be conducted in greater detail by updating check sheets to inspect and cover audit points that could pose or predict problems in terms of quality, EHS, or production that occurred last year.
- (2) Internal audits conducted by each business site provide education and instruction in advance to Internal Auditors for investigating the real cause and developing countermeasures, in order to make corrections/improvements with a PDCA cycle for issues carefully identified with audits.
- (3) 'Monozukuri' Audits will be run by the Corporate Production Management & Engineering Division to inspect internal audit results, the status of corrective actions or improvements, important matters, and involve follow-ups from a multifaceted approach, with a view to building a safe and reliable (personnel, facilities, environmental, and quality) approach to monozukuri.
- (4) Material issues identified in Monozukuri Audits will be rolled out laterally to other departments and business operators (inspections and corrective actions), with the resulting follow-up activities providing guidance for proper operation of monozukuri processes based on daily activities at each business site. 'Monozukuri' Audits will inspect internal audit results, the status of corrective actions or improvements, and important matters, and also involve follow-ups, etc.

In fiscal 2022, we established and implemented an educational plan in order to strengthen education for Internal Auditors by dividing into finely differentiated steps the process starting before internal auditing and proceeding beyond 'Monozukuri' Audits.

Results of 'Monozukuri' Audits

In fiscal 2022, we conducted audits at four domestic business sites under direct control (the Shizuoka, Kanuma, Amagasaki and Utsunomiya Plants), three subsidiaries (Kyushu Sumitomo Bakelite Co., Ltd., Akita Sumitomo Bakelite Co., Ltd., and SB Kawasumi, Oita Business Site), overseas at SBS(Sumitomo Bakelite Singapore Pte.Ltd.) in Singapore. We also conducted remote audits in response to the COVID-19 pandemic. While there were some issues with taking a flexible approach with remote audits, we were generally able to achieve our objectives through detailed prior discussions with the business sites. In fiscal 2023, we will continue to improve our systems to enhance internal audits.



Procurement Initiatives

Basic Approach

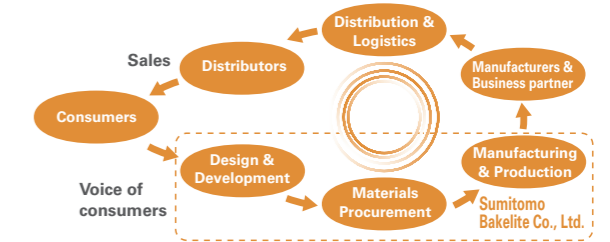
We strive to ensure compliance with the laws, regulations, and social norms of Japan and the other countries and regions in which we operate. We also require our business partners to observe these standards of fulfilling their social responsibilities given the changing social expectations placed on companies. In principle, we conclude a basic contract with each business partner from which we purchase items such as equipment or raw materials, requiring the contracting parties to fulfill their corporate social responsibilities (CSR). Our criteria for selecting business partners include their CSR and environmental impact reduction initiatives.

The Global Procurement Division is in overall charge of the purchasing of raw materials, fuel, and equipment for use at our Company's plants and our Group companies worldwide. Our procurement policy and Green Procurement Guidelines are posted on the Company's website. The procurement policy is now published in Japanese, English, and Chinese. Given the standards of the Responsible Business Alliance (RBA)*1 Code of Conduct (formerly the EICC Code of Conduct) and changing frameworks for general business dealings, we are working to observe this policy in our procurement activities, and we require our business partners to do the same, too.

* See the website glossary page.

[External link](#) Procurement Policy

Our Group's Supply Chain



- Action for Stable Procurement**
The Global Procurement Division takes a variety of measures, including BCP verification and auditing of raw material manufacturers to ensure stable supply.
- Procurement Crisis Management**
The Global Procurement Division prepares a list of locations of material manufacturers and keeps it up to date. In the event of a disaster, the division checks the status of manufacturers' factories in the affected areas and formulates countermeasures.

CSR supplier surveys and carbon neutrality promotion

To ensure ongoing measures for responsible procurement of minerals, we have also identified applicable raw materials and started conducting surveys in fiscal 2022. We verified the raw materials we purchase that contain tin, tantalum, tungsten, gold, cobalt, and mica with 40 materials identified as applicable throughout our entire Group. We will continue conducting surveys of our suppliers using the minerals survey template.

We are continuing to work toward achieving carbon neutrality, and have ensured the supply of green power to business sites in Japan for 2023, and finalized contracts. We have also coordinated efforts with the relevant departments and have completed installation or are in the

process of installing solar power generation equipment at main business sites in Japan, and we are also progressing with installation at business sites overseas. The amount of solar power generated increased 3.4-fold and 15.6-fold for Japan and overseas, respectively, compared to fiscal 2021 levels.

We have also started inspecting raw materials affected by carbon neutrality and evaluating substitute materials. Procurement of green chemicals involves securing a source of bio-PE, ensuring a supply volume of lignin and furfuryl alcohol, and examining bio-based phenol and bio-based methanol markets.

Selection of Business Partners

When selecting new business partners, the decision to commence transactions is made based on fair and impartial judgment after applying the criteria established by the Global Procurement Division. When commencing transactions, we check whether the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors applies, and if it does, we commence the transaction in accordance with this law and the relevant company rules. If we find that this law applies to existing transactions, we immediately take measures to ensure the legality of these transactions under this law.

We have established company rules requiring that we check whether new raw materials comply with chemical substance controls both domestically and internationally, and new raw materials are not adopted unless they conform to these controls. Relevant departments internally work closely together to investigate and make sure that the Company does not violate chemical substance controls. We are convinced that it is important to establish a relationship of equals based on trust with every business partner and that the transactions should be beneficial to both parties.

CS (Customer Satisfaction) Enhancement



CS a Top Priority

Under our Group's policy of making customer satisfaction a top priority, our CS Promotion Committee deliberates and determines policies and measures. This year marks the 25th anniversary since these activities began in 1999, and we are rolling out more CS-oriented activities company-wide, including at sites in Japan and overseas as well as Group companies.

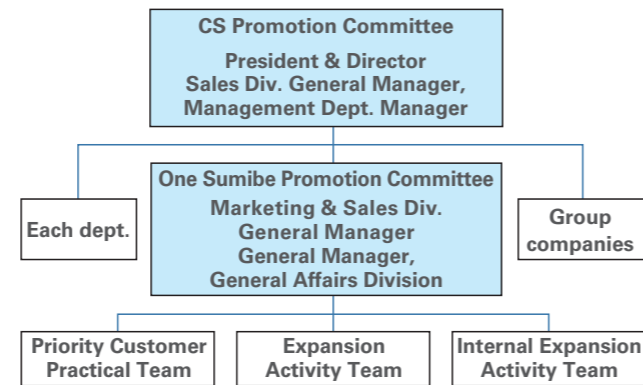
Internally, we hold a CS Award annually to share CS activities and enhance employee awareness of CS. Every year, each business site and business division creates its own CS Declaration on the five CS principles, and implements various initiatives taking customer satisfaction into account.

Our business briefings for commercial trading firms, which were usually held annually, were held face-to-face for the first time in three years, after ensuring sufficient measures to prevent infections. This not only allowed us to give an outline of our business policies, but also provided an opportunity to



showcase our new initiatives like eco-friendly products. Instead of being content with our existing state of activities, our entire Group will focus on business activities with "CS a top priority" with a view to becoming a business partner that exceeds the expectations of customers.

CS Promotion System and One Sumibe Activity Structure



Cross-organizational Promotion of One Sumibe Activities

Our Company promotes One Sumibe Activities as one of our key measures. These activities are part of CS, which aims to provide customers with value and a delightful experience through efforts spanning all departments of the company.



The One Sumibe Promotion Committee held an information-sharing meeting with the aim of improving company-wide responsiveness on themes that have become crucial in recent years, such as environmental responsiveness and utilization of digital technology. In addition, we exchanged our appreciation for cross-divisional initiatives and contributions, and promoted awareness and culture building to mobilize company-wide capabilities.

The Priority Customer Practical Team will provide solutions from a company-wide perspective to help solve customer issues.

The Expansion Activity Team holds product study sessions across multiple departments and is actively embracing digital technologies like video streaming as part of its sales initiatives.

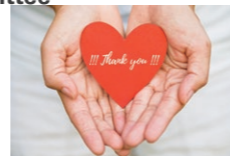
The Internal Activity Enhancement Team is enhancing activities so that they are more available and easily accessible throughout the company, including "Inter-departmental exchange meetings" and "Employee Communication Space (dubbed One Room)." Activities will continue being enhanced to further increase customer satisfaction and revitalize the entire Group.

One Sumibe Activities Medium-term Policy (fiscal 2021-2023)

Consolidating our strength across the organization to achieve the vision of the Group. **"Cross organization"**

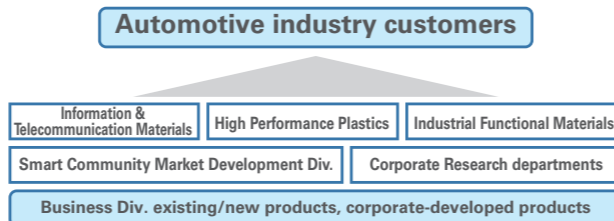
One Sumibe Promotion Committee

- Information-sharing Meeting
- Various educational activities



Expressions of gratitude

Priority Customer Practical Team (automotive field)



Expansion Activity Team/Internal Activity Enhancement Team



Relations with Local Communities



Donations

Under the Sumitomo Bakelite Group's business philosophy (Company Policy), we cooperate in cultural and academic activities such as symphony orchestras, environmental conservation activities such as the Keidanren Committee on Nature Conservation that works to actively protect nature and conserve biodiversity. In fiscal 2022, we made a donation to Fujieda City as part of the "Corporate Hometown Tax System," following on from donations to Akita Prefecture, Shizuoka Prefecture (Minami-Alps Biosphere Reserve), and Nogata City in Fukuoka Prefecture

(contributing to promotion of carbon neutrality). We also donate directly to "Japan Association for the 2025 World Exposition" and specific groups across a wide range of fields including schools and education, social welfare, academic promotion, R&D, and regional development. Through these donations, we are helping to create a better environment.

Looking ahead, we will continue this support to create a brighter future for all people.

Support for People with Disabilities

We concluded a partnership agreement with the Japan Inclusive Football Federation¹, as an initiative from the standpoint of respect for diversity and contributing to the realization of a society where everyone can live in harmony. Based on this agreement, we provide support for the development of inclusive soccer sports.

The company has also endorsed the "Paralym Art[®]" philosophy and actions since 2022, and uses art created by artists with disabilities in the corporate calendar, as part of efforts to support artists' economic independence and participation in society.

Going forward, we will continue to support this activity that seeks to build a society in which people can intermingle and coexist regardless of their disabilities.

¹ The Japan Inclusive Football Federation (JIFF) is an organization that brings together seven inclusive soccer sports associations. JIFF carries out activities under its commitment to create a vibrant society that respects each person's uniqueness through the benefits of sports and soccer regardless of disability.

² Paralym Art[®] is a social contribution project that provides ongoing support for people with disabilities through the cooperation of private companies and individuals, to achieve the vision of "Creating a world where people with disabilities can fulfill their dreams through art." The project serves as a link enabling companies and organizations to use artworks created by artists with disabilities, and facilitates their economic independence and participation in society through compensation to employed artists and facilities for those with disabilities.



©Image source: Japan Blind Football Association (JBFA)



JIFF logo



Calendar using artwork created by artists with disabilities



Paralym Art[®] logo mark

Support for Education of the Next Generation (Fujieda City Science Education Support Project)

Since fiscal 2009, we have been taking the lead in providing support for the education of the next-generation as part of an industry-government-academia partnership for junior high school science teachers in cooperation with other companies operating production plants in and around Fujieda City, Shizuoka Prefecture, and have received high praise from local government and school officials. In fiscal 2022, we held

an online factory tour with the cooperation of Sumitomo Forestry Crest Co., Ltd., showcasing the manufacturing process of products like decorative sheets and storage furniture, outlining our SDG initiatives, and highlighting the benefits of wood. Participating teachers gave feedback such as: "I learned so much and gained a lot of knowledge for myself, and I hope to teach this information to children."



An online factory tour



Assembly at a plant



Sumitomo Forestry Crest, Shizuoka Plant

Official Partnership Agreement with Fujieda MYFC

Since fiscal 2018, we have been in an official partnership agreement with Fujieda MYFC, a professional soccer club in the J. League's J3 division. The team's hometown is the Haibara district of Fujieda City, Shizuoka Prefecture, where our Shizuoka Plant is located. Therefore, we provide our support to the team as a partner with the goal of lending our cooperation to the Haibara district of Fujieda City in Shizuoka Prefecture, which promotes revitalization of the town through soccer, and also to contribute to the community

and boost the motivation of our employees, and the "Sumitomo Bakelite Special Match" was held in November in fiscal 2022. Strong results in fiscal 2022 resulted in being promoted to play in the J2 League for fiscal 2023.



"Promoted to J2" banner



Fiscal 2022 Special Match Day
©2022 FUJIEDA MYFC



Fiscal 2022 Special Match Day
Kick-in ceremony
©2022 FUJIEDA MYFC



Fiscal 2022 Special Match Day
Presenting the registration certificate
©2022 FUJIEDA MYFC

Environmental Conservation and Beautification Activities in the Surroundings of Plants, Relations with Local Residents, and Participation in Local Events

We are working to conserve and beautify the areas surrounding each of our production plants by cooperating in local environmental conservation activities and campaigns against illegal dumping of waste as well as cleaning and beautification events organized by local communities. We are also working to enhance the welfare of local communities by proactively interacting with local

residents and participating in local events to deepen our ties with them, as well as engaging in volunteer activities and making donations. We also welcome them to company briefings and site visit events (factory tours) to aid their understanding of the work carried out at our production plants.



Amagasaki Plant
Participated in the Uchimizu Daisakusen in Amagasaki 2022 and helped spray water



Yamaroku Kasei Industry
Participated in Yamato River and Ishi River cleanup activities organized by Kashiwara City



S.B. Techno Plastics (Head Office)
Participated in Kodama Industrial Park cleanup activities



Kawasumi Laboratories (Thailand)
Donated sweets to prefectural elementary schools where each plant is located



SB-Kawasumi (Head Office, Tonomachi)
Participated as an exhibiting company at a summer science event organized by the King Skyfront Network Council for Kawasaki City elementary school students

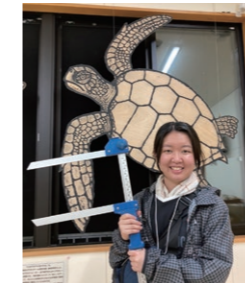


SB-Kawasumi, Oita Business Site (Mie Plant)
Provided work experience for local junior high school students

Environmental and Social Contribution Activities

We participated as a corporate partner in an environmental survey program organized by NPO Earthwatch Japan, as part of educational and social contribution activities and with the aim of expanding environmental and social contribution activities. Our employees were dispatched as research staff for two programs in fiscal 2022: Survey program for "Loggerhead Sea Turtles of Minabe, Wakayama (individual identification

survey of loggerhead sea turtles, considered an endangered species)" held in Minabe Town, Hidaka-gun, Wakayama Prefecture in July; and Survey program for "Fujinokuni Community Forest - Studying the relationship between plants and insects (survey to study the types of animals and how they interact with each other to live)" held in Shizuoka City, Shizuoka Prefecture, in October.



Minabe Town, Hidaka-gun, Wakayama Prefecture (Survey of Loggerhead Sea Turtles of Minabe, Wakayama)



Shizuoka City, Shizuoka Prefecture (Fujinokuni Community Forest - Studying the relationship between plants and insects)



TOPIC Promerus members volunteer at Akron STEM High School

Promerus partnered with Akron STEM (Science, Technology, Engineering, Mathematics) High School to give students an opportunity to learn more about careers in science and engineering. STEM education is an approach to learning that highlights and integrates various fields, with a focus on the technical design process. Students develop analysis and creativity skills through investigation and problem-solving.

Akron STEM High School is located on the campus of the University of Akron, and in May, Promerus team members participated as volunteers at two events held at the high school.

First, General Manager Larry Rose and Senior Manager Doug Skilsky gave a presentation to students during a chemistry class. They explained about the microelectronics industry as well as how chemistry is intertwined with that industry, the required steps to acquiring a doctoral degree, and career opportunities in the fields of chemistry and engineering.

The students gave positive feedback, with some even saying they wanted to take a look at the Promerus laboratory to discover more about the research we conduct.

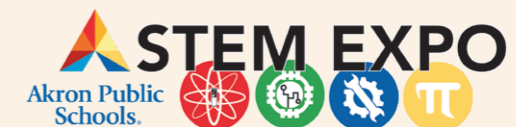
The second event was a learning presentation contest. Analytical chemist Gary Myer and several other industrial staff and academics from the Akron region volunteered to judge presentations made by students at three STEM high schools.

In line with the principles of problem-based learning, they incorporated problems to be solved into the curriculum as part of a student-centered approach. "I felt a sense of pride in having the opportunity to take part in the program and actually witnessing local talented third-year high school students going out to discover the world on their journey to growth," Myer explained.

Promerus and Akron STEM High School will continue this partnership into the future, and next fiscal year will create new opportunities that encourage learning by sharing its knowledge.



A senior manager gives a presentation to chemistry students



Banner on display at Akron STEM High School.

INTERVIEW

Interview with the Outside Directors

Enhancing the functionality of plastics, providing value to society, and making dreams for future generations

Outside Director
Hiroyuki Abe



Outside Director
Kazuo Matsuda



Outside Director
Etsuko Nagashima



1 How have you worked with the management of the Company over the past year in your respective fields of expertise? Were there any changes in management that you noticed in particular?

Abe: I have long been involved in research and education at universities, and also had roles like providing advice on science and technology policies as a member of government committees. I will be building on this experience and continuing to do my utmost to ensure that my advice is useful for the Company.

The manufacturing sector in Japan has been impacted in so many ways due to the challenges presented by changes in international affairs like the situation in Ukraine. The Company is certainly no exception in this regard. I expect that the Company will continue to face challenging risks in the future, and I hope that it will respond to such changes in a flexible manner.

Matsuda: I will be applying the experiences I gained working at business companies in the past to discuss medium- to long-term topics in as much detail as possible. An example that illustrates this is the major investment projects being made in China under the Semiconductor Materials segment. We held extensive discussions with the executives based on strategic perspectives like medium- to long-term market trends, geopolitical risks, and the post-COVID era, and even examined the Company's production capacity forecasts well into the future, before making a decision on these investments. Rather than looking at demand in the immediate future, examining medium- to long-term factors from various angles is such an important aspect of management. Indeed, this year I saw many changes with the approach the Company is taking for management.

Nagashima: There are more cases where the attendees at the Board of Directors meetings are asked for their opinion, and I feel that the overall atmosphere is more open. I am also making sure to clarify directly and freely if there are any aspects I feel unsure about, and members respond to my questions in a sincere and professional manner. At the Executive Officers' Meeting held after the Board of Directors meeting, executive officers make presentations highlighting the many ideas they have for the work they are in charge of, and it is very interesting to listen in on them. Some of these executive officers may indeed be appointed as the future President or Directors, so it is a great opportunity to come into direct contact with their respective skills and knowledge for me, as a member of the Nomination and Remuneration Committee.

2 The Company has outlined its commitment to contributing to SDGs in its Mid-term Business Plan, and to this end is focusing on businesses that generate social value through giving functionality to plastics such as raising the fuel efficiency of vehicles, reducing food loss and developing products with minimal environmental impact. What should be the key area to focus on while advancing these measures?

Matsuda: Plastics and the environment may seem to have a very paradoxical relationship. Despite this, I firmly believe that plastics will continue to play a key role in so many ways around the world. One solution to overcome this dilemma is conveyed so well with the Company's approach of "giving functionality to plastics." I believe that the Company's partners and employees truly understand the meaning behind this statement. On the other hand, I think the Company needs to outline the benefits of this approach by taking a more familiar stance that is better understood by customers, shareholders, investors, and local residents. As Sumitomo Bakelite is the leading company in the plastics industry, I also hope to see it leading the way in this regard too.

Nagashima: Plastic products are made mainly using petroleum-based substances, which generally have a poor environmental image. Yet the Company is confident that it can address environmental problems and contribute to society by expanding the possibilities of plastics and creating valuable products. The Company's initiatives toward achieving the SDGs in particular are much more advanced than other companies. I believe the Company can create products that contribute to society by focusing on what it can do right now, and moving forward with research and development from an SDGs perspective. Ensuring that the core values of SDGs are applied at every facet of the Company, and transforming the perspectives of each employee to boost awareness of how they are making a contribution will no doubt help to further advance these activities in the future.

Abe: In Japan, major corporations in particular are passionate about addressing environmental problems. The Company is one of the companies in particular that is taking a dedicated, multifaceted stance for tackling environmental issues. While there are varying degrees of enthusiasm among other countries with regard to environmental policies, the Company is focusing on research that allows it to coexist with the environment, such as shifting to the use of plant-derived raw materials for its plastics. The Company has countless customers all over the world. There are concerns over the increasing complexity of policies in other countries, so the I think the Company will need to make even more efforts to gather as much information as possible in order to adapt to global diversity and flexibility.

3 The Company's vision is to become a "company that makes your dreams for the future a reality." What do you think needs to be done to achieve this, and what contributions can you make toward this goal as Outside Directors?

Nagashima: The Company operates in three main segments—semiconductor materials, high performance plastics, and quality-of-life products—which at first glance may appear to encompass products in completely unrelated industries, but the characteristics, properties, and customers of these products actually have many things in common. I think the Company's "One Sumibe Activities" are a great collection of measures that showcase the Company's extensive range of products across different segments. Expanding these activities to a global scale and associating them with one of the key measures of its mid-term business plan of taking on the challenge of new business models will be essential to achieve this vision, and as an Outside Director, I can fully support and back these activities.

Abe: The vision of "a company that makes your dreams for the future a reality" has a great deal of significance, and is vital and highly appealing for Japanese society that is suffering from a sense of stagnation, particularly the younger generation who will be the leaders of tomorrow. I am anticipating that this vision will take hold throughout the Company, such that employees really feel they are making dreams a reality. If those in the younger generation discover more about Sumitomo Bakelite and become aware of this vision, I believe that it will lead to a brighter future for Japan. As an Outside Director, I want to be part of the push behind the Company's activities.

Matsuda: Developing initiatives with the underlying topic of the "next generation" is essential for achieving this vision. As the population continues to get older, what type of dreams is the Company actually able to provide to children who will be the leaders of tomorrow? The Shizuoka Plant of the Company does hold various events for elementary school students, but initiatives aimed at inspiring and enriching the sensibilities of children, like establishing a scholarship foundation or running cross-sector projects like "chemistry classes," may help to create the perfect environment for nurturing monozukuri leaders capable of playing a role on the global stage. I hope to see a range of initiatives being developed for future generations by building on the Company's distinct presence.

Corporate Governance



Basic Approach to Corporate Governance

As a pioneer in plastics, our Group brings “delight” to customers through the creation of new advanced functions from 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,

we are establishing efficient and effective structures for achieving management that are highly compatible with society and the environment and for addressing risks facing management, including rigorous compliance.

[External link](#) Corporate Governance

Management System

Board of Directors

We have adopted a company with Corporate Auditors model and have appointed nine Directors (of which three are Outside Directors) and four Corporate Auditors (of which two are Outside Corporate Auditors) as of June 22, 2023. The Board of Directors is chaired by the President, Representative Director.

At the monthly Board of Directors meetings, Directors make decisions on important matters of business, receive reports

on monthly business performance and progress updates 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 the case of conflicts of interest involving any Director, potential conflicts of interest are required to be reported in advance to the Board of Directors to obtain its approval, with reports to be given on the propriety of this after the fact.

Board of Corporate Auditors

The Board of Corporate Auditors consists of two Standing Corporate Auditors and two Independent Outside Corporate Auditors. The Board of Corporate Auditors intends to maintain the current diverse composition of members with appropriate experience and abilities, including a knowledge of finance, accounting, and legal affairs, and to conduct fair, impartial, and efficient auditing activities going forward. Under the direction of Corporate Auditors, the activities of the Board of Corporate Auditors and individual Corporate Auditors shall be assisted by one auditor assistant who concurrently serves in the Internal Audit Department and has knowledge of internal audits works.

The Board of Corporate Auditors meeting is held monthly prior to the Board of Directors meeting and also on an ad hoc basis when necessary. In fiscal 2022, the Board of Corporate Auditors met 19 times for an average of 1 hour 13 minutes. The Board of Corporate Auditors reviewed the previous fiscal year’s audit activities to enhance the effectiveness of audits and discussed the assessment and verification of effectiveness among all Corporate Auditors.

The Board of Corporate Auditors deepens mutual cooperation with the Accounting Auditor, KPMG AZSA LLC, and makes efforts to ensure the reliability of accounting audits, by discussing and exchanging information with the Auditor on such matters as the Auditor’s annual audit plan, risk assessment, audit-related issues, and the progress of audits, and Standing Corporate Auditors’ participation in the on-site inspections of overseas subsidiaries by the Accounting Auditor and in the meeting for reviewing the result of on-site inspections of domestic business sites and subsidiaries conducted by the Auditor.

The Board of Corporate Auditors considers cooperating with Outside Directors to be key for further enhancing the effectiveness of the Board of Directors and the Board of Corporate Auditors’ audits. So all Corporate Auditors attend the Outside Officers’ Meetings noted below, and exchange opinions and share various management-related information with other participants.

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

Based on the audit plan, each of the Corporate Auditors conducts the audit activities such as attendance at important meetings including Board of Directors meetings, attendance regular meetings (quarterly, in principle) with President and Representative Director. Each of Corporate Auditor also brings to the attention of the Board of Directors and operating departments any issues that it has discovered through these audit activities, and makes recommendations.

Among these activities, Standing Corporate Auditors, as full-time auditors in accordance with the allocation of their duties, receive circular memos regarding important matters for approval, as well as participate in important meetings such as the Risk Management Committee and the Compliance Committee. They also actively conduct on-site inspections of business sites and subsidiaries and attend similar inspections arranged by the Accounting Auditor and the Internal Auditing Departments. Standing Corporate Auditors hold meetings with the Corporate Auditors of subsidiaries and exchange updates on the implementation of audits in order to deepen cooperation with them.

Executive Officer Structure / Executive Officers’ Meeting

We have 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, and have appointed seventeen Executive Officers (including six who serve concurrently as Directors) as of June 22, 2023. 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.

As of June 22, 2023, all 27 of our officers, who are Directors, Corporate Auditors, and Executive Officers, included 23 men and 4 women, with a female board member ratio of 15%. All of our officers with the exception of one Corporate Auditor are 50 or older.

Outside Directors / Outside Corporate Auditors

Outside Director Hiroyuki Abe has expertise, considerable experience and wide range of insight as a university professor. We expect him to provide appropriate opinions and valuable advice from an objective standpoint by using such knowledge. He has also served as a member of the Appointment and Remuneration Committee.

Outside Director Kazuo Matsuda has considerable experience and wide range of insight that he cultivated at a financial institution as well as business companies as a management executive. We expect him to provide appropriate opinions and valuable advice from an objective standpoint by using such knowledge. He has also served as a member of the Appointment and Remuneration Committee.

Outside Director Etsuko Nagashima has specialist viewpoint and wide range of insight relating to finance and accounting as a Certified Public Accountant. We expect her to provide appropriate opinions and valuable advice from an objective standpoint by using such knowledge. She has served as a member of the Appointment and Remuneration Committee.

Outside Corporate Auditor Kazuhiko Yamagishi utilizes his professional perspective as a lawyer and wide-ranging insight into management for auditing our Company.

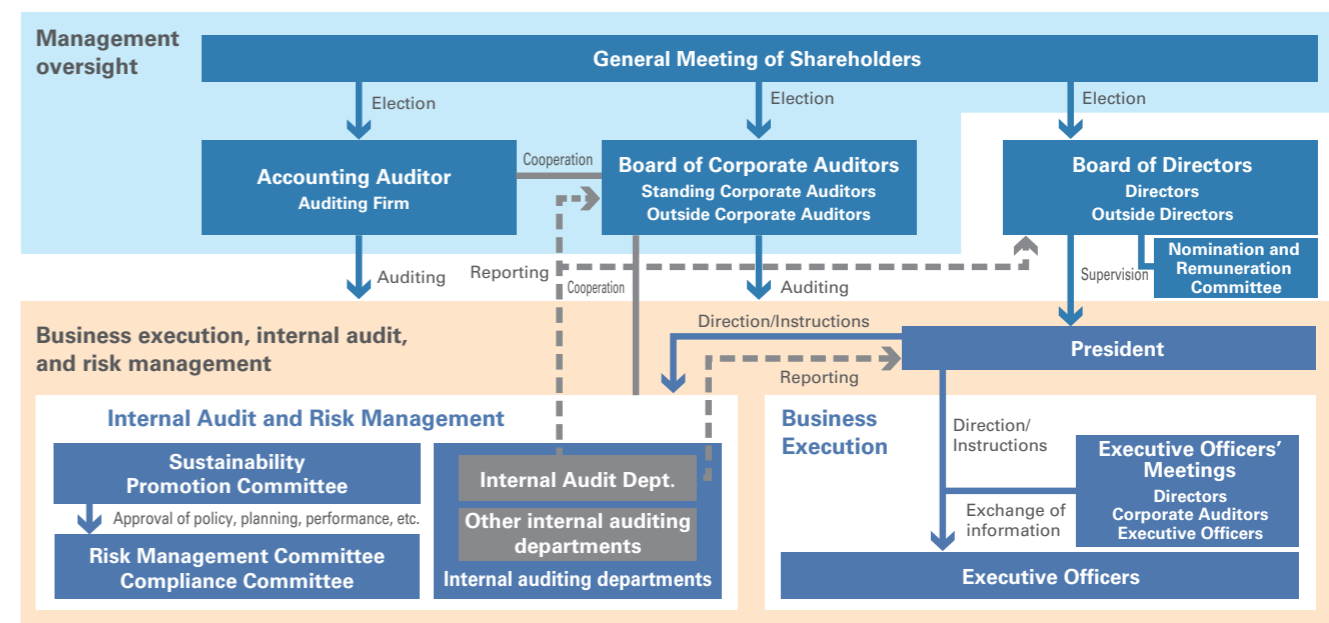
Outside Corporate Auditor Noriko Kawate utilizes her

professional perspective as a Certified Public Accountant and tax accountant and wide-ranging insight into finance, accounting and management for auditing our Company.

We have established the Criteria for Independence of Directors and Corporate Auditors through a resolution of the Board of Directors, and has determined that the aforementioned Outside Directors and Outside Corporate Auditors are independent pursuant to the said criteria. In addition, they have been submitted as independent officers as stipulated by the Tokyo Stock Exchange.

We also hold 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, we introduce information on our business results, the officer in charge of each segment will introduce its relevant business, and we provide advance explanations of items on the agenda for Board of Directors meetings, etc. The aim is to exchange information and share recognition of our strategies and management issues with Outside Directors and Outside Corporate Auditors.

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



Appointment 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 has voluntarily established the Nomination and Remuneration Committee consisting of a majority of Independent Outside Directors (s (Chaired by President and Representative Director Kazuhiko Fujiwara, with the membership of Independent Outside Directors Hiroyuki Abe, Kazuo Matsuda and Etsuko Nagashima). With regard to the nomination of Directors, the 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 they system and policy) based on delegation to the Committee by resolution of the Board of Directors. The details matters in fiscal 2022 is that, with regard to the nomination of Directors, standards for the election and dismissal of Directors, the succession plan for the President, and election and nomination of senior management were discussed, and with regard to the remuneration of Directors the amounts of monthly remuneration and bonuses according to Directorship position were decided. The Committee met a total of five times during fiscal 2022, and all members attended all committee meetings.

Executive Remuneration

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. 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. The total amount to be paid for bonus 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. 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. 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. A Nomination and Remuneration Committee 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. Executive remuneration in fiscal 2022 comprised a total of ¥388 million (monthly base pay of ¥263 million and bonus of ¥125 million) for eight Directors (excluding Outside Directors), a total of ¥54 million (monthly base pay of ¥54 million) for two Corporate Auditors (excluding Outside Corporate Auditors), and a total of ¥58 million (monthly base pay of ¥58 million) for five Outside Officers. In addition to the above amount, 36 million yen was paid to one Director, who retired from its position of Director at the conclusion of the 131st Ordinary General Meeting of Shareholders held on June 23, 2022, as the payment of accrued retirement benefits associated with the abolishment of the retirement benefits system. Note that stock compensation will be paid from fiscal 2023.

Analysis and Evaluation of the Effectiveness of the Board of Directors

The Company evaluates the effectiveness of the Board of Directors each year. The Company enhances the effectiveness of the Board of Directors by executing the PDCA cycle of conducting self-evaluations and aggregation of opinions based on a questionnaire survey of all members of the Board of Directors (Directors and Corporate Auditors), holding discussions and exchanges of opinions at meetings based on the analysis results of the survey, summarizing the evaluation results based on these discussions and setting the issues to be addressed, and at the Board of Directors implementing initiatives to resolve these issues. As a result of the survey for fiscal 2022, the Company concluded that from a quantitative evaluation perspective, the number of points given to each question had improved overall and that the effectiveness of its Board of Directors as a whole was sufficiently ensured. Furthermore, the items were set as issues to be addressed in the previous fiscal year and as a result of implementing measures in response to these issues, an improvement trend was confirmed in each of the issues.

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

Internal Control

Our Group has systems in place for ensuring appropriate operations in accordance with our Business Philosophy. In accordance with our Basic Policy on Internal Control Systems (partially amended by resolution of the Board of Directors meeting held on February 28, 2023, to further promote the system based on the sustainability management and initiatives to strengthen governance) drawn up by the Board of Directors, we periodically review the systems and promote various activities to enhance internal control. With respect to internal control over financial reporting, based on our Basic Rules and Regulations for Internal Control over Financial Reporting, we endeavor to enhance systems for ensuring the reliability of our financial reporting, appropriately operate internal control systems in terms of implementation, assessment,

reporting, and correction, and ensure appropriate and timely disclosure of corporate information. The Comprehensive Guidelines for Internal Control in Consolidated Subsidiaries covers the items that subsidiaries are required to address in establishing their internal control systems and in their subsequent ongoing implementation of control activities. The internal control over our financial reporting as of March 31, 2023, was assessed and deemed to be effective by Internal Auditing Departments. In addition, as a result of the accounting auditor's audit, it was confirmed that the internal control report presents fairly the result of assessments of internal control over financial reporting.

[External link](#) Basic Policy on Internal Control Systems

Directors and Corporate Auditors Skills Matrix

The Company's policy is to operate the Board of Directors consisting of (i) 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 (ii) 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 is described below.

As of June 22, 2023

Name	Position at the Company	Knowledge, experience, abilities							
		Corporate management	Global	Sales and marketing	Manufacturing and production engineering	Research & development	Sustainability and ESG	DX and information system	Finance and accounting
Kazuhiko Fujiwara	Representative Director President	●				●	●		
Masayuki Inagaki	Representative Director Executive Vice President				●		●	●	
Sumitoshi Asakuma	Director Executive Vice President		●	●		●			
Takashi Kobayashi	Director Senior Managing Executive Officer		●	●	●				
Keisuke Kurachi	Director Senior Managing Executive Officer		●		●	●			
Toshiya Hirai	Director Managing Executive Officer						●	●	●
Hiroyuki Abe	Outside Director		●		●	●			
Kazuo Matsuda	Outside Director	●	●						●
Etsuko Nagashima	Outside Director	●					●		●

* This table does not cover all the knowledge, experiences or abilities, etc. required of the Company's Board of Directors. Key knowledge, experiences, and abilities, etc. of the Director are marked with "●".

The Board of Corporate Auditors intends to maintain the diverse composition of members with appropriate experience and abilities, including a knowledge of finance, accounting, and legal affairs, and to conduct fair, impartial,

and efficient auditing activities going forward. The correspondence between key knowledge, experiences and abilities, etc. which the Board of Corporate Auditors requires and the respective Corporate Auditors are described below.

As of June 22, 2023

Name	Position at the Company	Knowledge, experience, abilities				
		Corporate and organization management	Finance and accounting	Legal affairs and compliance	Internal control and risk management	Global
Yoshikazu Takezaki	Standing Corporate Auditor	●		●	●	
Katsushige Aoki	Standing Corporate Auditor		●		●	●
Kazuhiko Yamagishi	Outside Corporate Auditor			●	●	●
Noriko Kawate	Outside Corporate Auditor		●	●	●	

* This table does not cover all the knowledge, experiences or abilities, etc. required of the Company's Board of Corporate Auditors. Key knowledge, experiences, and abilities, etc. of the Corporate Auditors are marked with "●".

List of Directors (as of June 22, 2023)

Directors and Corporate Auditors

President, Representative Director



Kazuhiko Fujiwara

Apr 1980 Entered the Company
Jun 2009 General Manager of S-BIO Business Div. of the Company
Executive Officer of the Company
Apr 2013 Managing Executive Officer of the Company
Jun 2014 Director of the Company
Apr 2016 Senior Managing Executive Officer of the Company
Jun 2018 President, Representative Director, Executive Officer (to the present)

Representative Director, Executive Vice President



Masayuki Inagaki

Overseeing Corporate Research & Development Div., Advanced Materials Research Laboratory, Bio & Science Research Laboratory, and Circuitry with Optical Interconnection Business Development Dept. In charge of Production Management & Engineering Division and Corporate Engineering Center
Apr 1982 Entered the Company
Jun 2009 Executive Officer of the Company Plant Manager of Utsunomiya Plant of the Company
Apr 2013 Managing Executive Officer of the Company
Jun 2015 Director of the Company
Apr 2017 Senior Managing Executive Officer of the Company
Apr 2021 Executive Vice President of the Company (to the present)
Jun 2022 Representative Director of the Company (to the present)

Outside Director



Hiroyuki Abe

Oct 1977 Professor, School of Engineering, Tohoku University
Apr 1993 Dean, Undergraduate School of Engineering/ Graduate School of Engineering, Tohoku University
Apr 1996 Chairperson of Japan Society of Mechanical Engineers
Nov 1996 President of Tohoku University
Nov 2002 Professor Emeritus of Tohoku University (to the present)
Jan 2003 Member of Council for Science and Technology Policy
Jan 2007 Advisor at Japan Science and Technology Agency
Jun 2007 Outside Corporate Auditor of the Company
Jun 2015 Outside Director of the Company (to the present)
May 2016 Chairperson of Engineering Academy of Japan

Outside Director



Kazuo Matsuda

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

Director, Executive Vice President



Sumitoshi Asakuma

Overseeing High Performance Plastics segment
Apr 1985 Entered the Company
Jun 2008 General Manager of Kobe Fundamental Research Laboratory of the Company
Jun 2010 Executive Officer of the Company
Apr 2014 Managing Executive Officer of the Company
Jun 2015 Director of the Company (to the present)
Apr 2018 Senior Managing Executive Officer of the Company
Apr 2022 Executive Vice President of the Company (to the present)

Director, Senior Managing Executive Officer



Takashi Kobayashi

Overseeing Films & Sheets Research Laboratory, Films & Sheets Sales Div., Medical Products Business Div., S-BIO Business Div., and Amagasaki Plant
Apr 1987 Entered the Company
Sep 2007 General Manager of Sumitomo Bakelite (Nantong) Co., Ltd.
Apr 2013 Executive Officer of the Company
Apr 2017 Managing Executive Officer of the Company
Jun 2018 Director of the Company (to the present)
Jan 2021 Representative Director of Kawasumi Laboratories, Inc. (currently SB-Kawasumi Laboratories, Inc.) (to the present)
Apr 2023 Senior Managing Executive Officer of the Company (to the present)

Outside Director



Etsuko Nagashima

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

Director, Senior Managing Executive Officer



Keisuke Kurachi

Overseeing Semiconductor Materials segment, and Smart Community Marketing & Development Div.
Apr 1985 Entered the Company
Apr 2016 Executive Officer of the Company Representative Director of Kyushu Sumitomo Bakelite Co., Ltd. (to the present)
Apr 2018 Managing Executive Officer of the Company
Apr 2022 Representative Director of Sumitomo Bakelite (Taiwan) Co., Ltd. (to the present)
Jun 2022 Representative Director of Sumitomo Bakelite (Taiwan) Co., Ltd. (to the present)
Apr 2023 Senior Managing Executive Officer of the Company (to the present)

Director, Managing Executive Officer



Toshiya Hirai

Overseeing Corporate General Affairs Div., Personnel Div., Corporate Planning Dept., Sustainability Promotion Dept., Osaka Office, and Nagoya Office In charge of Corporate Finance & Planning Div., Information Systems & Data Processing Dept., and Global Procurement Div.
Apr 1986 Entered Sumitomo Chemical Co., Ltd.
Jul 2022 Executive Officer of the Company
Apr 2023 Managing Executive Officer of the Company (to the present)
Jun 2023 Director of the Company (to the present)

Standing Corporate Auditor



Yoshikazu Takezaki

Apr 1985 Entered the Company
Jun 2008 Manager of Human Resources Development Dept. of the Company
Apr 2015 Executive Officer of the Company
Apr 2021 Managing Executive Officer of the Company
Jun 2023 Standing Corporate Auditor of the Company (to present)

Standing Corporate Auditor



Katsushige Aoki

Apr 1986 Entered Sumitomo Chemical Co., Ltd.
Mar 2012 General Manager of Internal Control and Audit Dept. of Sumitomo Chemical Co., Ltd.
Jun 2019 Standing Corporate Auditor of the Company (to present)

Executive Officers

Managing Executive Officers

**Goichiro Kuwaki Masaya Fumita
Nobuyuki Sashida Makoto Suzuki
Shinichi Kajiji**

Executive Officers

**Alex Geskens
Hisao Nakanishi
Yasuhisa Ikeyama
Hiroshi Nomura
Takeshi Mori**

**Atsushi Tanaka
Toshihide Kanazawa
Hiromi Oki
Akiko Okubo**

Outside Corporate Auditor



Kazuhiko Yamagishi

Apr 1999 Lawyer registration
Sep 1995 New York State attorney registration
Mar 1998 Partner of Asahi Law Offices (to the present)
Jun 2015 Corporate Auditor of New Cosmos Electric Co., Ltd. (to the present)
Jun 2019 Outside Corporate Auditor of the Company (to the present)

Outside Corporate Auditor



Noriko Kawate

Apr 1999 Entered Deloitte Touche Tohmatsu LLC
Jul 2001 Certified Public Accountant registration
Apr 2003 Established Kawate CPA Office, Principal (to the present)
Nov 2004 Certified Tax Accountant registration
Feb 2008 Established CLEA Consulting Co., Ltd., Representative Director (to the present)
May 2011 Director of Ichigo Inc. (to the present)
Nov 2011 U.S. Certified Public Accountant registration
Feb 2015 Partner of Cast Global Group (to the present)
Jun 2021 Outside Corporate Auditor of the Company (to the present)
Outside Corporate Auditor of Nichireki Co., Ltd. (to the present)

Risk Management



Risk Management Structure

See page 26 regarding our Group's risk management structure. The Risk Management Committee is an organization tasked with discussing and approving issues and countermeasures that promote company-wide risk management, with activities in fiscal 2022 as outlined below.

Risk Management Committee

The Risk Management Committee held four meetings in fiscal 2022, at which instructions were given to individual risk management divisions and each business department to confirm progress and disclose details of initiatives for information disclosure based on the TCFD declaration, discuss standards for establishing a

"substitute" disaster relief headquarters in the event that the head office is affected by a disaster, and development of an overseas risk management manual given concerns of geopolitical risks. As for the major risk categories to be addressed in fiscal 2023, based on a survey to respective senior executive officers in charge of business segments and corporate departments, seven areas of risk were selected: raw material supply issues and price fluctuations; disasters, accidents, and pandemics; compliance with laws and regulations; product quality; geopolitical risks; information security incidents; and environmental impact reduction measures.

[Link](#) Page 26, Responding to Business Risks and Opportunities

Business Continuity Plans (BCPs)

Of the foreseeable disasters and accidents that could occur, we regard earthquakes; explosions, fires, and leaks; storm and flood damage, and pandemics as major emergencies. We prepare BCPs designed to ensure the continuity of business when such emergencies occur, and shares these with our clients as needed. Thus far, we have implemented measures such as ensuring adequate inventories of products and raw materials, ensuring redundancy with our production systems, augmenting our supplies of spare parts, and systematizing our restoration structures. With the cooperation of our suppliers, we are also confirming BCP upstream in the supply chain and examining additional countermeasures, while expanding the introduction of a predictive anomaly management system based on AI and IoT technologies as a preventive measure against fires and explosions that could occur in our Group.

Our response to the COVID-19 crisis since 2020 has included the establishment of a COVID-19 Emergency Taskforce and a

countermeasures secretariat at our head office, which operate flexibly as we deliberate measures to be taken in response to the state of the contagion, such as issuing notices as appropriate. We also consider there operations in revising our Companywide COVID-19 Infection Countermeasures Manual as needed. We also refer to this manual in our work of formulating a response framework and action plan for each of our subsidiaries in consideration of the differences in laws, regulations, and industry rules for the country in which each is located.

We recognize that the frequency with which disasters and incidents that we regard as major emergencies occur, as well as the magnitude and extent of their impacts, is changing every year as a result of advances in science and technology and the effects of climate change. As such, every year we verify the adequacy of our BCPs based on the latest information. Moving forward, we will continue to reassess our BCPs and provide training.

Information Security

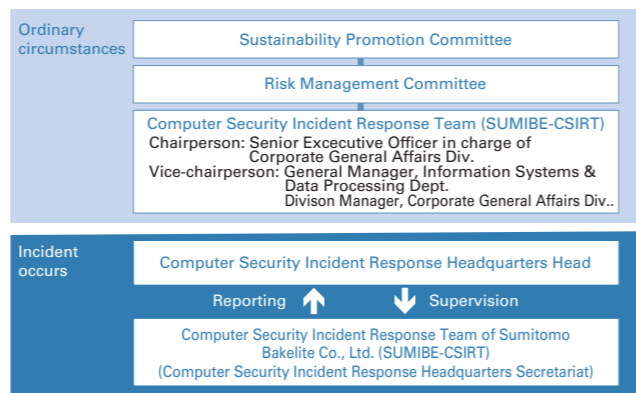
We retain an extensive array of personal information on customers, shareholders, employees, and others. In addition to personal information, we also retain trade secrets and other confidential information relating to our business partners. All of this is critical information that must never be leaked to outside parties, and we have therefore improved security in the operation of our information systems, including measures against cyberattacks, phishing sites, unauthorized intrusion, and malware infection, and have taken thorough measures to prevent leaks.

In fiscal 2022, measures to prevent security incidents such as cyberattacks included investigating vulnerabilities by security vendors, measures against vulnerabilities in place at global sites, measures against viral threats and sending alerts within our Group, planned migration of products no longer supported, security education for all PC users within the Group, and support for IT audits and improvements at overseas business sites. In order to enhance our countermeasures against security incidents, initiatives included quickly investigating suspicious emails or suspected risks, proper incident response by coordinating with relevant staff, holding joint training with CSIRT members, relevant departments, and other companies, and enhancing web filtering tools.

We have established the Computer Security Incident Response Team of Sumitomo Bakelite Co., Ltd. (SUMIBE-CSIRT). Under

both normal circumstances and when incidents arise, SUMIBE-CSIRT works together with the Corporate General Affairs Division, Information Systems & Data Processing Department, Personnel Division, Intellectual Property Department, and other relevant departments to respond to information security incidents.

System for Addressing Information Security Incidents



Compliance



Basic Approach and Policy Related to Compliance

Our Group emphasizes compliance because we recognize that adherence to laws and corporate ethics is integral to conducting business.

We have established Our Code of Conduct, which enables the Group to carry out its business activities without error, as well as the Code of Ethics for the Group of Sumitomo Bakelite Co., Ltd., a specific code of ethics and conduct from the perspective of compliance with laws, regulations, and corporate norms to be adhered to by Corporate Officers

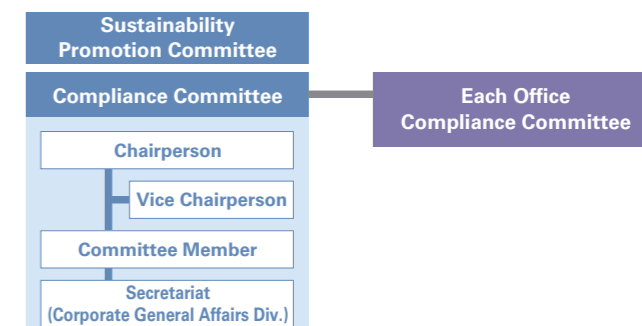
and employees of each Group company in the execution of their duties. The content of Our Code of Conduct and of the Code of Ethics for the Group of Sumitomo Bakelite Co., Ltd. is disseminated among Group Directors and employees through education at the time of hiring, education during compliance emphasis month in October every year (e-learning or reading in rotation in the workplace), and other means.

Compliance System

We established the Compliance Committee to minimize the risks of compliance violations at our Group, promote the creation of structures for compliance, and promote activities to raise awareness of compliance.

In fiscal 2022, the Compliance Committee met three times to establish the Code of Ethics for Group of Sumitomo Bakelite Co., Ltd., revise the Compliance Reporting System based on revision of the Whistleblower Protection Act, and examine the appropriateness of the Compliance Reporting System and discuss future issues.

Compliance System



[External link](#) Our Code of Conduct/Sumitomo Bakelite Group Code of Ethics

Compliance Slogans

Each department's workplace has decided on priority compliance items that must be observed in their daily work, and established them as a "compliance slogan." The items we have established are different for each department, and

we strive to make employees aware of them by posting them in the workplace and having them recite them regularly. Our affiliate companies in Japan and overseas, also undertake similar activities.

Compliance awareness using comics

Our monthly in-house newsletter contains an article titled "The Way to Become a Compliance Master!" This is an easy-to-understand explanation of compliance based on a 4-panel comic, and we have also published two booklets summarizing the serialized articles so far. These booklets are distributed to employees and used for compliance awareness.



Mamoru-kun He's a very active mid-level employee, and everyone relies on him. Mamoru-kun is able to offer appropriate advice throughout the company as a compliance master, which is especially appreciated given the spate of corporate scandals hitting Japan recently.

Internal Whistleblower System

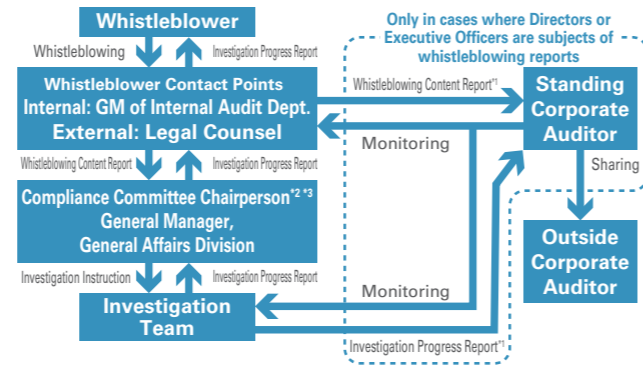
We have established an internal whistleblower system (which has been designated as the “Compliance Whistleblower System” at our Group). Under this system, employees can report to an internal contact point (GM of the Internal Audit Department) or an external contact point (Legal Counsel) when they have discovered a compliance violation or suspect there may have been such a violation, in an effort to promptly detect and preemptively prevent compliance violations. In addition to our Group’s directors, officers and employees, our Group’s stakeholders including those who have left the company, those going through the recruitment process, and business partners can also report incidents. The privacy of whistleblowers is rigorously protected to ensure that they are not placed at a disadvantage as a consequence of reporting violations.

In fiscal 2022 there were four cases reported to the Compliance Reporting System. The results of our investigations revealed that there were no major violations to laws and ordinances, such as violations of human rights (laws against child labor, forced labor, etc.), accounting fraud, corruption (bribery, breach of trust, money laundering, etc.), or the Antitrust Act, nor were there any cases that could have a significant negative impact on society. All of these cases were dealt with appropriately.

Moreover, some of our Group companies have established their own unique internal whistleblower systems, which are distinct from our group-wide Compliance Reporting System, by taking into consideration factors such as the legal requirements of the country in which they are located, their company size, and so forth. In fiscal 2022, there were eight cases reported to these unique internal whistleblower systems at these Group companies. The results of our

investigations revealed that there were no major violations to laws and ordinances, such as violations of human rights (laws against child labor, forced labor, etc.), accounting fraud, corruption (bribery, breach of trust, money laundering, etc.), or the Antitrust Act, nor were there any cases that could have a significant negative impact on society. All of these cases were dealt with appropriately.

Compliance Whistleblower System Response Flow



- *1 Information that can identify the whistleblower is removed from the report.
- *2 President
- *3 If the chairperson is the subject of the report, the vice chairperson will act for the chairperson.
- * If any member of the reporting contact point, Compliance Committee Chairperson, General Manager of the Corporate General Affairs & Legal Division, or a member of the investigation team has an interest in the facts under investigation, he or she is excluded from the reporting and information sharing.

[External link](#) Compliance Reporting System

Monitoring

In accordance with the Basic Policy on Internal Control Systems, the Internal Auditing Regulations, the Basic Rules and Regulations for Internal Control over Financial Reporting, the ‘Monozukuri’ Auditing Regulations, the Security Trade Control Regulations and other company regulations, the Internal Audit Dept., Corporate EHS Promotion Dept., Corporate General Affairs & Legal Dept., and other departments involved in internal auditing audit and assess the compliance of the Company and our Group companies, both in Japan and overseas. This is done mainly by means of site audits, at the actual sites, and written audits, via inspections of the results of self-audits, by the departments being audited. Audits and assessments

are conducted with monitoring from the standpoint of whether the operations of departments are in compliance with relevant laws and conform to various standards. Departments where issues are identified are required to submit written reports detailing actions taken to resolve the issues.

In fiscal 2022, auditing and assessment was conducted from the standpoints of environment, human rights, occupational health and safety, provision and use of products and services, management of customer information and data, proper accounting, and fair trade, with no significant violations of laws or regulations.

Policies and Initiatives for the Prevention of Corruption

We have established the Anti-Bribery Policy of Group of Sumitomo Bakelite Co., Ltd. and the Basic Rules and Regulations for Bribery Prevention for Group of Sumitomo Bakelite Co., Ltd., thereby establishing standards of conduct and compliance for Officers and employees, as well as a zero-tolerance approach to bribery and extortion of benefits. We advance anti-bribery initiatives based on the anti-bribery laws and regulations in the countries where our Group companies are located, and the level of bribery

risk in each country and business field. Furthermore, the Code of Ethics for Group of Sumitomo Bakelite Co., Ltd. prohibits corrupt acts such as embezzlement, breach of trust, money laundering, and insider trading, which constitute abuse of authority or position in one’s duties for personal or organizational gain.

[External link](#) Policies and Initiatives for the Prevention of Corruption

Corporate Data

Business name	Sumitomo Bakelite Co., Ltd.
Head Office address	5-8 Higashi-Shinagawa 2-chome, Shinagawa-ku, Tokyo 140-0002, Japan
President and Representative Director	Kazuhiko Fujiwara
Established	January 25, 1932
Share capital (As of March 31, 2023)	¥37.1 billion

Number of shareholders (As of March 31, 2023)	10,932
Stock listing (As of March 31, 2023)	Tokyo Stock Exchange, Prime Market
Number of employees (As of March 31, 2023)	1,594 (non-consolidated) 8,044 (consolidated)
Net sales/Revenue (Fiscal, 2022)	¥99.7 billion (non-consolidated) ¥284.9 billion (consolidated)

Principal shareholders (as of March 31, 2023)

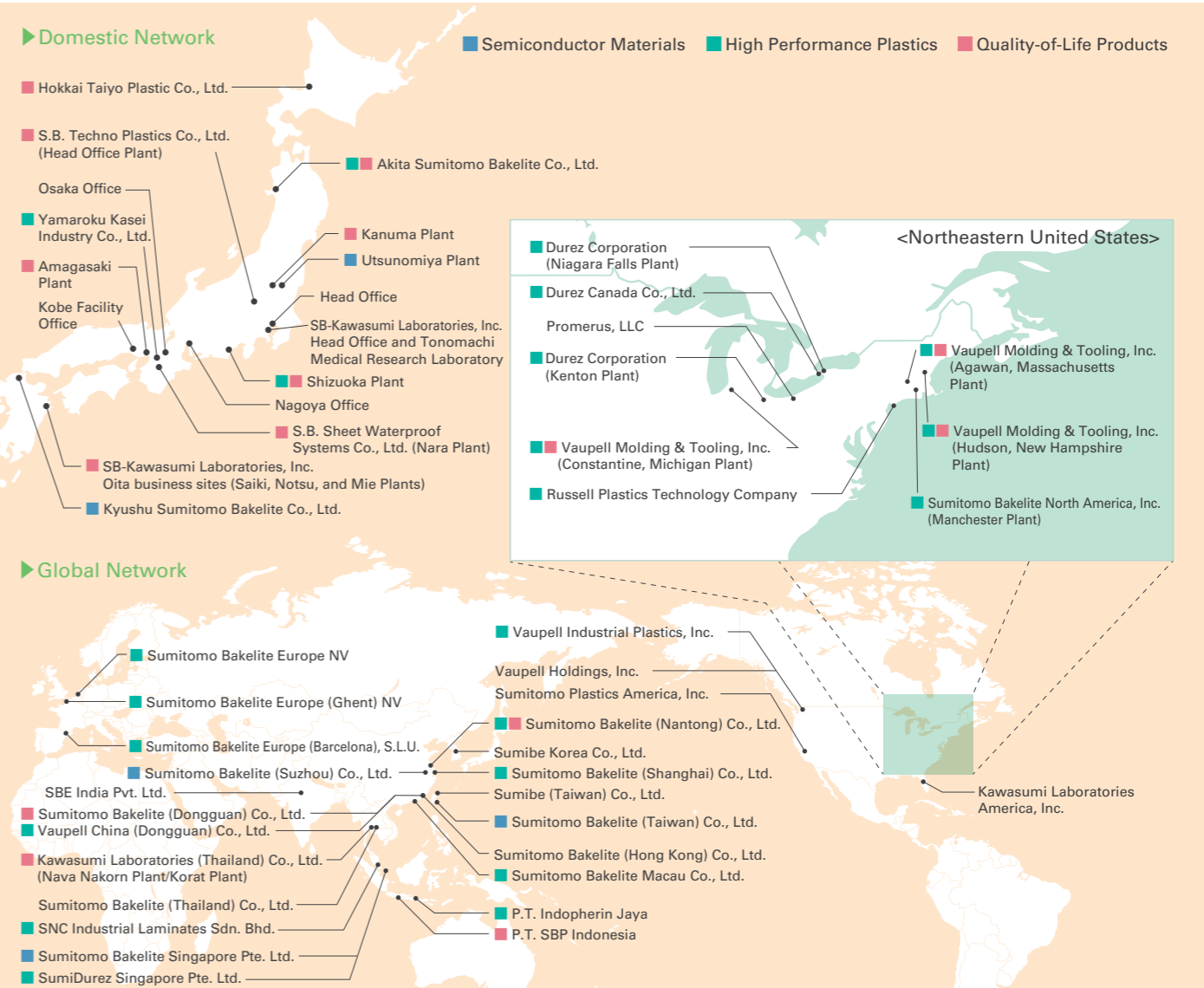
Name	Number of stocks held (Unit: 1,000 shares)	Shareholding ratio (%)
Sumitomo Chemical Co., Ltd.	10,509	22.34
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,805	16.59
Custody Bank of Japan, Ltd. (Trust Account)	3,360	7.14
STATE STREET BANK AND TRUST COMPANY 505001	934	1.99
JAPAN POST INSURANCE Co., Ltd.	895	1.90
Custody Bank of Japan, Ltd. (Retirement Payment Account of Sumitomo Mitsui Trust Bank)	873	1.86

Name	Number of stocks held (Unit: 1,000 shares)	Shareholding ratio (%)
Sumitomo Mitsui Banking Corporation	872	1.85
GOVERNMENT OF NORWAY	621	1.32
HSBC-FUND SERVICES CLIENTS A/C 500 HKMPF 10PCT POOL	604	1.28
SUMITOMO LIFE INSURANCE COMPANY	523	1.11

- (Notes)
 1. The Company holds 2,535 thousand shares of treasury stock, which are excluded from stock held by the principal shareholders listed above.
 2. Percentage of total number of issued stocks is calculated based on the total number of issued stocks less treasury stocks.

Group Companies

We operate in 15 countries and regions, including Japan. Manufacturing sites are as shown in the figure below.



Group of Sumitomo Bakelite Co., Ltd. (as of April 1, 2023)

Consolidated subsidiaries (46)

- Akita Sumitomo Bakelite Co., Ltd.
- Kyushu Sumitomo Bakelite Co., Ltd.
- S.B. Techno Plastics Co., Ltd.
- Hokkai Taiyo Plastic Co., Ltd.
- Yamaroku Kasei Industry Co., Ltd.
- S.B. Research Co., Ltd.
- S.B. Sheet Waterproof Systems Co., Ltd.
- Softec Co., Ltd.
 - └ Seibu Jushi Co., Ltd.
- Sunbake Co., Ltd.
- Tsutsunaka Kosan Co., Ltd.
- SB-KAWASUMI LABORATORIES, INC.*1
 - └ Kawasumi Laboratories (Thailand) Co., Ltd.
 - └ Kawasumi Laboratories America, Inc.
- Sumitomo Bakelite Singapore Pte. Ltd.
 - └ Sumitomo Bakelite (Suzhou) Co., Ltd.
 - └ Sumitomo Bakelite (Thailand) Co., Ltd.
- SumiDurez Singapore Pte. Ltd.
- SNC Industrial Laminates Sdn. Bhd.
- PT. Indopherin Jaya
- PT. SBP Indonesia
- Sumitomo Bakelite (Taiwan) Co., Ltd.
- Sumitomo Bakelite (Shanghai) Co., Ltd.
- Sumitomo Bakelite (Nantong) Co., Ltd.
- Sumitomo Bakelite Hong Kong Co., Ltd.
- Sumitomo Bakelite (Dongguan) Co., Ltd.
- Sumitomo Bakelite Macau Co., Ltd.
- Sumitomo Bakelite North America Holding, Inc.
 - └ Sumitomo Plastics America, Inc.
 - └ Durez Corporation
 - └ Hardin Land Company LLC
 - └ Durez Canada Co., Ltd.
 - └ Promerus, LLC
 - └ Sumitomo Bakelite North America, Inc.
 - └ H.I.G. Vaupell Holdings, LLC
 - └ Vaupell Holdings, Inc.
 - └ Vaupell Molding & Tooling, Inc.
 - └ W. Brookfield Holding, Inc.
 - └ Russell Plastics Technology Company, Inc.
 - └ Vaupell Industrial Plastics, Inc.
 - └ Vaupell Rong Feng Holdings, LLC
 - └ Rong Feng (H.K.) Industries Ltd.
 - └ Vaupell China (Dongguan) Co., Ltd.
- Sumitomo Bakelite Europe NV
 - └ Sumitomo Bakelite Europe (Ghent) NV
 - └ Sumitomo Bakelite Europe (Barcelona), S.L.U.

Non-consolidated subsidiaries (9)

- S.B. Information System Co., Ltd.
- Sumibe Service Co., Ltd.
- S.B. Recycle Co., Ltd.
- SB Holland B.V.
- Sumibe Korea Co., Ltd.
- SBE India Pvt. Ltd.
- Sumibe (Taiwan) Co., Ltd.
- Vaupell Europe GmbH
- Namsin Trading Co., Ltd.

Affiliated companies accounted for using equity method (0)

None

Affiliated companies not accounted for using equity methods (7)

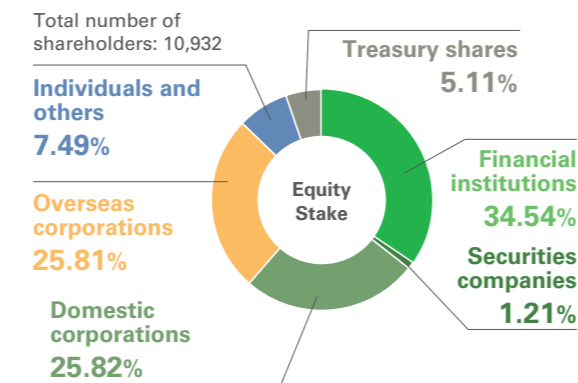
- Otomo Chemical Co., Ltd.
- Green Chemicals Co., Ltd.
- Akita EV Bus LLP
- Changchun SB (Changshu) Co., Ltd.
- Tsu-Kong Co., Ltd.
- S&G Biotech Inc.
- Fresenius Medical Care Japan K.K.

	Consolidated	Equity method	Non-consolidated	Other	Total
Japan	12	0	3	4	19
Overseas	34	0	6	3	43
Total	46	0	9	7	62

*1 Kawasumi Laboratories, Inc. was renamed SB-KAWASUMI LABORATORIES, INC. on October 1, 2021.

Shareholder Information and Equity Stake (as of March 31, 2023)

Total number of shares issued: 49,590,478



External Assessments/Inclusion in the indexes

FTSE4Good
FTSE4Good index established by FTSE Russell, a worldwide provider of market indexes, is composed of companies selected from major companies around the world for demonstrating outstanding ESG practices. As of the end of March 2023, FTSE4Good has selected 1,074 companies from developed countries, including 226 Japanese companies. Our Company has been selected for inclusion in the index for the fifth consecutive year since 2019.

FTSE Blossom Japan Index
This index was established by FTSE Russell, and is composed of Japanese companies selected for demonstrating outstanding ESG practices. Selected from among the shares on the FTSE Japan Index, it is designed to contain a distribution of industries equal to that of the Japanese stock market. Our Company had a comprehensive evaluation of 3.1 as of June 2023.

FTSE Blossom Japan Sector Relative Index
This index selects companies with a focus on FTSE Russell's ESG ratings, and includes only companies that are valued for their climate governance and climate change initiatives, particularly among those with high greenhouse gas emissions. Our Company had a comprehensive evaluation of 3.1 as of June 2023.

S&P/JPX Carbon Efficient Index
A joint-brand index by S&P Dow Jones Indices LLC and the Japan Exchange Group (JPX). Selected from TOPIX shares, it is weighted toward companies with outstanding carbon efficiency and environmental information disclosure. From June 2023, our Company has received a decile class rating of 1 and an information disclosure status rating of "Disclosed."

EcoVadis Sustainability Rating 2022: Gold
EcoVadis SAS was established in 2007 as an institution that evaluates the ESG efforts of companies in order to improve the environmental and social practices of companies across their whole supply chains. Thus far, it has assessed approximately 100,000 companies in 200 industries and 175 countries and regions in terms of their policies, measures taken and performance in the four categories of environment, labor & human rights, ethics, and sustainable resource procurement. EcoVadis confers its Gold rating only on companies performing within the top 5% of the plastic manufactures it evaluates.

CDP "Climate Change 2022"
Established to carry out activities seeking information disclosure from corporations on their greenhouse gas emissions and efforts to counter climate change, CDP has been measuring and managing the environmental impact of industry since its start in 2000. More than 18,700 companies have disclosed climate change information (2022 data), and CDP scores companies' environmental performance on a scale topped by the "A" rating. Our Company has received a score of B.

CDP "Water Security 2022"
CDP Water Security is a program seeking disclosure of information on risks affecting water security. Our Company compiles statistics on items including water withdrawals/discharges and treatment methods which is useful in understanding data on water stress. Our Company has received a score of B.

SOMPO Sustainability Index
In 2023, our Company was selected for inclusion for the fourth consecutive year in the SOMPO Sustainability Index, established independently by Sompo Asset Management Co., Ltd. The roughly 300 shares comprising the index are selected each year for outstanding environmental, social and governance (ESG) performance. It is used for the SOMPO Sustainable Operation program.

iSTOXX® MUTB Japan Platinum Career 150 Index
The iSTOXX® MUTB Japan Platinum Career 150 Index is an ESG index focusing on "human capital," jointly developed by Mitsubishi UFJTrust and Banking Corporation and STOXX Limited an index provider affiliated with the Deutsche Börse Group. The index comprises 150 companies actively engaged in building employees' careers from three perspectives: "long-term view," "active learning," and "social contribution." Our Company has been selected as a company for inclusion in the index.

MSCI Japan Empowering Women (WIN) Select Index
The "MSCI Japan Empowering Women (WIN) Select Index" is constructed based on gender diversity score, by selecting companies that excel in gender diversity from the top 700 brands by market capitalization (MSCI Japan IMI Top 700 Index). Our Company has been selected as one of the 379 companies for inclusion in the index. We had a gender diversity score of "4.7" as of June 2023.
* The inclusion of Sumitomo Bakelite Co., Ltd. in any MSCI index, and the use of MSCI logos, trademarks, service marks, or index names herein, do not constitute a sponsorship, endorsement, or promotion of Sumitomo Bakelite Co., Ltd. by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

JPX-Nikkei Index 400
The JPX-Nikkei Index 400 is composed of companies with high appeal for investors, which meet requirements of global investment standards, such as efficient use of capital and investor-focused management perspectives, and promotes the appeal of Japanese corporations domestically and abroad, while encouraging continued improvement of corporate value, thereby aiming to revitalize the Japanese stock market. Our Company was selected for the first time in FY2023 for inclusion in the "JPX-Nikkei Index 400."

Financial Data

Financial Summary

Japanese GAAP (Fiscal 2011 to 2016)						
Fiscal year	2011	2012	2013	2014	2015	2016
(Millions of yen)						
Financial results						
Net sales	185,237	183,362	206,047	209,659	206,956	198,199
Operating income	4,726	7,956	10,702	10,904	10,241	16,879
Ordinary income	5,931	8,551	11,498	11,263	10,598	17,324
Income before income taxes and non-controlling interests	3,689	6,532	10,540	11,344	7,410	14,466
Profit attributable to owners of parent	2,525	3,443	6,493	7,113	3,828	10,622
Financial position						
Total assets	201,315	213,826	236,825	285,927	260,122	263,742
Equity	117,997	130,044	148,936	169,215	157,319	165,353
Interest-bearing debt	27,433	29,553	35,063	61,066	50,898	43,133
Cash flows						
Cash flows from operating activities	6,730	16,644	17,852	15,672	19,233	23,427
Cash flows from investing activities	(13,340)	(13,088)	(15,220)	(36,353)	(6,962)	(7,987)
Free cash flows	(6,609)	3,556	2,632	(20,681)	12,271	15,440
Cash flows from financing activities	(3,942)	(642)	2,722	23,467	(15,530)	(10,245)
Per-share data (Yen)						
Net assets per share	489.78	539.81	618.28	702.53	668.44	702.63
Earnings per share	10.48	14.29	26.96	29.53	16.01	45.14
Cash dividends per share	12.50	10.00	10.00	10.00	10.00	10.00
Financial indicators (%)						
Return on Equity (ROE)	2.1	2.8	4.7	4.5	2.3	6.6
Return on Assets (ROA)	2.9	4.1	5.1	4.3	3.9	6.6
Ratio of operating income to net sales	2.6	4.3	5.2	5.2	4.9	8.5
Equity ratio	58.6	60.8	62.9	59.2	60.5	62.7
Debt/Equity ratio (D/E)	23.2	22.7	23.5	36.1	32.4	26.1
Price earnings ratio (PER) (times)	41.6	27.4	14.7	18.1	27.5	14.8
Price book value ratio (PBR) (times)	0.9	0.7	0.6	0.8	0.7	1.0
Dividend payout ratio	119.3	70.0	37.1	33.9	62.5	22.2
Other						
Capital expenditures	14,565	17,588	13,263	11,812	9,697	10,341
Depreciation and amortization	10,465	10,393	10,969	9,256	10,843	10,003
Research and development expenses	13,047	12,325	11,881	10,253	10,448	9,659
Number of employees (persons)	6,997	5,215	5,262	6,747	6,358	5,958

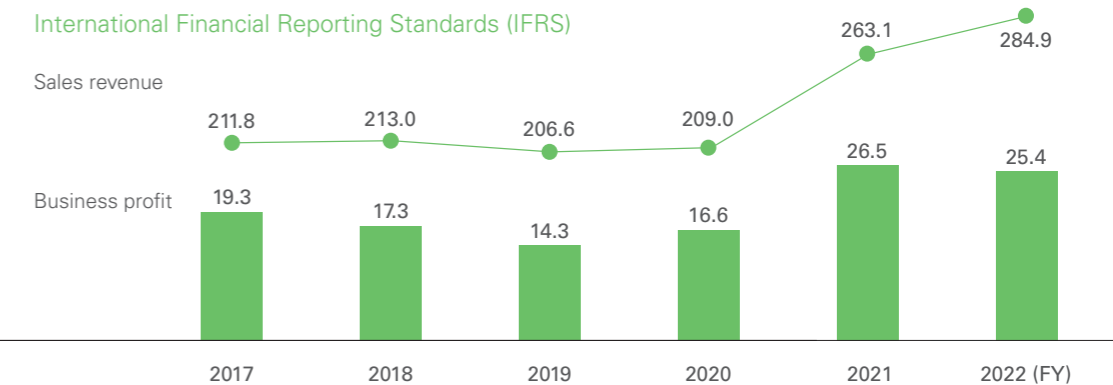
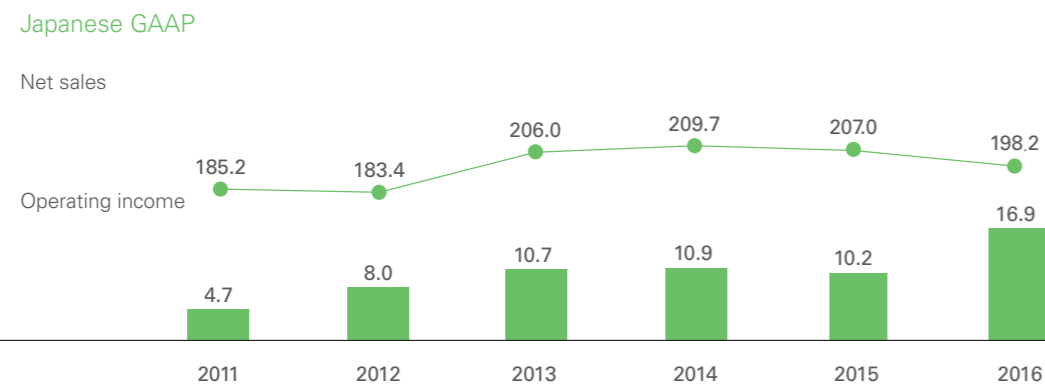
*1 "Business profit" is calculated by deducting "cost of sales" and "selling, general and administrative expenses" from "revenue."

*2 As the share consolidation of each 5 shares of common shares into 1 share was exercised effective on October 1, 2018, "equity attributable to owners of parent per share" and "basic earnings per share" is calculated with the assumption that the share consolidation had exercised at the beginning of fiscal 2017.

"Cash dividends per share" for fiscal 2018 is calculated with taking such share consolidation into consideration.

International Financial Reporting Standards (IFRS; Fiscal 2017 to 2022)						
Fiscal year	2017	2018	2019	2020	2021	2022
(Millions of yen)						
Financial results						
Revenue	211,819	212,952	206,620	209,002	263,114	284,939
Business profit ^{*1}	19,251	17,293	14,346	16,642	26,489	25,448
Operating profit	18,598	13,587	10,285	19,914	24,887	24,823
Profit before tax	19,495	19,548	11,499	16,139	25,880	26,736
Profit attributable to owners of parent	15,078	15,084	8,986	13,198	18,299	20,289
Financial position						
Total assets	272,247	284,898	283,322	345,763	370,836	378,457
Total equity attributable to owners of parent	168,450	178,818	177,138	200,205	229,784	255,358
Interest-bearing debt	43,694	45,401	48,607	76,748	63,263	48,542
Cash flows						
Cash flows from operating activities	22,054	20,191	22,206	27,405	27,920	23,618
Cash flows from investing activities	(11,745)	(15,616)	(10,377)	(14,993)	(10,468)	(15,648)
Free cash flows	10,310	4,575	11,829	12,412	17,452	7,970
Cash flows from financing activities	(2,453)	(2,224)	(4,041)	21,768	(19,308)	(22,954)
Per-share data (Yen)^{*2}						
Equity attributable to owners of parent per share	3,579.19	3,799.77	3,764.17	4,254.48	4,883.23	5,426.86
Basic earnings per share	320.36	320.51	190.96	280.46	388.86	431.19
Cash dividends per share	12.00	75.00	75.00	75.00	110.00	130.00
Financial indicators (%)						
Profit to equity attributable to owners of parent ratio (ROE)	9.3	8.7	5.0	7.0	8.5	8.4
Profit before tax to total assets ratio (ROA)	7.4	7.0	4.0	5.1	7.2	7.1
Business profit to revenue ratio	9.1	8.1	6.9	8.0	10.1	8.9
Ratio of equity attributable to owners of parent	61.9	62.8	62.5	57.9	62.0	67.5
Debt/Equity ratio (D/E)	26.0	25.4	27.4	38.3	27.5	19.0
Price earnings ratio (PER) (times)	14.7	12.4	12.0	16.1	12.8	12.0
Price book value ratio (PBR) (times)	1.3	1.0	0.6	1.1	1.0	1.0
Dividend payout ratio	18.7	23.4	39.3	26.7	28.3	30.1
Other						
Capital expenditures	11,024	11,346	10,773	11,138	14,063	18,313
Depreciation and amortization	9,793	10,152	11,278	12,259	13,221	13,774
Research and development expenses	10,053	10,235	10,338	10,363	10,731	11,582
Number of employees (persons)	5,708	5,898	5,969	7,937	7,916	8,044

Operating Performance (billion yen)



Consolidated Statements of Financial Position

	(Millions of yen)	
	Previous consolidated accounting year March 31, 2022	Current consolidated accounting year March 31, 2023
Assets		
Current assets		
Cash and cash equivalents	109,217	99,620
Trade and other receivables	59,414	60,954
Other financial assets	47	1,133
Inventories	50,276	57,708
Other current assets	4,337	3,801
Total current assets	223,291	223,216
Non-current assets		
Property, plant and equipment	101,456	107,479
Right-of-use assets	6,963	7,603
Goodwill	1,260	1,343
Other intangible assets	2,488	2,528
Other financial assets	27,539	27,132
Retirement benefit asset	5,500	6,777
Deferred tax assets	2,211	2,134
Other non-current assets	128	246
Total non-current assets	147,546	155,242
Total assets	370,836	378,457

	(Millions of yen)	
	Previous consolidated accounting year March 31, 2022	Current consolidated accounting year March 31, 2023
Liabilities and equity		
Liabilities		
Current liabilities		
Borrowings	35,155	21,824
Trade and other payables	56,316	52,826
Other financial liabilities	1,422	1,359
Income taxes payable	3,241	2,458
Provisions	200	194
Other current liabilities	776	1,107
Total current liabilities	97,110	79,767
Non-current liabilities		
Borrowings	23,467	21,407
Other financial liabilities	3,578	4,031
Retirement benefit liability	4,148	4,031
Provisions	1,235	1,229
Deferred tax liabilities	8,592	9,773
Other non-current liabilities	571	527
Total non-current liabilities	41,591	40,999
Total liabilities	138,701	120,766
Equity		
Share capital	37,143	37,143
Capital surplus	35,137	35,137
Treasury shares	(6,794)	(6,799)
Other components of equity	24,915	34,475
Retained earnings	139,383	155,403
Total equity attributable to owners of parent	229,784	255,358
Non-controlling interests	2,352	2,333
Total equity	232,136	257,692
Total liabilities and equity	370,836	378,457

Consolidated Statements of Income

	(Millions of yen)	
	Previous consolidated accounting year (From April 1, 2021 to March 31, 2022)	Current consolidated accounting year (From April 1, 2022 to March 31, 2023)
Revenue	263,114	284,939
Cost of sales	(182,708)	(203,587)
Gross profit	80,406	81,353
Selling, general and administrative expenses	(53,917)	(55,905)
Business profit	26,489	25,448
Other income	150	243
Other expenses	(1,753)	(868)
Operating profit	24,887	24,823
Finance income	1,291	2,388
Finance costs	(298)	(475)
Profit before tax	25,880	26,736
Income tax expenses	(7,220)	(6,142)
Profit	18,660	20,595
Profit attributable to		
Owners of parent	18,299	20,289
Non-controlling interests	361	305
Profit	18,660	20,595
Earnings per share		
Basic earnings per share (Yen)	388.86	431.19
Diluted earnings per share (Yen)	—	—

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Previous consolidated accounting year (From April 1, 2021 to March 31, 2022)	Current consolidated accounting year (From April 1, 2022 to March 31, 2023)
Profit	18,660	20,595
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(750)	(84)
Remeasurements of defined benefit plans	1,683	1,073
Total items that will not be reclassified to profit or loss	932	989
Items that may be reclassified to profit or loss		
Cash flow hedges	60	10
Exchange differences on translation of foreign operations	14,980	10,013
Total items that may be reclassified to profit or loss	15,040	10,023
Other comprehensive income, net of tax	15,973	11,013
Comprehensive income	34,632	31,608
Comprehensive income attributable to:		
Owners of parent	34,058	31,227
Non-controlling interests	574	381
Comprehensive income	34,632	31,608

Data

Consolidated Statements of Changes in Equity

(Millions of yen)

Previous consolidated accounting year (From April 1, 2021 to March 31, 2022)											
Total equity attributable to owners of parent											
Variable items	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity					Non-controlling interests	Total equity
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash/Flow/Hedges	Exchange differences on translation of foreign operations	Total		
Balance at beginning of current period	37,143	35,137	(6,785)	124,052	10,431	—	(111)	338	10,658	1,936	202,141
Profit	—	—	—	18,299	—	—	—	—	—	361	18,660
Other comprehensive income	—	—	—	—	(750)	1,674	60	14,776	15,759	213	15,973
Comprehensive income	—	—	—	18,299	(750)	1,674	60	14,776	15,759	574	34,632
Dividends from surplus	—	—	—	(4,470)	—	—	—	—	—	(159)	(4,629)
Purchase of treasury shares	—	—	(9)	—	—	—	—	—	—	—	(9)
Transfer from other components of equity to retained earnings	—	—	—	1,503	171	(1,674)	—	—	(1,503)	—	—
Total transactions with owners	—	—	(9)	(2,968)	171	(1,674)	—	—	(1,503)	(159)	(4,638)
Balance at end of current period	37,143	35,137	(6,794)	139,383	9,852	—	(52)	15,114	24,915	2,352	232,136

(Millions of yen)

Current consolidated accounting year (From April 1, 2022 to March 31, 2023)											
Total equity attributable to owners of parent											
Variable items	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity					Non-controlling interests	Total equity
					Financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Cash/Flow/Hedges	Exchange differences on translation of foreign operations	Total		
Balance at beginning of current period	37,143	35,137	(6,794)	139,383	9,852	—	(52)	15,114	24,915	2,352	232,136
Profit	—	—	—	20,289	—	—	—	—	—	305	20,595
Other comprehensive income	—	—	—	—	(84)	1,072	10	9,939	10,937	76	11,013
Comprehensive income	—	—	—	20,289	(84)	1,072	10	9,939	10,937	381	31,608
Dividends from surplus	—	—	—	(5,647)	—	—	—	—	—	(400)	(6,047)
Purchase of treasury shares	—	—	(5)	—	—	—	—	—	—	—	(5)
Transfer from other components of equity to retained earnings	—	—	—	1,377	(305)	(1,072)	—	—	(1,377)	—	—
Total transactions with owners	—	—	(5)	(4,270)	(305)	(1,072)	—	—	(1,377)	(400)	(6,052)
Balance at end of current period	37,143	35,137	(6,799)	155,403	9,463	—	(41)	25,053	34,475	2,333	257,692

Consolidated Statements of Cash Flows

(Millions of yen)

	Previous consolidated accounting year (From April 1, 2021 to March 31, 2022)	Current consolidated accounting year (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before tax	25,880	26,736
Depreciation and amortization	13,221	13,774
Impairment losses	1,295	—
Interest and dividend income	(1,186)	(2,388)
Interest expenses	298	331
Decrease (increase) in trade and other receivables	(4,441)	(123)
Increase (decrease) in trade and other payables	7,207	(5,646)
Decrease (increase) in inventories	(8,089)	(5,581)
Others, net	(108)	(62)
Subtotal	34,076	27,041
Interest received	344	1,251
Dividends received	625	1,244
Interest paid	(300)	(332)
Income taxes paid	(6,825)	(5,586)
Net cash provided by (used in) operating activities	27,920	23,618
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,409)	(14,971)
Proceeds from sale of property, plant and equipment	43	118
Purchase of investment securities	(16)	(17)
Proceeds from sale of investment securities	2,619	625
Payments into time deposits	(0)	(1,845)
Proceeds from withdrawal of time deposits	—	857
Others, net	(705)	(415)
Net cash provided by (used in) investing activities	(10,468)	(15,648)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	91	(411)
Increase (decrease) in commercial papers	9,000	(13,000)
Repayment of long-term borrowings	(22,689)	(2,507)
Repayments of lease liabilities	(1,072)	(985)
Dividends paid	(4,470)	(5,647)
Dividends paid to non-controlling interests	(159)	(400)
Others, net	(9)	(5)
Net cash provided by (used in) financing activities	(19,308)	(22,954)
Effect of exchange rate changes on cash and cash equivalents	7,897	5,387
Net increase (decrease) in cash and cash equivalents	6,042	(9,597)
Cash and cash equivalents at beginning of period	103,175	109,217
Cash and cash equivalents at end of period	109,217	99,620

Site Report

Below you will find summary information about each business site and subsidiary company.

* Air and water quality conservation: “No problems” indicates no particular environmental impacts were detected during the period from April 2022 to March 2023 in measurements and assessments of air and water quality in the form of values exceeding the regulated threshold to be complied with (prefectural ordinances, regional agreements, our own standards, etc.). Data for certain business sites covers the period from January to December 2022.

Main table with 8 columns: Area, Business site name / Company name, Address, Number of employees, Commencement of operations, Total site area, Main operation products, Air and water quality conservation. Rows include Japan, Subsidiaries in Japan, Overseas: China, Macau, and Taiwan, and Overseas: Southeast Asia.

Navigation table with 7 columns: Purpose/Vision, Message from the President, A History of Value Creation, Financial/ Non-financial Highlights, Explanation of Medium-term Business Plan, Special Feature on Key Measures of Medium-term Business Plan, Message from Finance and Accounting Officer. Includes a 'Data' tab and a 'To Table of Contents' button.

Large table with 8 columns: Area, Business site name / Company name, Address, Number of employees, Commencement of operations, Total site area, Main operation products, Air and water quality conservation. Rows are categorized by region: Overseas: Southeast Asia, Overseas: North America, and Overseas: Europe.

Our Environmental Protection Activity Journey


Year	Sumitomo Bakelite Group's initiatives	Social developments
1969	● Pollution countermeasures secretariat established	
1973	● Environmental Management Division established ● Environmental auditing of domestic business sites commenced	
1974	● Environmental management departments established for all business sites	
1978	● Environmental auditing of domestic subsidiaries commenced	
1987		● Montreal Protocol on Substances that Deplete the Ozone Layer adopted
1990	● Environmental Issue Action Committee established. Appointment of director in charge	
1991	● Recycling Technology Action Office established	● Law Promoting the Use of Recycled Resources enacted
1992	● S.B. Recycle established	● United Nations Conference on Environment and Development (UNCED or Earth Summit) results in the "Rio Declaration on Environment and Development," "Agenda 21," etc.
1993	● Environment and Safety Voluntary Plan drafted ● Environment and safety management regulations established ● Environmental audits of overseas subsidiaries commenced	● The Basic Environment Law enacted
1994	● Use of certain CFCs and 1,1,1-trichloroethane ceases	
1995	● Responsible Care Committee established ● The Company joins the Japan Responsible Care Council as a founding member	● Japan Responsible Care Council (JRCC) established ● Law for Promotion of Sorted Collection and Recycling of Containers and Packaging enacted
1997	● Revised Corporate Policies for Safety, Health, and the Environment ● Utsunomiya Plant and Sumitomo Bakelite Singapore obtain ISO 14001 certification	● Kyoto Protocol adopted by the Third Conference of the Parties of the United Nations Framework Convention on Climate Change (COP3)
1998	● First Environmental Activities Report issued	
1999	● All Sumitomo Bakelite plants obtain ISO 14001 certification	● Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management enacted ● Law Concerning Special Measures against Dioxins enacted
2000	● Environmental accounting implemented	● Basic Law for Establishing the Recycling-Based Society enacted
2001	● Environmental Report issued (independent reviews conducted)	● Law Concerning Special Measures against PCB Waste enacted
2002	● Scope of Environmental Report expanded to include subsidiaries in Japan ● Tokyo Kakohin receives an award for promoting a "3R" policy of reduce, reuse, and recycle ● Risk Management Committee established	● Soil Contamination Countermeasures Act enacted ● Japan adopts COP3 Kyoto Protocol ● World Summit on Sustainable Development adopts Johannesburg Declaration on Sustainable Development
2003	● Yamaroku Kasei Industry certified as the Company's first zero waste emissions plant ● Compliance Committee established	● Building Code revised to resolve "sick building" syndrome
2004	● Shizuoka Plant commences operations of a cogeneration system	● Air Pollution Prevention Law revised to reduce volatile organic compound (VOC) emissions
2005	● Title of annual Environmental Report changed to Environmental & Social Report to reflect broader coverage of social initiatives ● Sumitomo Bakelite (Taiwan) recognized as the Sumitomo Bakelite Group's first overseas zero emissions production business site	● Kyoto Protocol goes into effect ● Ordinance on Prevention of Health Impairment due to Asbestos
2007		● The new EU Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) comes into force
2008	● Thirty of the business sites of the Sumitomo Bakelite Group in Japan and overseas obtained ISO 14001 certification ● Start of soil and groundwater pollution remediation measures at a site owned by Sano Plastic following the dismantling of a factory building there ● The company signs Responsible Care Global Charter ● Start of mechanical equipment risk assessment	● G8 Hokkaido Toyako Summit
2009	● Inauguration of multilingual Material Safety Data Sheet (MSDS) system ● Begins participating as a partner in the Declaration of Biodiversity of the Japan Business Federation (Nippon Keidanren)	● Revised Act on the Rational Use of Energy takes effect ● The 15th Conference of the Parties (COP15) held with the United Nations Climate Change Conference
2010	● Establishment of the Environmental Impact Reduction Committee ● The Sumitomo Bakelite Group begins leakage risk assessments at its business sites in Japan and overseas	● The 10th Conference of the Parties (COP10) to the Convention on Biological Diversity
2011	● Presentation to Tochigi Prefectural Government of the report on the remediation construction work conducted at the Sano Plastic site ● Standards for preparation of the Environmental & Social Report changed to conform with the GRI guidelines	● The 17th Conference of Parties (COP17) to the United Nations Framework Convention on Climate Change ● The Great East Japan Earthquake
2012	● The biotope project starts at the Shizuoka Plant ● Work to excavate and remove contaminated soil and to purify contaminated groundwater in the premises of the Totsuka Office after its closure ● Zero emissions achieved at all domestic plants ● Start of chemical materials risk assessment	● The 18th Conference of Parties (COP18) to the United Nations Framework Convention on Climate Change and the 8th Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP8) ● Following the accident at the Fukushima Daiichi Nuclear Power Plant of Tokyo Electric Power Company caused by the Great East Japan Earthquake, operation of all 54 commercial nuclear reactors in Japan suspended. Of the 54, only two at the Oi Nuclear Power Plant of Kansai Electric Power Company resumed operation
2013	● Completion of decontamination at the former Totsuka Plant reported to Yokohama City	● The 19th Conference of Parties (COP19) to the United Nations Framework Convention on Climate Change and the 9th Conference of the Parties serving as the Meeting of the Parties to the Kyoto Protocol (CMP9)
2014	● The Company signs the revised Responsible Care Global Charter ● Environmental rating by the Development Bank of Japan (DBJ environmental rating): Gained A ● Compilation of certain Scope 3 data starts at business sites in Japan ● Start of risk assessment for fire by explosion	● Revision to the Responsible Care Global Charter (6th element) ● Revision to the Industrial Safety and Health Act starts requiring businesses to perform risk assessments of chemical substances
2015	● Revised the Company's Environment and Safety management guidelines, and established a new Responsible Care Activity Guideline in accordance with the Responsible Care Global Charter revised in 2014. ● Began to understand regional watershed risk of all major plants in the Group	● ISO 14001 Revised ● Implementation of the amended Law Concerning the Discharge and Control of Fluorocarbons ● Revision to the Water Pollution Control Act (revised wastewater standards) ● Revision to the Soil Contamination Countermeasures Act (amended specified toxic substances) ● Paris Agreement: Establishment of international targets on climate change
2016	● Changed the name of the Environment and Social Report to the CSR Report and prepared it in compliance with the GRI Guidelines (Ver. 4)	● Revisions to Japan's Industrial Safety and Health Law (concerning chemical substance risk assessment) take effect ● Revisions made to Japan's Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes (requiring systematic disposal prior to treatment expiration)
2017	● Opened the biotope at Shizuoka Plant to the general public	
2018	● CSR Report 2018: Prepared report based on the report preparation standards compliance with the "Core" option of the GRI Guideline/Standard. ● Established the SDG Promotion and Preparation Project Team, presented in specific detail the areas of SDGs that the Company will focus on, and promoted the necessary measures on a company-wide scale.	● Ocean Plastics Charter announced at the G7 Summit (not signed by Japan and the United States) ● Climate Change Adaptation Act enacted (Along with "alleviation," which mainly aims to reduce the emission of greenhouse gases, this act provides for a certain degree of "adaptation" to climate change)
2019	● Sustainability Promotion Committee launched, committee related to promoting sustainability activities organized, and the position and roles of each committee clarified ● Our company received a score of "B" in the "CDP Climate Change 2019"	● Clean Ocean Material Alliance (CLOMA) launched to promote initiatives to resolve the problem of marine plastics
2020	● Environmental Vision for 2050 (net zero) Declaration ● Our company received a score of "A-" in the "CDP Climate Change 2020" ● Our company received a score of "B-" in the "CDP Water Security 2020"	● 2050 Carbon Neutral Declaration (Japan)
2021	● We expressed our agreement to the "Task Force on Climate-related Financial Disclosures" 2030 target: Reduce CO ₂ emissions Group-wide by 46% or more (compared to fiscal 2013) ● EcoVadis Sustainability Survey Gold rating ● Our three European group companies switched all electricity purchased from external sources to electricity derived from renewable energy sources in fiscal 2021, and our domestic plants and research laboratories did so from January of fiscal 2022.	● 2030 GHG reduction target 46% (compared to fiscal 2013) (Japan)
2022	● Announced participation in the "GX League Basic Concept" announced by the Ministry of Economy, Trade and Industry in fiscal 2022 to achieve carbon neutrality by 2050 ● Joined "30by30 Alliance for Biodiversity" ● Endorsed the framework of the "Declaration of Partnership Building" promoted by the Cabinet Office and the Small and Medium Enterprise Agency, and released a Declaration of Partnership Building	"Plastic Resource Circulation Act" (New Plastic Law) enacted Ministry of Economy, Trade and Industry: GX League Basic Concept announcement and call for endorsers Ministry of the Environment: 30by30 Roadmap for Biodiversity

*Green text indicates global events.

Independent Assurance Report

Independent Assurance Report

To the President and Representative Director of Sumitomo Bakelite Co., Ltd.

We were engaged by Sumitomo Bakelite Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with  (the "Indicators") for the period from April 1, 2022 to March 31, 2023 included in its Integrated Report 2023 (Full Online Version) (the "Report") for the fiscal year ended March 31, 2023.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting the Saiki Factory of SB-KAWASUMI LABORATORIES, INC. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Management

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Management 1, we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

/s/ Kazuhiko Saito
Kazuhiko Saito, Partner, Representative Director
KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 27, 2023

Notes to the Reader of Independent Assurance Report:

This is a copy of the Independent Assurance Report and the original copies are kept separately by the Company and KPMG AZSA Sustainability Co., Ltd.



On-site audit of SB-KAWASUMI LABORATORIES, INC., Saiki Plant, Oita Business Site by KPMG AZSA Sustainability Co., Ltd.