 SUMITOMO BAKELITE CO., LTD.

Integrated Report

2024





Information Disclosure System

	Financial Information	Non-financial Information
Dialogue	<ul style="list-style-type: none"> ● Business Results Presentation ● Individual Meetings with Institutional Investors and Analysts ● Shareholders' Meeting 	
Electronic Media Online	<ul style="list-style-type: none"> ● Earnings Summary* ● Business Performance Presentation Materials ● Fact book ● IR Information 	<ul style="list-style-type: none"> ● Securities Report* ● Medium-term Business Plan Materials ● Integrated Report ● Corporate Governance Report* ● Sustainability information



* Documents for statutory disclosure and systematic disclosure

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- Introduction
- Message from the President
- Value Creation History and Strengths
- Material Issues/ Medium-term Business Plan
- Financial Strategy/ Business Strategy
- Action on Material Issues

Editorial Policy

The Sumitomo Bakelite Group publishes its Integrated Report as a tool to provide information on our business strategies and sustainability management in a single report. It is a tool to provide information on value creation, Medium-term management goals, 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.

- Guidelines referenced
 - In compiling the report, we referred to the International Integrated Reporting Framework published by the International Integrated Reporting Council (IIRC).
 - This report was prepared in accordance with International Financial Reporting Standards (IFRS).

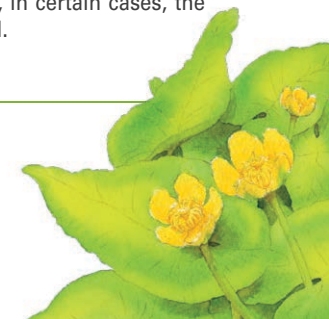
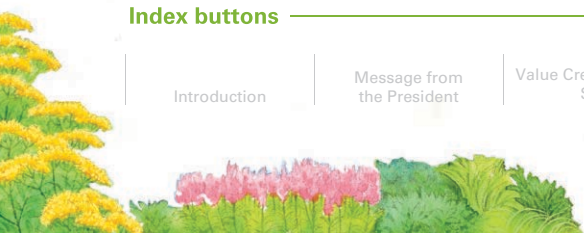
Disclaimer

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 2023 (April 2023 through to March 2024). Cases in which the coverage is different from this period are listed separately. It contains forward-looking plans, strategies, and performance forecasts.
- Published
September 2024 (The Fiscal 2023 Report was published in September 2020 and the Fiscal 2025 Report will be published in September 2022)
- Boundary
In principle, this report covers Sumitomo Bakelite Co., Ltd. and its consolidated subsidiaries. In this report, the names of Sumitomo Bakelite Co., Ltd. and its Group companies may be stated in simplified forms 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.

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Integrated Report 2024 Basic Report Structure and Table of Contents

Integrated Report 2024 Basic Report Structure

This report has been compiled based on the following basic report structure to explain our value creation story. The Integrated Report 2024 is based on newly selected material issues, and Medium-term Management Plan 2024–2026 is positioned as a strategy to lead to the resolution of these issues. Based on this, we have created the value creation story shown below so that we can comprehensively communicate the key components of the value creation process (our Business Philosophy, business strategy, governance, financial information, non-financial information, etc.) by combining the Group’s business models and strengths.

Introduction	Message from the President	Value Creation History Past, present, and future	Our Strengths	Material Issues	Medium-term Business Plan 2024–2026	Financial Strategy/ Business Strategy	Action on Material Issues
<ul style="list-style-type: none"> ● Business Philosophy of the Company ● Purpose/Vision 	<ul style="list-style-type: none"> ● Message from the President 	<ul style="list-style-type: none"> ● Value Creation History ● Our Products That Support Society ● At a Glance ● The Value Creation Process ● Six Capitals 	<ul style="list-style-type: none"> ● Platform Technologies ● Global Business Framework ● People and Organizations 	<ul style="list-style-type: none"> ● 12 Material Issues ● KPI 	<ul style="list-style-type: none"> ● Review of the Previous Medium-term Business Plan ● New Medium-term Business Plan ● Medium-term Policy/Medium-term Strategy 	<ul style="list-style-type: none"> ● Message from the Director Overseeing Finance and Accounting ● Business Portfolio ● Business Overview by Segment 	<ul style="list-style-type: none"> ● Creation of Environmental and Social Values ● Co-creation with customers ● Innovation ● Human capital ● Digital Transformation ● Corporate Governance ● Compliance

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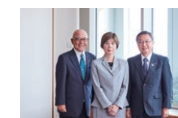
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Business Philosophy, Purpose and Vision

We aim to be “a company providing dreams for the future” through creating value with our customers

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.”

This Business Philosophy is in line with the abovementioned Sumitomo Group’s Business Philosophy, and this Business Philosophy connotes the followings:

1. We value trust and confidence of all concerned and endeavor to meet all the expectations given to us as an entity under the name of Sumitomo.
2. We take steadfast steps in managing our Group without pursuing speculative profit.
3. We contribute to make a better society and improve people’s quality of life through our business activities of research, development, production and sales of creative and innovative plastics.

Purpose

Toward a sustainable society through expanding the potential of plastics

Vision

We aim to be “a company providing dreams for the future” through creating value with our customers

Just over 100 years have passed since plastics were first introduced to Japanese society. Since that time, plastics have drastically changed society and industry. However, the spirit of believing in the potential of plastics and wanting to contribute to society through the plastics business continues to be passed down to this day at the Company. We will continue to add innovative value to plastics, not only through consideration for the global environment, but also through our insatiable pursuit of manufacturing. While using the power of plastics to provide a prosperous future for the global environment and people, we will work hand in hand with customers and business partners to realize a sustainable society.

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.

[Business Philosophy]

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

Message from the President

Taking a step toward the creation of new value through conversion to a profit standard and portfolio transformation

Setting Medium-term targets by backcasting from Vision 2030

By backcasting from 2030, in our new Medium-term Business Plan we have set both financial and non-financial targets to be undertaken by the organization acting as one. To achieve sustainable growth, our Group will build a structure that performs conversion to a profitability-oriented aimed at further strengthening our financial foundation and enhancing profitability. This means developing high added-value products in niche markets and solidly securing profit, rather than pursuing business scale. Under our new Medium-term Business Plan, I want to communicate this inside and outside the Company. For example, if we produce 100 tons of plastic and pay a carbon tax but fail to turn a profit, all we are doing is emitting CO₂. To avoid falling into that sort of business, we aspire to profitability-oriented management even if small in scale. We will concentrate our resources on product groups that offer high added value and will work unwaveringly toward attaining Vision 2030.

As non-financial targets, we have also set out “Material Issues” that will affect our future finances in terms of sustainability. The nature of society and the nature of our Group are always changing. As the material issues that we have addressed to date were set in 2015, it was natural that we took the formation of our new Medium-term Business Plan as an opportunity to reconsider those issues. To arrive at that goal, we held numerous discussions with the Sustainability Promotion Committee, Outside Directors, and relevant persons from various departments. Based on that process, we set 12 material issues including “Creation of Environmental and Social Values,” “Value creation accelerators,” and “Foundations for business continuity.”

I believe that contributing to the realization of a sustainable society through high-quality products and services with both financial and non-financial targets in mind is a shortcut to our becoming “a company that makes your dreams for the future a reality.”

Kazuhiko Fujiwara

President and Representative Director

Message from the President

Positive results despite the difficult business environment – A look back at the previous Medium-term Business Plan –

Our previous Medium-term Business Plan began in fiscal 2021 amid the COVID-19 pandemic and ongoing business environment of geopolitical risks and other unpredictable factors. Despite this, in the plan's first year of fiscal 2021, stay-at-home demand under the pandemic helped us achieve the targets of 250 billion yen in sales revenue and 25 billion yen in business profit originally planned for fiscal 2023. Accordingly, we raised our fiscal 2023 target to 300 billion yen in sales revenue and 30 billion yen in business profit. Inflation and depreciation of the yen exerted significant effects on our business in fiscal 2023. In particular, inflation in Europe and North America spurred increases in labor costs and became a factor in slowing the recovery of automotive- and construction-related demand following the COVID-19 pandemic. At the same time, the depreciation of the yen boosted the profit earned by our Group overseas but also increased energy costs in Japan. The increases in raw materials costs continuing from 2021 eased slightly in fiscal 2023, further contributing to profit.

Looking at individual business segments, private-sector recovery in semiconductor materials was delayed, but our three strategic in-vehicle products remained strong. In China, domestic demand for smartphones and other products recovered. High-performance plastics faced greater difficulties than expected. Second quarter demand declined due to Consumer applications inventory adjustment, but subsequently recovered after the adjustment had run its course. The aircraft interior components business achieved profitability as aircraft demand recovered from the COVID-19 pandemic. In quality of life products, pharmaceutical packaging film and sheets business has remained robust. In industrial functional materials, sales of high-value-added products increased. This included increased sales of optical products for sunglasses and head-up display applications, as well as of insulating film for inverters and other applications. In Water proofing business, sales of solar anchors increased under increased demand for solar panels. In healthcare-related products, export sales of blood bags and blood collection kits were robust and remain promising.

A look back at the previous Medium-term Business Plan (2021–2023)

		FY2020 Result	FY2021 Result	FY2022 Result	FY2023 Result	Look back
Semiconductor Materials	Sales revenue	¥57.3 billion	¥75.8 billion	¥79.5 billion	¥82.9 billion	<ul style="list-style-type: none"> ○ Rapid response to increase in semiconductor market demand, expansion of market share ○ Execution of sales expansion for three strategic mobility products according to plan ○ Addition of new lines in China and Taiwan (start of operation in 2024)
	Business profit	¥9.4 billion	¥16.5 billion	¥15.3 billion	¥16.1 billion	
	Business profit to revenue ratio	16.5%	21.8%	19.3%	19.5%	
High-performance Plastics	Sales revenue	¥72.6 billion	¥92.2 billion	¥102.4 billion	¥101.4 billion	<ul style="list-style-type: none"> × Delayed action due to inability to keep up with changes in the business environment following the COVID-19 pandemic ○ Launch of the heat dissipation materials business ○ Achievement of a surplus in the aircraft business
	Business profit	¥3.5 billion	¥5.9 billion	¥4.6 billion	¥5.3 billion	
	Business profit to revenue ratio	4.8%	6.4%	4.5%	5.2%	
Quality of Life Products	Sales revenue	¥78.6 billion	¥94.4 billion	¥102.3 billion	¥102.2 billion	<ul style="list-style-type: none"> ○ Expansion of pharmaceutical packaging film market share ○ Global business expansion in medical equipment ○ Expenditures on medical equipment venture funds
	Business profit	¥6.6 billion	¥7.4 billion	¥9.2 billion	¥9.7 billion	
	Business profit to revenue ratio	8.4%	7.9%	9.0%	9.5%	

Achievement of record sales revenue, business profit, and earnings in fiscal 2023

Despite a variety of external factors, performance was strong overall amid sales expansion in mobility materials, gradual recovery of aircraft demand and achievement of profitability, and, in healthcare, the expansion of the medical equipment business through the launch of SB-Kawasumi. We ended fiscal 2023, the final year of the previous Medium-term Business Plan, with record sales revenue, business profit, and earnings. While we did not reach our upwardly revised target of 30 billion yen in business profit, the 27.5 billion yen achieved marks a record high. I view this achievement as the outcome of employees and all concerned parties working as one to address customers through cross-functional marketing activities. In the area of labor costs, we raised base wages again in fiscal 2023 as in fiscal 2022,

with the intent of returning some degree of profit to employees. I believe that my mission as president in the current fiscal year is to enhance profitability and to return profit earned through our businesses to our employees and many other stakeholders.

Determining our 12 material issues and fulfilling our mission to the environment and society

Under our new Medium-term Business Plan, we will advance management with a view toward our Vision 2030: We aim to be “a company providing dreams for the future” through creating value with our customers. To achieve this, we have set out 12 material issues. The first of these is “Creation of Environmental and Social Values.” In terms of environmental value, we continue to view reducing greenhouse gas (GHG) emissions as a challenge. During the period of our

Message from the President

previous Medium-term Business Plan, we achieved our CO₂ reduction target (46% reduction compared to fiscal 2013) significantly ahead of plan by undertaking measures at all of our plants and offices in Japan including installation of solar panels and conversion to electricity derived from renewable energy sources. In our new Medium-term Business Plan, under the 1.5°C target of the Paris Agreement we will continue working toward a higher target of a 48% reduction compared to fiscal 2021 in fiscal 2030.

In terms of social value, we have identified the expansion of SDG-contributing product as an material issues. Our Group has decided “6+1 targets” in SDGs targets. Toward which we can make particular contributions through our platform technologies and business areas. We are creating numerous products that make contributions, including lignin-modified phenolic resins made from non-edible plants instead of petroleum and minimally invasive medical equipment such as anti-reflux stents that ease burdens on patients and doctors. During the period of our previous Medium-term Business Plan, we achieved our target for

ratio of sales revenue from SDG-contributing product ahead of schedule. From here on out, we will actively work toward our target of a 70% or higher ratio in fiscal 2030. It is important that we develop new products and applications with a strong awareness of what sort of social value we can provide. Customers buy our products because the products have some value. I tell employees every day to find value in the work they do as they actively tackle it.

Under “Value creation accelerators,” we set co-creation with customers, innovation, human capital, and digital transformation as material issues. The promotion of digital transformation will be vital in increasing productivity. We will continue undertaking initiatives including manufacturing that leverages AI, IoT, and robotics, promotion of research and development using materials informatics (MI), and work transformation through tools such as RPA. Under “Foundations for business continuity,” we will emphasize health and safety, cybersecurity, product liability, respect for human rights, compliance, sustainable procurement, and corporate governance. These elements may seem like givens today, but it is crucial that we have the ability to achieve these goals as a matter of course.

Advance market development through top share in niche markets, and solidify our footing for the future

An element that we want to emphasize in our Medium-term Policy is one we have long communicated, “Top share in niche markets.” Based on this, we will tackle portfolio reform that leads to value creation. As this is not a goal we can achieve in a single leap, we plan to solidly lay the necessary foundation for portfolio reform during the period of the new Medium-term Business Plan and undergo visible transformation over the next three years. To rigorously advance this policy, we have set out the following three Medium-term strategies.

(1) Optimize product composition and strengthen the profitability of existing businesses

Based on markets that are set to expand and on business suitability, we will concentrate resources on ICT, mobility, and healthcare as priority areas. At the same time, low-profitability products exist in every segment. We will review the value of these products and examine ways to enhance profitability, including whether to continue the products. In high-performance plastics in particular, we will make strategic efforts that include investments focused on enhancing

productivity, with the aim of achieving a 10% profit margin under the next Medium-term Business Plan. We will also make increased use of SB-ROIC, our in-house metric customized from ROIC indicators, while emphasizing capital efficiency.

(2) Create new products and new solutions offering environmental and social values in line with the SDGs

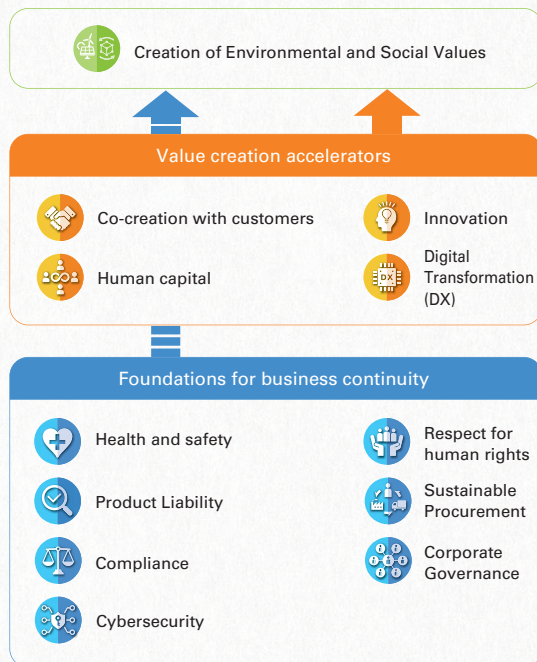
These are key points in boosting profit margin and achieving growth. Increasing profit will require that we engage in rationalization and sales expansion for existing products, as well as generate new products and new solutions. In doing so, we want to invest resources in products and solutions that offer high environmental and social value as well as value to our Group. We will launch temporary project teams of motivated employees and advance efforts to support such endeavors throughout the Company. In heat dissipation materials, optical circuit materials, and other materials, we have completed reviews of the materials in projects and elevated these to the business development department, and are now actively developing new products with high added value. We will accelerate activities for the creation of solutions that solve environmental and social issues in a short time frame.

(3) Enhance individual autonomy and organizational unity, and maximize Company-wide capabilities

For five years, I have repeatedly communicated to employees the importance of human ability enhancement, and I now feel that the concept has sufficiently taken root. From here on out, I will aim to enhance a sense of unity and enhance Company-wide capabilities. Cross-functional activities are what foster a sense of organizational



12 Material Issues



Message from the President

unity within our Group. We will further advance our One Sumibe Activities by which we promote the invigoration of cross-organizational human exchanges and provide new value to our customers. One Sumibe Activities are activities that go beyond the boundaries of business segments to provide customers with solutions. Every year, we select a number of important customers to engage in focused activity. The larger the company, the greater the hidden needs outside of the fields in which business already exists. In response, our business lines unite to form teams that act autonomously to connect understanding of customers' needs to the provision of new value.

Creating new products through challenge and transforming our portfolio

Portfolio transformation, a Medium-term strategy with multiple goals, is essential for sustainable growth. Without the three elements of new products, new applications, and new customers, a company will not grow. Our new Medium-term Business Plan covers a period of three years over which we will steer a course toward high-value-added products aimed at product portfolio transformation. Crucial elements in this are new products and the promotion of research and development that contributes to those products.

For new products, I think it is first essential that we foster a corporate culture of recognizing those who take on challenges. Our Company has strengths in plastic material technologies, but continually generating groundbreaking new products is not easy. The creation of innovation demands human resources development and an

environment that allows unceasing endeavors. Through a variety of measures, we will create an environment for generating numerous ideas from a bottom-up approach. I expect that through the involvement of leaders who are not afraid of failure, we will see the birth of new products that surprise and impress the world.

As it has become more difficult in recent years for companies to develop new products on their own, we are strengthening our collaborative relationships with parties outside the Company. Particularly in the fields of semiconductors and medical equipment, we are working to quickly build a development structure with partners including materials manufacturers, equipment manufacturers, universities, and academic research institutes in Japan and overseas. Our Group has open laboratories at our sites in Japan and elsewhere in Asia, in Europe, and in the United States, as locations where we can examine processes together with visiting customers. Co-creation in the field also forms a bridge to the creation of new products.

Our Group makes platform technologies a strength. I myself come from a research background, so I attach importance to new product development. We will explore research topics under a long-term view of potential for growth and environmental consideration, and will persistently undertake research and development.

Achieve further growth and return profits – To our stakeholders –

Thanks to our stakeholders, our stock price also rose during our previous Medium-term Business Plan. I feel that the sustainability initiatives and



business activities that we have undertaken to date reflect the high regard of our stakeholders. We determined the targets, policies, and strategies in our new Medium-term Business Plan by holding discussions among concerned parties inside the Company and by considering the comments of Outside Directors, experts, shareholders, investors, and other external parties, with the hope of gaining even greater understanding by stakeholders of our Group's efforts. I believe that steadily advancing business activities will earn us the trust of many stakeholders, which in turn will lead to enhancement of our corporate value.

No major M&A cases took place during the period of the previous Medium-term Business Plan. Growing the Company even more will require M&A as well as nurturing internal businesses. Under our new Medium-term Business Plan, we have planned a 50 billion yen framework for strategic investment aimed at expanding our corporate value.

Our financial targets include a business-profit-to-revenue ratio of 13% and ROE of 10% in fiscal 2030. By working with employees to tackle the items identified as our material issues, we aim to be a company rich in motivation and dreams. Together, we will create a company in which people can keep on putting forth new ideas and taking on challenges. Engaging with our customers and business partners under deeper communication with our Group, I hope to discover and work to solve unmet needs and issues. In closing, let me note that we will intend to meet the expectations of our shareholders and investors by achieving our performance goals and giving back to shareholders. We hope to enhance our profitability and provide returns to all of our stakeholders. I invite you to hold high expectations for the Sumitomo Bakelite Group as we widen the potential of plastics to contribute to the realization of a sustainable society.

Key points in the new Medium-term Business Plan

[Medium-term Policy] **Aiming for “niches & top market share”, we take on the challenge of our portfolio transformation leading to value creation**

Medium-term Strategy (1)

Optimize product composition and strengthen the profitability of existing businesses

Medium-term Strategy (2)

Create new products and new solutions offering environmental and social values in line with the SDGs

Medium-term Strategy (3)

Enhance individual autonomy and organizational unity, to maximize Company-wide capabilities

History of Value Creation

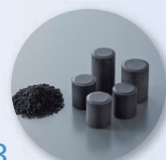
Since we started our operations as a pioneer in plastics manufacturing, we have continued to create new value and worked to solve the evolving issues confronting society in every age. We will evolve upon our history to further expand the potential of plastics and the fields in which they are used.

Company History

1907–1955	1956–1981	1982–2023	2024–
1907: Prof. Baekeland developed phenolic resin and named it “Bakelite” 1911: Began manufacturing phenolic resin in Japan 1955: Founded Sumitomo Bakelite Co.,Ltd.	Released Rigid Polyvinyl Chloride Sheets SUMILITE® VSS, epoxy molding compounds 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.	We aim for “niches & top market share” in the functional chemicals sector by creating new value to solve environmental and social issues. Aiming to become “A company that makes your dreams for the future a reality”

A History of Value Creation PRODUCT HISTORY

Semiconductor Materials



1968

Developed epoxy molding compounds for encapsulation of semiconductors SUMIKON® EME

We developed a molding material for transfer molding that enables mass and low cost production of electronic components. This product later contributed to the miniaturization and higher functionality of semiconductors, and has become a product that holds the top world market share.



2010

Started sales of encapsulating materials for fixing motor magnets

Utilizing the technologies we have cultivated as semiconductor encapsulants, we expanded applications to the mobility field, where electrification is progressing, contributing to the improvement of the energy efficiency of HVs and EVs.

High-performance Plastics



1911

Started manufacturing phenolic resin prototype at Sankyo & Co. (currently Daiichi Sankyo Company, Limited)

Began manufacturing the first phenolic resin in Japan. Since then, plastic materials with many functions have been developed.



1980

Expanded adoption of phenolic molding compounds for automobiles

To improve the fuel efficiency of automobiles, we developed Phenolic molding compounds that are lighter, stronger, and more reliable than metals used for automobile parts. Even today, we are seeing more adoption of these materials for new applications.



2020

Developed plant-derived phenolic resin (lignin modified phenolic resin)

We developed plant-derived phenolic resin in consideration of the increasing environmental impact. We are developing new materials that reduce environmental impact.

Quality of Life Products



1962

Began sales of Rigid Polyvinyl Chloride Sheets SUMILITE® VSS

Packaging films are familiar products used for pharmaceuticals. This product was developed to make pharmaceuticals hygienic and easy to carry. Since then, it has been supplemented with functions tailored to pharmaceuticals, and has a market share of approximately 70%* in Japan.



1981

Started sales of medical equipments

Started development of medical equipment using plastic technology. While reflecting the opinions of doctors, we continue to develop medical equipment that are easier to use and lead to a reduction in the burden on patients.

* According to in-house research

Our Products That Support Society

We have produced numerous products in the fields of semiconductors, electronics, automobiles, medical care, and architecture to meet the needs of the times. Our products will continue to contribute to creating future value and solving social issues.

ICT



- Semiconductor encapsulation materials
- Photosensitive materials
- Package substrate materials
- Heat dissipation materials
- Cover tape
- High heat resistant resin for resist


Mobility



- Encapsulating materials for fixing motor magnets
- ECU*direct molding materials
- Encapsulating materials for stators
- Molding compounds for automotive applications
- Aircraft interior components
- Interior parts for railcars

* ECU: Electric Control Unit


Healthcare



- PTP* packaging films for pharmaceutical products
- Biotechnology related products
- Steering micro catheter
- Bile duct stents
- Aortal stent graft
- Blood container bags

* PTP: Push Through Package

Food



- Freshness-preserving film "P-Plus®"
- Skin packaging
- Packaging films for food

Construction and Housing

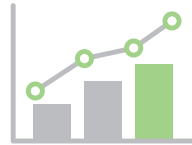


- Plate products for construction
- Materials for greenhouses
- Waterproof products for solar panel

At a Glance

We are on the path headed to the future society we envision. We will continue to give back to people and society the value it has created through its advanced technologies.

Sales revenue



¥287.3
billion

Sales revenue increased for the fourth consecutive year since fiscal 2019, reaching a record high in fiscal 2023.

Business profit



¥27.5
billion

Business profit in fiscal 2023 reached a record high. We carry out profitability-oriented business operations to increase profitability.

Semiconductor encapsulation material global market share



NO.1

The Company's holds around 40%* global market share of the semiconductor encapsulation material market. This material is indispensable for improving the performance of semiconductor packages.

* According to in-house research

Research and development expense ratio (Research and development expenses/ Sales revenue)



4.4%

In order to create new environmental and social value, we are focusing on research and development in priority areas that we have designated.

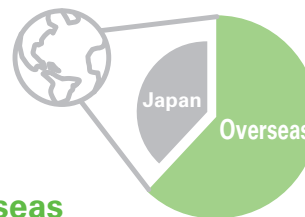


Number of employees

7,953

About 8,000 employees around the world provide value to society through the Group's businesses.

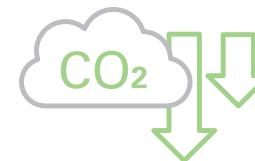
Overseas sales ratio



62%

We are expanding our business not only in Japan but also in Asia, Europe, and the United States to meet the needs of our customers around the world.

Reduction in greenhouse gas (GHG) emissions (compared with fiscal 2013)



47.0%

The Company achieved its fiscal 2030 GHG emissions reduction target of 46% in fiscal 2023. We have established a new reduction target for fiscal 2030 which also involved changing the base year.

Sales revenue ratio of SDG-contributing Products



61.9%

We aim to achieve Sales revenue ratio of SDG-contributing Products of 70% or more by fiscal 2030 and focus on creation of environmental and social values.

The Value Creation Process

We have established a vision for 2030 to serve as the ideal image of the Group by that point in time. Moving toward this vision, we aim to achieve the our Group Purpose by leveraging the strengths of the Sumitomo Bakelite Group to tackle material issues and implementing a medium-term business plan that stipulates our strategies.

Vision 2030

Vision 2030

We aim to be “a company providing dreams for the future” through creating value with our customers.

Outputs

<Financial targets>
 Business profit: ¥55.0 billion
 Business profit to revenue ratio: 13%
 <Non-financial targets>
 SDG-contributing product sales ratio: 70% or higher
 GHG emissions reduction:
 At least 48% lower than the fiscal 2021 level

Outcome

[Social contributions]
 Creation of more convenience for people’s lives through advances in electronics
 Development of safe, secure, and livable communities through the advancement of mobility
 Good health, happiness, and safety through advancements in healthcare

[Environmental contributions]
 Sustainable living through resource recycling
 Energy-efficient, livable communities
 Lifestyles that are in harmony with nature

Purpose

Toward a sustainable society through expanding the potential of plastics

Our Strengths

Platform Technologies **P.14** Global Business Framework **P.15** People and Organizations **P.16**

Medium-term Business Plan 2024–26

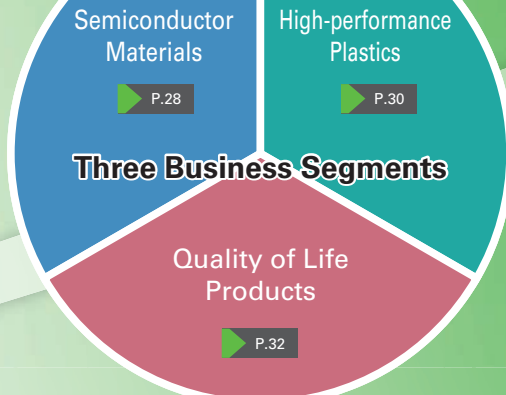
Aiming for “niches & top market share”, we take on the challenge of our portfolio transformation leading to value creation

P.20

Outputs

<Financial targets>
 Business profit: ¥40.0 billion
 Business profit to revenue ratio: 11.5%
 <Non-financial targets>
 • SDG-contributing product sales ratio: 65%
 • GHG emissions reduction: 41% lower than the fiscal 2021 level

Three Business Segments



Material Issues **P.17**

Creation of Environmental and Social Values **P.34–** Value Creation Accelerators **P.39–** Foundations for Business Continuity **P.55–**

Social Issues

Increasing complexity of the external environment
 Increasing uncertainty
 Climate change, resource recycling, energy, declining birthrate and aging population, supply chains, human rights, cybersecurity, geopolitics, laws and regulations, etc.

Input **P.13**

Financial capital

Equity ratio
68.3%

Manufacturing capital

Number of global manufacturing sites (in Japan and overseas): **38**

Intellectual capital

Development of the Innovation Management System

Human capital

Ratio of female management staff
3.7%
 Number of hours of education provided through SB School:
42,516 hours

Social/related capital

Operation of open laboratories in six countries
 CS/One Sumibe Activities

Natural capital

Usage ratio for electricity derived from renewable energy sources
54.7%

Six Capitals

With the aim of realizing our vision for 2030, we are making effective use of six capitals to address material issues. Additionally, we contribute to establishing a sustainable society through our businesses.

Financial capital **Strong financial foundation**

Equity ratio (Group-wide) 68.3%

- **Total assets (overall)** ¥444,162 million
- **Strategy-based cash allocation (2024–26)**
 - Capital investment** ¥50,000 million
 - Growth investment** ¥20,000 million
 - Strategic investment** ¥50,000 million

- We are building a strong financial foundation for sustainable growth.
- To promote management with an awareness of the cost of capital, we allocate cash from management resources to capital investment, growth investment, and strategic investment.

Manufacturing capital **Global Production/Supply Framework**

Number of global manufacturing sites 38

- **Capital expenditures** ¥22,980 million
(**S** ¥9,576 million, **H** ¥7,929 million, **Q** ¥4,532 million, Other: ¥943 million)

- We are establishing manufacturing bases primarily in Asia, Europe, and North America to build a region-based production framework.
- In order to strengthen the profitability of existing businesses, we are converting conventional factories into smart factories and work to improve productivity.

Intellectual capital **Innovation creation framework**

Development of the Innovation Management System

- **Research and development expenses** ¥12,641 million
- **Number of patents held** 3,157 patents
(**S** 1,109, **H** 392, **Q** 1,187, Corporate: 469)

- We enhance research and development based on our platform technologies (material design, process/composite, and evaluation/analysis technologies) accumulated over many years of material development.
- The Company is developing the Innovation Management System to increase the probability of success in research and development, speed up decision-making, and improve the skills of researchers.

Human capital **Diversity, individual autonomy, and organizational strength**

Ratio of female management staff 3.7%

Number of hours of education provided through SB School 42,516 hours

- **Number of data scientists (employees that possess data science-related skills)** 96

- The Company fosters a culture in which diverse human resources can generate new ideas and take on challenges by making the most of their individuality and abilities.
- Through our employee educational system, which we call "SB School," we aim to enhance individual autonomy and organizational strength to improve the strength of the entire Group.

Social/related capital **Global co-operation system**

Establishment and operation of open laboratories in six countries (Japan, Singapore, Taiwan, China, United States, and Belgium)

CS/One Sumibe Activities

- We have open laboratories that can verify structures and processes through actual prototyping, and create new value through co-creation by building relationships of trust with our customers.
- Based on the idea of CS (customer satisfaction) enhancement, each business department collaborates in a cross-organizational manner to provide solutions to customers.

Natural capital **Efficient use of resources**

Usage ratio for electricity derived from renewable energy sources 54.7%

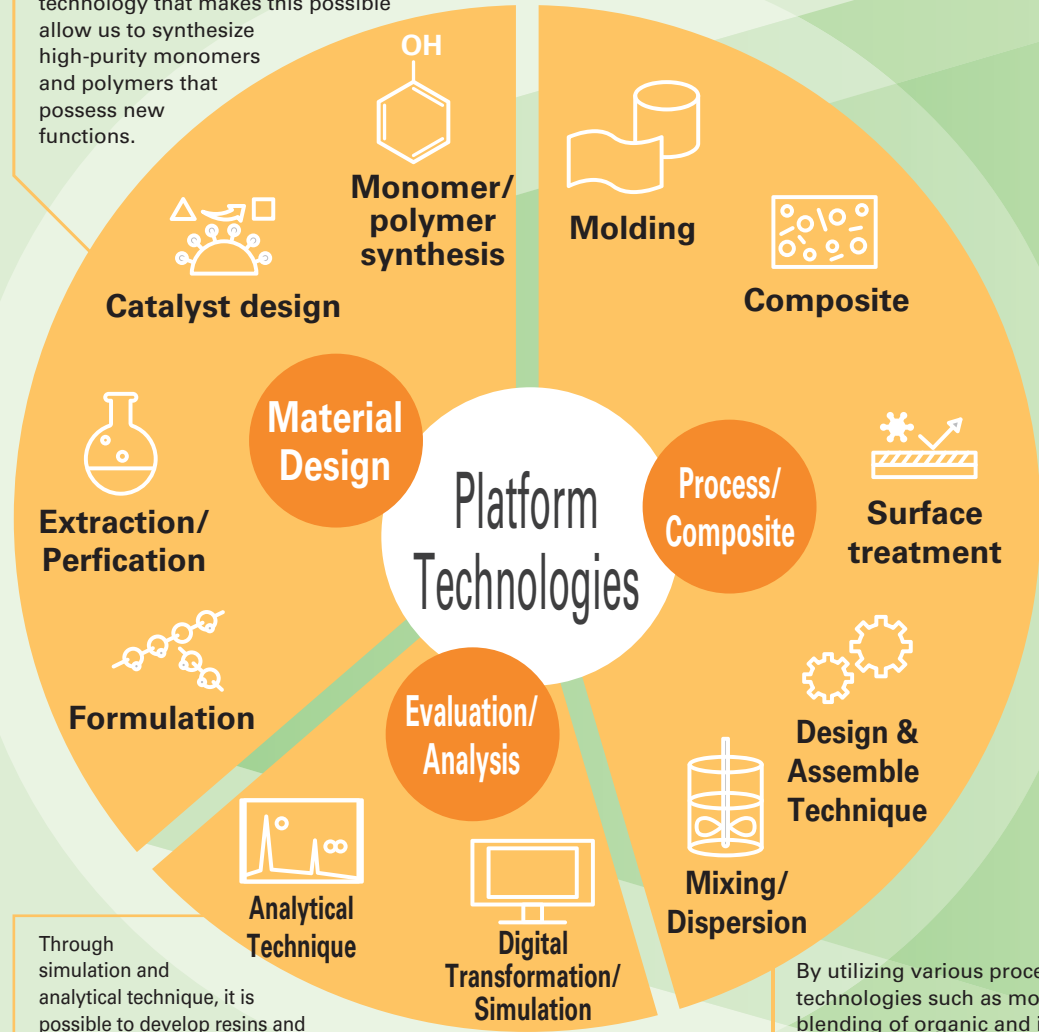
- **Recycling and use of plant-derived raw materials**

- We are actively promoting the introduction of electricity derived from renewable energy to achieve our fiscal 2030 GHG emissions reduction target. We have already completed the switchover to using electricity derived from renewable energy at all of our manufacturing and research sites in Japan, and are now working on doing the same at our overseas business sites. In addition, we are promoting the adoption of solar power generation at our sites in Japan and overseas.
- We promote environmentally-friendly products (including products made using easy-to-recycle materials, products made using plant-derived raw materials, and products that have a long service life) to make effective use of resources.

Our Strengths

Platform Technologies

Molecular design of phenolic resin, epoxy resin, and norbornene resins as well as the catalyst technology that makes this possible allow us to synthesize high-purity monomers and polymers that possess new functions.



Through simulation and analytical technique, it is possible to develop resins and composite materials with characteristics required by customers in a short period of time. In recent years, we have been focusing on training data scientists who can utilize materials informatics (MI) technology to further speed up development.

By utilizing various process/composite technologies such as molding and blending of organic and inorganic materials, it is possible to provide resins with enhanced properties, such as strength and heat resistance, that conventional resins do not possess.

Our goal is to contribute to the realization of a recycling-oriented society by developing a variety of products and services in the three priority areas of ICT, mobility, and healthcare. This is supported by our platform technologies (material design, process/composite, and evaluation/analysis technologies), which the Company is proud of.

Future Strategic Domains

P. 27 Creating New Products and Solutions

ICT Domain

Contribute to the development of an advanced information society



Contribute to a car-centric society that is Earth- and people-friendly

Mobility Domain

Contribute to powering environmentally-friendly, comfortable air travel



Contribute to extending healthy life expectancy

Healthcare Domain

Support hygienic and safe living



Our Strengths

Global Business Framework

Amid the ever-changing global market, the Sumitomo Bakelite Group has 38 production sites around the world to meet the needs of customers in each region in a timely manner. In addition, we will maximize our value as a global company by strengthening our network which connects our various sites and departments.

Our Global Strengths by Segment

Semiconductor Materials

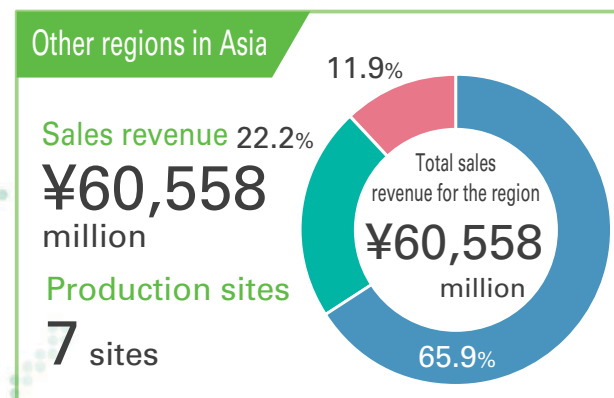
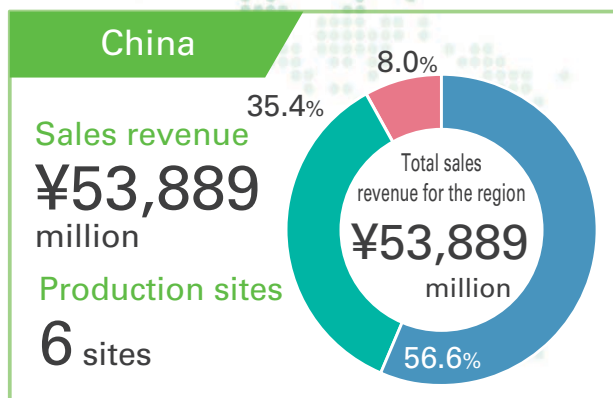
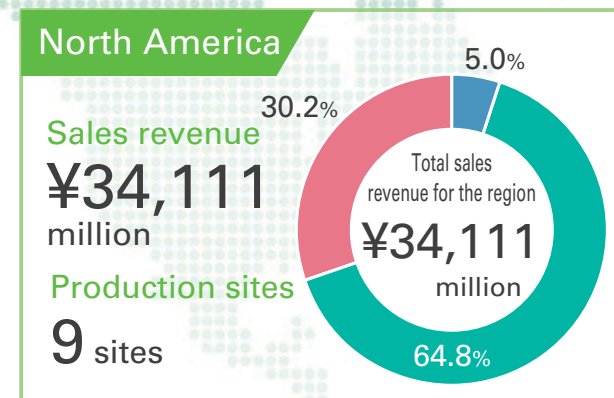
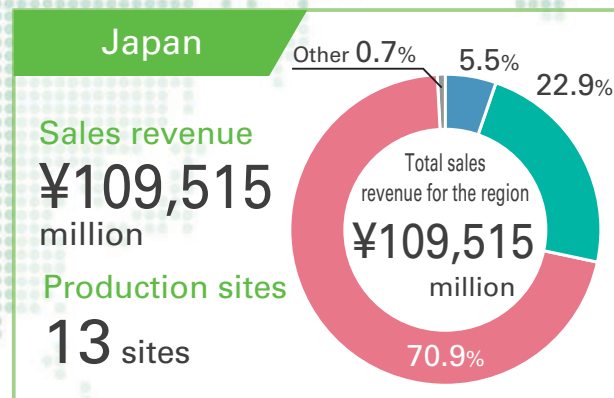
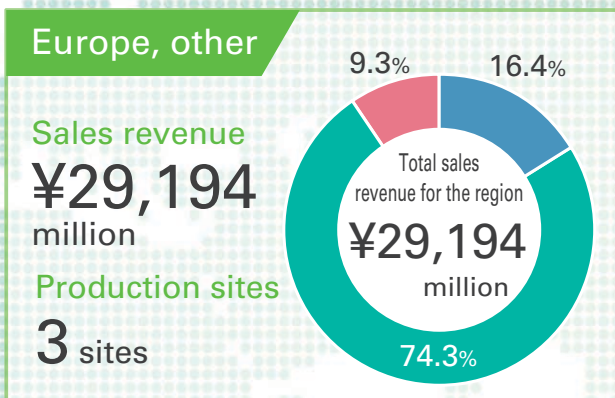
We will meet the world's demand for semiconductors, especially in Japan and Asia. In Europe and the United States, we are focusing on supplying products for mobility applications.

High-performance Plastics

We have established a global system that responds to major markets and provide a stable supply of products that meet the needs of each region.

Quality of Life Products

Based on our technology cultivated in Japan, we will expand our business in growth areas to meet the needs of the global market.



Our Strengths

People and Organizations

The Sumitomo Bakelite Group's strengths lie in its platform technologies, global manufacturing/sales/R&D framework, and the human resources and organizations that make use of them. Since FY1998, we have continued our efforts to improve Customer Satisfaction (CS). By listening to the voices of our customers and understanding their true needs, we create value by making optimal proposals that take advantage of our platform technologies and global framework. In FY2017, we launched "One Sumibe Activities," activities through which we aim to provide customers with value through efforts spanning all departments of the Company. By strengthening the connections between business departments, we are developing a framework that allows all departments of the Company to provide solutions to create new business opportunities.

Each of our employees, who possess a high degree of autonomy, have continued and evolved this initiative. In FY2007, we launched SB School, which features an education and training structure related to human resource development, to support the growth of our employees. Furthermore, in fiscal 2021, we reorganized our personnel system to encourage each employee to take on challenges.

In FY2023, we started promoting DE&I and established a new DE&I Promotion Office. The Company plans and implements measures to enable further participation of diverse human resources in the workplace. We believe that our Group's strengths, our platform technologies and global structure, will shine even brighter when "highly autonomous personnel take on the challenge of creating environmental and social value with a sense of unity," bringing us closer to realizing Vision 2030, which is to become "a company that makes your dreams for the future a reality" by creating value for our clients."



SB School

Opened in FY2007, SB School features an education and training structure related to human resource development. We plan and systematically implement effective training programs for all departments and levels involved in our business activities to develop human resources who can contribute to our business.



Increasing
Autonomy/
P.52 Enhancing
Organizational
Strength

Improving CS (Customer Satisfaction)

Started in FY1998, CS promotion activities are defined as "activities designed to provide value to customers through collaboration between sales, marketing, R&D and management departments in order to create new products and services and achieve challenging goals in the midst of drastic social and environmental changes." Chaired by the President, the CS Promotion Committee conducts monthly planning and review of CS promotion activities.



P.41 CS /
One Sumibe Activities

DE&I Promotion

DE&I promotion activities were started in FY2023 based on the idea that creating a work environment in which each and every employee can demonstrate their full potential while maintaining a work-life balance, regardless of gender, age, or other attributes, will generate new ideas and innovations, leading to improving the strength of the entire Company. We established the DE&I Promotion Office within the Personnel Division to enhance the work environment and systems so that diverse human resources can work with a sense of satisfaction.



P.51 Embrace for Diversity



One Sumibe Activities

Started in FY2017, One Sumibe Activities are activities for promoting the creation of new value that cannot be achieved by a single department and the enhancement of company-wide capabilities as one team, bringing all departments together without being impacted by departmental sectionalism. Members from various departments who voluntarily participate in these activities create measures to embody CS. Although these activities were started primarily for sales, they now also focus on research, manufacturing, and corporate departments, becoming activities that create a sense of unity within the organization. Managers in charge of each department participate in meetings held by the One Sumibe Promotion Committee, which promotes these activities, to support activities.



P.41 CS/One Sumibe
Activities



Toward the Realization of Vision 2030

Material Issues

Aiming to realize Vision 2030, which is to be “a company providing dreams for the future” through creating value with our customers, we have identified 12 material issues. We have identified “Creation of Environmental and Social Values,” which is directly linked to Vision 2030, the four value creation accelerators, and the seven foundations for business continuity as material issues.

We aim to be “a company providing dreams for the future” through creating value with our customers



Creation of Environmental and Social Values

Taking on the challenge to help realize carbon neutrality and contributing to the SDGs

Value creation accelerators



Co-creation with customers

- Creating co-creation themes



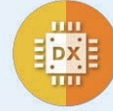
Innovation

- For future profit creation



Human Capital

- Improving the strength of the entire Group



Digital Transformation (DX)

- Increasing human productivity

Foundations for business continuity



Health and safety

- Prioritize safety above all else



Product Liability

- Customer first, quality first, zero defects



Compliance

- Observance of corporate ethics



Cybersecurity

- Strengthening the management of confidential information



Respect for human rights

- Commitment to action on human rights issues



Sustainable Procurement

- Enhancing supply chains management



Corporate Governance

- Continuous improvement of the effectiveness of the Board of Directors

Material Issues

We set KPIs for each of the 12 material issues and work to improve corporate value and further strengthen our business foundations with the aim of achieving Vision 2030.

Material Issues		KPI	FY2024 targets	FY2030 targets
Creation of Environmental and Social Values		<ul style="list-style-type: none"> ① SDG-contributing product revenue ratio ② GHG emissions reduction*¹ compared to FY2021 (compared to FY2013) 	63% or higher 38% or higher	70% or higher 48% (57%) or higher
Value creation accelerators	Co-creation with customers	<ul style="list-style-type: none"> ① Number of themes co-created with customers per year as a result of One Sumibe Activities ② Number of cross-department based in-house exhibitions held per year 	10 co-creation themes 8	
	Innovation	<ul style="list-style-type: none"> ① Number of projects implemented ② Contribution to business profit 	5 counts —	5 counts ¥10.0 billion
	Human capital	<ul style="list-style-type: none"> ① Promotion of diversity <ul style="list-style-type: none"> (1) Promote the Advancement of Women <ul style="list-style-type: none"> • Ratio of female management staff (non-consolidated) 4% • Ratio of male employees taking childcare leave (non-consolidated) 70% (2) Ratio of career employee recruitment*² (non-consolidated) 30% ② Enhancement of autonomy <ul style="list-style-type: none"> Number of employees participating in 360° assessment-based education programs 50 ③ Enhancement of organizational strength <ul style="list-style-type: none"> Number of employees participating in management education programs 50 	4% 70% 30%	10% 90% 50%
	Digital Transformation	<ul style="list-style-type: none"> ① Core system integration ② Human productivity*³ (1) Production departments*⁴ (2) Management departments*⁵ ③ Number of trained data scientists <ul style="list-style-type: none"> (1) Number of employees with data science-related certifications 50 (2) Number of employees that possess data science-related skills 150 	Core system conceptualization 1.1 1.1	Core system data integration(global) 2.0 2.0
	Health and safety	<ul style="list-style-type: none"> ① Serious occupational accidents (per year) ② Accidents caused by fire and or explosion, resulting in operational stoppage (per year) ③ Number of data leaks (per year) 	0 0 0	
Foundations for business continuity	Product Liability	<ul style="list-style-type: none"> ① Critical quality complaints (per year) 	0	
	Compliance	<ul style="list-style-type: none"> ① Compliance training participation rate ② Number of serious compliance violations (per year) 	100% 0	
	Cybersecurity	<ul style="list-style-type: none"> ① Major cybersecurity incidents (per year) ② Cybersecurity training participation rate ③ Cybersecurity incident response training (times held per year) (non-consolidated) 	① 0 ② 100% ③ twice	
	Respect for human rights	<ul style="list-style-type: none"> ① Human rights due diligence 	Identify human rights risks and understand current related conditions	Conduct human rights due diligence
	Sustainable Procurement	<ul style="list-style-type: none"> ① Sustainable Procurement rate*⁶ ② Usage rate of smelters conforming to RMAP related to 3TG*⁷ 	85% 100%	100% 100%
Corporate Governance	<ul style="list-style-type: none"> ① Continuous improvement of the effectiveness of the Board of Directors from the viewpoint of board composition and operation 	Evaluate the effectiveness of the Board of Directors and address priority issues		

*1 Scope 1 and Scope 2 emissions *2 Career track recruits *3 2023 is set as 1 *4 Calculated based on marginal profit/direct man-hour for major products

*5 Calculated for management departments and the Information Systems & Data Processing Department using the formula target time/ (target time - reduction time)

*6 The percentage of major suppliers that meet the specified criteria through which the Company makes 90% of purchases by segment based on self-assessment sheets from the JEITA Responsible Business Conduct Guidelines

*7 3TG: Tin, Tantalum, Tungsten and Gold, Responsible Minerals Assurance Process (RMAP)

Review of the Medium-term Business Plan 2021–2023

Overall

- Achieved initial financial targets (sales revenue of 250 billion yen, business profit of 25 billion yen) ahead of schedule in the first year of the plan (FY2021).
- In FY2023, the final year of the plan, fell short of the upwardly revised business profit target but achieved a record high of 27.5 billion yen.

Digital Transformation

- Formed the MI*¹ promotion project. Drove the introduction of MI and development of data scientists.
- Adopted AI, IoT, and robotics to strengthen the manufacturing foundation.

*1 MI: Materials Informatics

Environment

- Achieved targets for the sales revenue ratio of SDG-contributing products and of GHG*² emission reductions

*2 GHG: Green House Gas

Priority Areas

ICT Mobility Healthcare

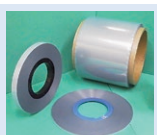
- Invested in increased production in response to growing semiconductor demand. Responded swiftly on a global basis and achieved an increase in profit.
- Made investments in increased production of molding compounds for mobility, in which continued growth is expected. Achieved expanded sales of three strategic products for mobility*³ earlier than planned.
- Made progress integrating Kawasumi Laboratories in the healthcare domain following our acquisition of the company.

*3 Encapsulant for fixing motor magnet, ECU direct molding materials, and Molding compounds for power modules

ICT



Epoxy Resin Molding Encapsulant (EME)



Cover tape for semiconductor packaging

Mobility



Encapsulating materials for fixing motor magnets

Phenolic molding compounds

Healthcare



Blood container bags

The market leader worldwide*⁴

The market leader in Japan*⁴

*4 According to in-house research

In fiscal 2021, we achieved our initial targets for sales revenue and business profit for fiscal 2023 ahead of schedule, and in fiscal 2023, we recorded a record business profit 27.5 billion yen.

FY 2021–2023 Results

Medium-term Business Plan 2021–2023

	FY2020 Result	FY2023 Target (Original→Revised* ⁵)	FY2021 Result	FY2022 Result	FY2023 Result
Sales revenue	¥209.0 billion	¥250.0 billion → ¥300.0 billion	¥263.1 billion	¥284.9 billion	¥287.3 billion
Business profit	¥16.6 billion	¥25.0 billion → ¥30.0 billion	¥26.5 billion	¥25.4 billion	¥27.5 billion
Business profit to revenue ratio	8.0%	10%	10.1%	8.9%	9.6%
ROE	7.0%	10%	8.5%	8.4%	7.8%
Dividend payout ratio	26.7%	30% or more	28.3%	30.1%	32.1%
Treasury share buyback	---	---	---	---	¥3.0 billion

*⁵ On May 16, 2022, we revised our sales revenue and business profit targets upward

Medium-term Business Plan 2024–2026

Medium-term
Policy

**Aiming for “niches & top market share”,
we take on the challenge of our portfolio
transformation leading to value creation.**

Focusing our resources on high-added value products,
we will steadily transform our portfolio to realize Vision
2030.

Medium-term Strategy 1

Optimize the product mix to
strengthen the profitability of
existing businesses

- Shift to profitability-oriented management
- Shift to high value-added products to transform the product portfolio
- Improve capital efficiency utilizing SB-ROIC (internal indicator)
- Concentrate resources on the three priority areas of semiconductors, mobility, and healthcare

Medium-term Strategy 2

Create new products and new
solutions with environmental and
social value based on the SDGs

- Create SDG-contributing product
- Develop new products and new solutions with carbon neutral in mind aiming for top share in niche markets
- Support challenges and implementation of proposal-oriented themes
- Strengthen collaboration with outside entities and develop the structure
- Set exploratory areas from medium- and long-term perspectives

Medium-term Strategy 3

Enhance individual autonomy and
organizational unity, and maximize
Company-wide capabilities

- Plan and implement various initiatives with a view to improve human ability and enhance employee engagement
- Implement educational programs to enhance individual autonomy and improve organizational capabilities
- Promote CS/One Sumibe Activities (voluntary collaboration across organizations)

Medium-term Business Plan 2024–2026


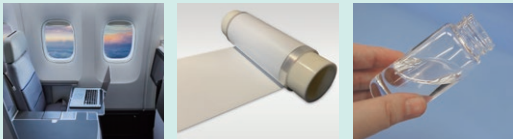

	FY2023 Result	FY2024 Target	FY2025 Target	FY2026 Target	Vision 2030 Ideal Image
Business profit	¥27.5 billion	¥30.0 billion	¥34.0 billion	¥40.0 billion	¥55.0 billion
Business profit to revenue ratio	9.6%	9.7%	10.5%	11.5%	13.0%
(Sales revenue)	(¥287.3 billion)	(¥309.0 billion)	(¥325.0 billion)	(¥345.0 billion)	(¥420.0 billion)
ROE	7.8%	---	---	9.0%	10.0%

Medium-term Business Plan 2024–2026 Medium-term Strategy

1

Optimize the Product Mix to Strengthen the Profitability of Existing Businesses

We will focus on transforming our product portfolio by shifting to profitability-oriented management and focusing on capital efficiency. By concentrating resources on the three priority areas of semiconductors, mobility, and healthcare, we will increase the ratio of high value-added products to increase profitability.

	Semiconductor Materials	High-performance Plastics	Quality of Life Products
Shift to profitability-oriented management	<p>Business profit</p> <p>FY2023: ¥16.1 billion → FY2026: ¥23.0 billion</p>	<p>Business profit</p> <p>FY2023: ¥5.3 billion → FY2026: ¥9.0 billion</p>	<p>Business profit</p> <p>FY2023: ¥9.7 billion → FY2026: ¥13.0 billion</p>
	<p>Business profit to revenue ratio</p> <p>FY2023: 19.5% → FY2026: 20.5%</p>	<p>Business profit to revenue ratio</p> <p>FY2023: 5.2% → FY2026: 7.5%</p>	<p>Business profit to revenue ratio</p> <p>FY2023: 9.5% → FY2026: 11.5%</p>
High value-added products for each segment	 <p>Semiconductor encapsulation material</p> <p>Encapsulants for mobility applications (For motors, ECUs, and power modules)</p> <p>Sintering paste</p>	 <p>Aircraft interior components</p> <p>Heat dissipation materials</p> <p>High heat resistant resin for resist</p>	 <p>Minimally invasive medical equipment</p> <p>Skin packaging</p> <p>Optical materials for eyewear</p>
Measures to strengthen profitability	<ul style="list-style-type: none"> Establish global supply and support structure for encapsulants in anticipation of the semiconductor market recovery Semiconductor materials (encapsulants, photosensitive materials, etc.) for HPC applications (chipllets and HBM devices) and power devices Expand open labs Collaborate with consortiums and academia Expand sales of 3+1 strategic products for mobility <p>EU/US: Strengthen customer support and expand sales channels through manufacturing/sales/R&D support + full-scale operation of new plants + open lab expansion</p> <ul style="list-style-type: none"> Cultivate the Indian market 	<ul style="list-style-type: none"> Optimize production sites globally Expand sales of high-value-added products (molding materials for batteries, plastic e-Axle products, various electric parts, resins for sensors and resist, resins for power modules, molding materials, aircraft interior materials, etc.) in enhanced areas such as EVs, semiconductors, and aircraft Expansion of biomass products Development of recycling technology for thermosetting resins 	<p>Medical Equipment and Biotechnology</p> <ul style="list-style-type: none"> Enhance the product lineup in strategic business fields (endovascular, gastrointestinal, endoscopic) Expand sales of cell/gene therapy support products Expand overseas sales of main products (EU/US: minimally invasive medical equipment, Asia: blood container bag, etc.) <p>Films and Sheets</p> <ul style="list-style-type: none"> Expand business in EU (monomaterial PTP) Improve market recognition of skin packaging products that contribute to food loss reduction Promote the conversion of conventional factories to smart factories <p>Industrial Functional Materials</p> <ul style="list-style-type: none"> Global expansion of functional materials (optical applications and insulating sheets for EVs) <p>Waterproof Business Products</p> <ul style="list-style-type: none"> Further expand our market share of the new construction field

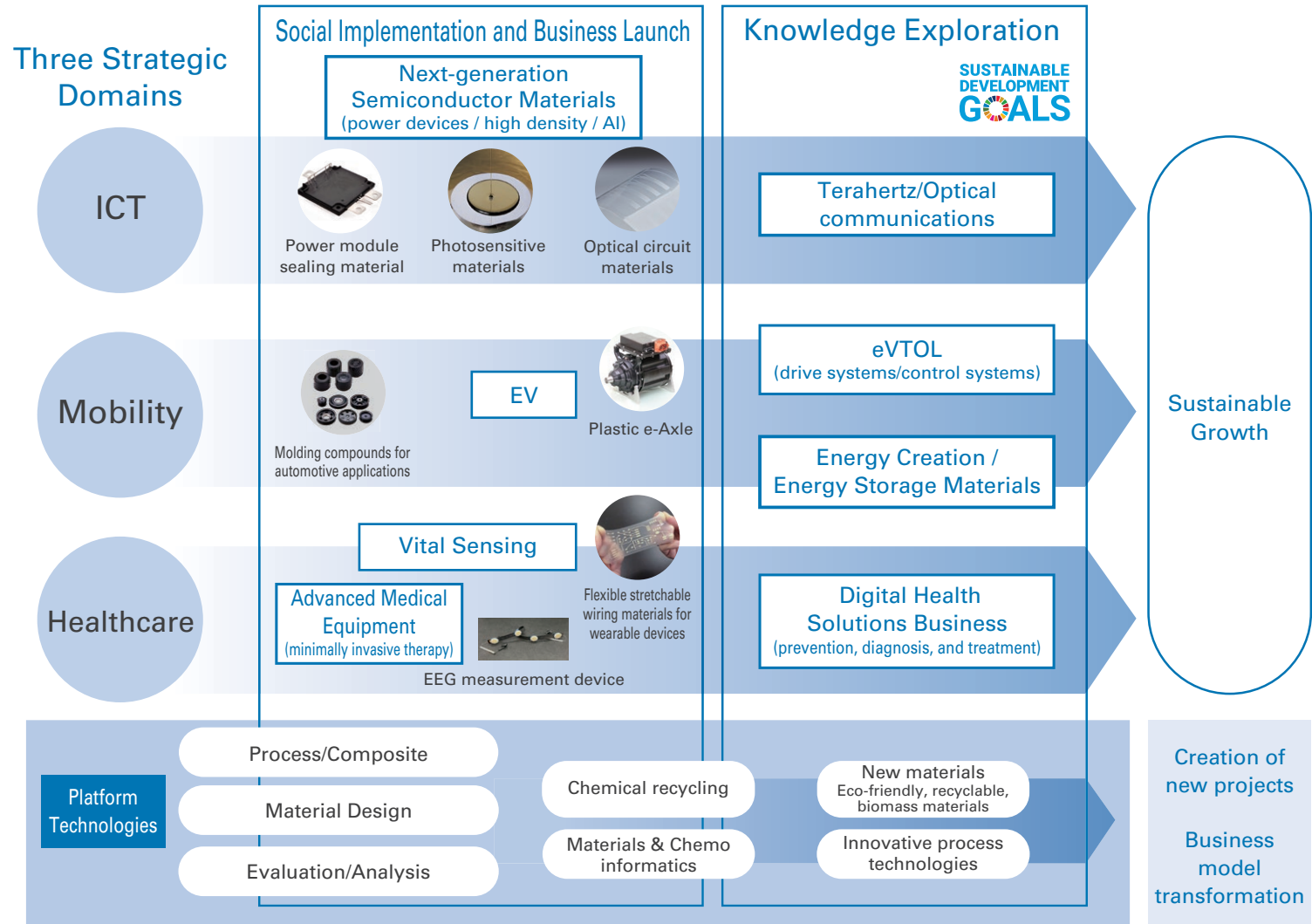
Medium-term Business Plan 2024–2026 Medium-term Strategy 2

Create New Products and New Solutions with Environmental and Social Value Based on the SDGs

Based on our Medium-term Policy Aiming for “niches & top market share”, we take on the challenge of our portfolio transformation leading to value creation, we have established the three strategic domains of ICT, Mobility, and Healthcare as a medium- to long-term exploration guideline related to the second Medium-term Strategy and created an exploration map (FY2024 version). During the period of the Medium-term Business Plan, we plan for the social implementation of projects and product lines currently under development, such as next-generation semiconductor materials for power modules/highly integrated devices/AI semiconductors, electric vehicles, advanced medical equipment for minimally invasive treatments, and vital sensing, aiming for them to contribute to profits as soon as possible. As areas in which to search for knowledge in line with the SDGs over the medium to long term, we have identified a target group of areas where we can leverage our strengths, such as our platform technologies of Material Design, Process/ Composite, Evaluation/Analysis, and customer trust gained through our Customer Satisfaction (CS) improvement efforts, including terahertz/optical communications, eVTOL*, energy creation/energy storage materials, and the digital health solution business. We will accelerate the creation of new products and solutions that contribute to the resolution of environmental and social issues, including carbon neutrality, by promoting active collaboration and co-creation (open innovation) with external partners. The Company will enhance individual autonomy and organizational unity, and maximize Company-wide capabilities and ensure that these aggressive measures are implemented.

* eVTOL: Electric Vertical Take Off and Landing aircraft: A vehicle that can take off and land vertically using electricity as a power source (flying cars, etc.)

Exploration Map (FY2024 edition)



Medium-term Business Plan 2024–2026 Medium-term Strategy 3

Enhance individual autonomy and organizational unity, and maximize Company-wide capabilities

In order to achieve “portfolio transformation leading to value creation” set forth in the Medium-term Policy, we need highly autonomous human resources and an organization that possesses a sense of unity for achieving goals. The third Medium-term Strategy is to “Enhance individual autonomy and organizational unity, and maximize Company-wide capabilities.” In improving Customer Satisfaction (CS), one of our strengths, we will encourage change in employee awareness and promote further visualization of our activities with the aim of becoming a business partner that not only achieves customer satisfaction but also impresses customers. Through our One Sumibe Activities, which strengthen company-wide collaboration, we aim to create new environmental and social value together with customers by holding in-house Exhibition in our customer’s office in order to promote the provision of company-wide value to customers. Furthermore, we will strengthen initiatives to enhance employee autonomy and aim to maximize companywide capabilities. We are also developing pleasant workplaces to promote active communication both inside and outside the Company and created new welfare facilities at our Amagasaki Plant and Shizuoka Plant.

In terms of improving individual autonomy, we established the DE&I Promotion Dept. in fiscal 2023 to enable diverse human resources to play an active role, and are working to enhance the system and make employees aware of it. In addition, we are working to develop human resources that possess a high level of “human ability” through SB School, an education and training system to support employee skill improvement, an overseas trainee system to enhance the practical skills of employees, SBInno, a program for creating research themes, and other means. We then measure results quantitatively by implementing a personnel system through which individuals who take on challenges are deeply evaluated and conducting organizational engagement surveys, efforts that lead to future improvement.



Message from Finance and Accounting Officer

Toshiya Hirai
Director, Managing Executive Officer

By improving productivity and enhancing the financial foundation, we will work as one to realize an organizational shift to profitability-focused approach



FY2023 Results

	FY2022	FY2023	Increase/Decrease
Sales revenue	¥284.9 billion	¥287.3 billion	0.8%
Business profit	¥25.4 billion	¥27.5 billion	7.9%
Operating income	¥24.8 billion	¥27.2 billion	9.6%
Profit attributable to owners of parent	¥20.3 billion	¥21.8 billion	7.6%
ROE	8.4%	7.8%	—

Review of the Previous Medium-term Business Plan Result

Evaluation of Financial Performance (Including Market Capitalization, ROE and PBR) over the Past Three Years

During the previous Medium-term Business Plan period starting from April 2021, we surpassed the original target earlier by achieving the sales revenue and business profit targets in the first year, after which a new set of targets was defined in April 2022. Although we were unable to achieve these new targets, the sales revenue, the business profit, and the net income during the period were the highest in our history. Our share price grew significantly during 2023, marking an approximately 90% growth* from the beginning to the end of the year, and our PBR exceeded 1.0. These demonstrate evidence, I think, that our Group's business performance and commitments for the future have been positively evaluated in the stock market. One regret is that, however, our ROE for FY2023 reached only 7.8%. We are determined to improve this in the current Medium-term period.

* Opening price at 3,905 yen on January 4, 2023 ⇒ Closing price at 7,403 yen on December 29, 2023, marking an 89.6% increase (on a pre-stock split basis)

Financial Targets

A Look into Our financial Targets as a Whole

Our financial targets are planned with a focus on profitability in order to be a more powerfully profit-generating company. That is why we first set our 2030 financial targets at 55 billion yen business profit, business profit rate at 13%, and 10% ROE. By working backward from there to determine what we need to

achieve, we have adopted business profits of 40 billion yen, business profit rate at 11.5% and 9% ROE as our targets for the financial year 2026. These targets have been defined through a series of in-depth discussions by and between our business segment teams to make sure that these come down to a reasonable and achievable set of targets.

Capital Efficiency Metrics (ROE and ROIC)

Our ROE target is defined with due consideration of the cost of equity. Taking the current equity situation and the future prospects into consideration, we will operate with a strong focus on profitability for the next three years so that our ROE target of 10% can be achieved by 2030.

As part of capital efficiency management, we adopt "SB-ROIC", a unique ROIC-based metric, in FY2020 and we have been working for its improvement. As the concept of SB-ROIC and what to improve are well understood throughout the company, we will accelerate our initiative for improvement in the next three years.

Shareholder Return and Dividend Payout Ratio

In order to achieve economic growth and a sustainable improvement in our corporate value, one of our top priorities is to build a relationship of mutual trust with our shareholders, and we will return profits to our shareholders in a stable and continuous manner. During the previous Medium-term Business Plan period, the target dividend payout ratio of "30% or higher" was successfully achieved, and we have acquired a treasury share of 3 billion yen in 2023. For the new Medium-term Business Plan period, we raised the dividend payout ratio target to 40%, for which we define a source fund of 30 billion yen in our budget. We will plan and implement treasury share acquisitions in a dynamic manner based on our business performance and cash situations at a given time.

Cash Allocation

Cash Allocation Situation and Investment Policy

For the new Medium-term Business Plan period, we have clearly defined a cash allocation plan based on the business strategy and disclosed it. With a strong focus on profitability improvement, a capital expenditure of 50 billion yen is planned. Besides repairing the existing plant facilities, our top investment priorities include introduction of AI and IoT features and robotic technology to boost productivity. Specifically, we will scale up our ongoing smart factory project, which we have been working on at domestic plants and making a good progress, to a global scale, so as to aim at a world-wide basis.

Next, a growth investment of 20 billion will be allocated to research and development to create new products and solutions associated with our Medium-term strategy, as well as to Digital Transformation and Green Transformation drives. As part of the Digital Transformation drive, we are considering a revamp of our corporate-wide LOB systems to realize data-driven management. For Green Transformation, which society focuses on in recent years, we will actively introduce solar power generation systems and other new technological features to accelerate our progress toward carbon neutrality.

Distribute the Operating Resources Taking the Cost of Capital into Consideration (FY2024–2026)

Cash allocation	Purpose-specific fund use plans
Capital expenditures ¥50 billion	Enhancement of the revenue-generating power of existing businesses (Mid-term Strategy target 1) and execution of equipment investments in timely manner to assure stable supply of products to our customers
Growth investment ¥20 billion	Acceleration of research and development to create new products and solutions (Mid-term Strategy target 2) as well as Digital Transformation and Green Transformation drives
Strategic investment ¥50 billion	Exploration of new knowledge for viable future projects, acceleration of open innovations, and execution of strategic M&As to transform our business portfolio
Shareholder return ¥30 billion	<div style="border: 1px solid black; padding: 2px; display: inline-block;">Shareholder return policy</div> "Return profits in stable and continuous manner" Dividend payout ratio: Aim at approximately 40% (shift from the conventional target of 30% or more)

Lastly, a strategic investment of 50 billion yen is planned. We regard this investment category primarily as a means to enable M&As to contribute to our business portfolio transformation, while the money will also be used for investment in venture capitals to explore our new future core business options.

Funding Plan

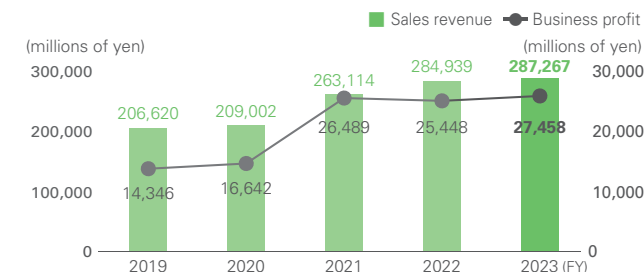
In addition to the combination of equity capital and the operating cash flow from the new Medium-term Business Plan period, we will also consider using external funds as appropriate based on the market environment at a given time. We will flexibly and dynamically select the optimum combination of funding means that will be the best for the Sumitomo Bakelite Group.

Dialogue with Shareholders

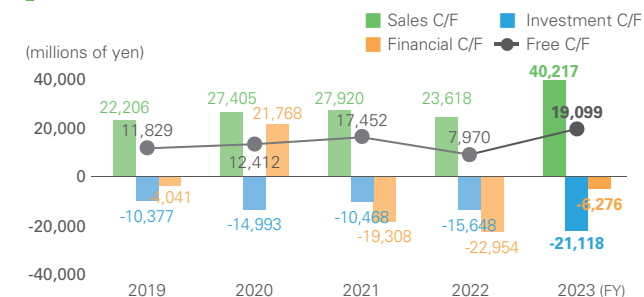
We will work on broadening the scope of interaction with our investors and shareholders.

For example, we are planning to publish video recordings of our financial results briefing sessions for institutional investors on the corporate website, to have more personalized interviews with institutional investor teams, organize small-scale IR meetings, and invite investors and shareholders to our IR events, all as part of the effort to improve our corporate value through open and active interactions.

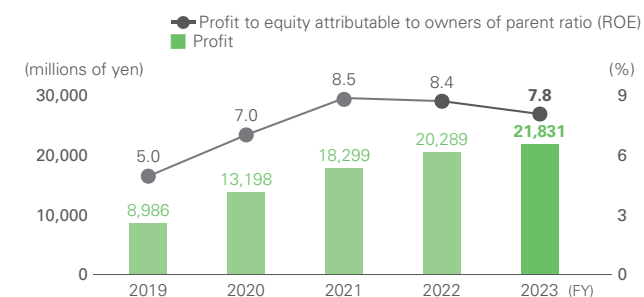
Sales Revenue and Business Profit



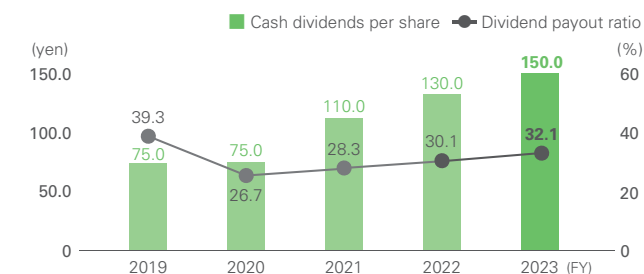
Cash flow



ROE transition



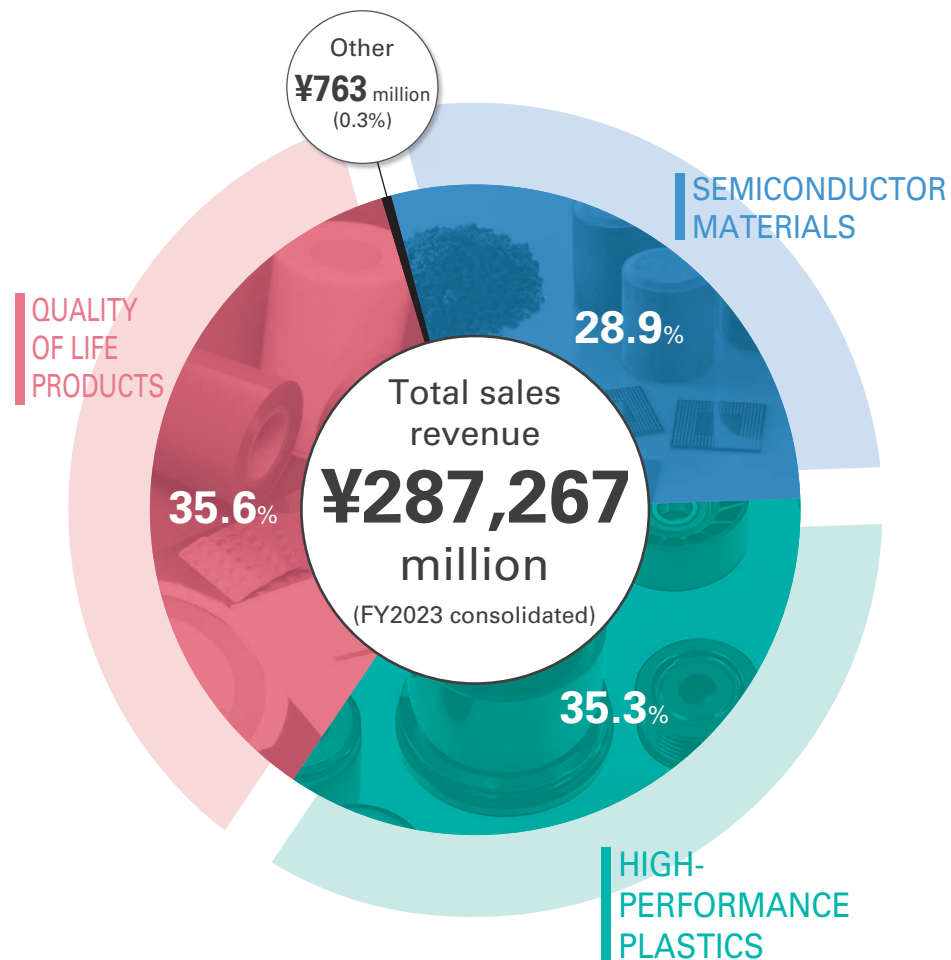
Dividends and Dividend Payout Ratio (Consolidated)



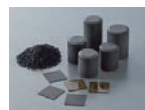
Business Portfolio

Areas of Business

Supporting all aspects of society by developing products that make full use of innovative plastics technology



Semiconductor Materials ¥82,917 million



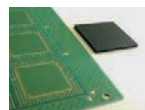
Epoxy molding compounds for encapsulation of semiconductor devices



Photosensitive materials



Die bonding paste for semiconductors



Substrate materials for semiconductor packages "LαZ"

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. As a leading semiconductor materials company, our worldwide production system facilitates smooth supply throughout the entire world.

- Epoxy molding compounds for encapsulation of semiconductors
- Photosensitive materials
- Die bonding paste for semiconductors
- Substrate materials for semiconductor packages "LαZ"

High-performance Plastics ¥101,401 million



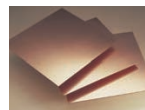
Phenolic molding compounds



Phenolic resins for industrial use



Molded parts



Epoxy resin copper-clad laminates



Aircraft interior components

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.

- Phenolic molding compounds
- Phenolic resins for industrial use
- Molded parts
- Epoxy resin copper-clad laminates
- Aircraft interior components

Quality of Life Products ¥102,186 million



Medical equipment



Films and sheets



Freshness-preserving film "P-Plus"



Plate products



Waterproofing-related



Biotechnology related products

The various properties of plastics are also utilized in food packaging films, pharmaceutical packaging, and medical equipment. We leverage the technological capabilities we have built up to put original products out into the world which 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.

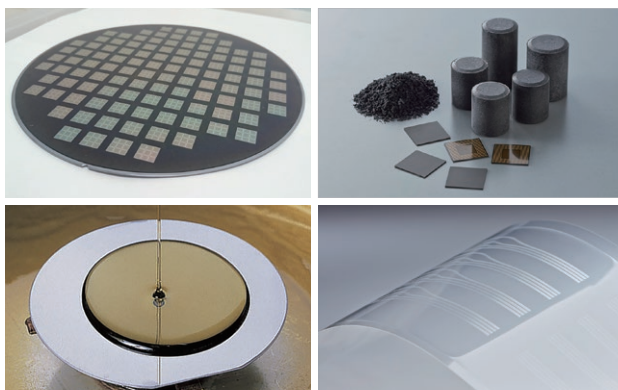
- Medical equipment
- Films and sheets
- Freshness-preserving film "P-Plus"
- Plate products
- Waterproofing-related
- Biotechnology related products

Business Portfolio

Creating New Products and Solutions

The Sumitomo Bakelite Group is working to accelerate innovation through proactive promotion of internal projects, cross-segment exchange, and external collaborations.

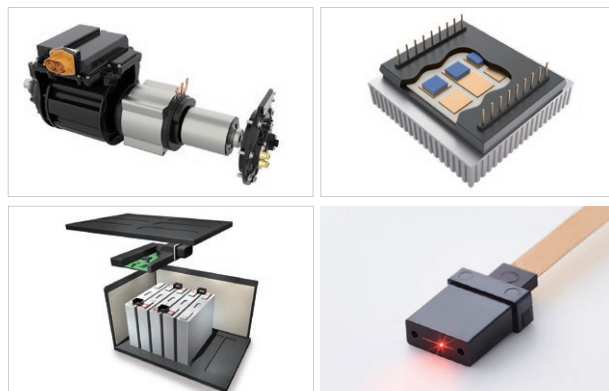
ICT Domain



The Company develops new markets for Semiconductor Materials, including semiconductor encapsulants and photosensitive materials, which are our mainstay products. We develop new applications for next-generation semiconductor materials for power modules and AI semiconductors, an effort that contributes to profits. In addition, we work on social implementation of optical circuit materials for optical communications, a task transferred to the Business Development Department in fiscal 2024.

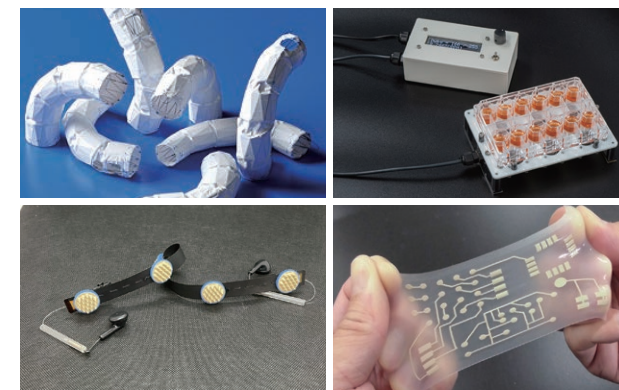
We envision terahertz/optical communications as an area of knowledge exploration from a medium- to long-term perspective. This is an area in which progress will continue to be made in the future. ICT is an area of innovation where technological progress is rapidly advancing, and the level of requirements for materials, including environmental measures, is increasing. We will further advance our platform technologies, speed up R&D by utilizing materials informatics (MI), and promote collaboration and co-creation (open innovation) with external partners. In order to continuously create value that contributes to the resolution of customer issues, we will utilize growth investments and strategic investments, proactively seek to discover promising start-ups related to new materials and innovative production technologies, and introduce technologies.

Mobility Domain



The Sumitomo Bakelite Group has been supplying the market with plastic materials for replacing metal parts in order to improve fuel efficiency by reducing the weight of automobiles. In recent years, we have been expanding our business by developing products that utilize technologies cultivated in the semiconductor field, such as 3+1 strategic products for mobility (encapsulant for fixing motor magnet, ECU direct molding materials, and molding compounds for power modules + encapsulating materials for stators), for the EV market, which is growing at a remarkable pace. In addition, we are working on the manufacture and evaluation of our original plastic e-Axle, and are focusing on proposing new materials, such as inverters and battery modules, by demonstrating the effects of being compact, lightweight, producing low vibration/low noise, etc. The knowledge gained here will also be utilized for knowledge exploration in product fields, including eVTOL (Electric Vertical Take Off and Landing aircraft), which are next-generation mobility products, energy storage materials. In the area of advanced driver-assistance systems (ADAS), we are engaged in the joint development of connectors for optical harnesses that utilize our optical circuit materials technology.

Healthcare Domain



Business model transformation is important for strengthening profitability, an initiative set forth in our business strategy. During the period of the Medium-term Business Plan, we aim to bring high value-added products, including advanced medical equipment for minimally invasive treatment, cell and gene therapy support products, and a microphysiological system (MPS) for supporting drug discovery, to society. We are also working to create new social value using new technologies such as EEG measurement device (BMI solutions) that utilize Flexible EEG electrodes as a base technology. As a knowledge exploration effort from a medium- to long-term perspective, it is expected that applications such as telescopic electrode materials for vital sensing will be applied in target areas that have expanded from conventional diagnosis and treatment to prevention. In order to increase the number of promising new products and solutions and speed up hypothesis testing, we joined a fund specializing in medical equipment development in 2024. We are taking on the challenge of creating new value while expanding our industry network and increasing opportunities for collaboration with start-ups in Japan and overseas.

Business Overview by Segment

Semiconductor Materials

Keisuke Kurachi
Director, Senior Managing Executive Officer

We will strengthen our collaboration with customers and partners around the world to become an unwavering market leader with technological innovation that always places us one step ahead



FY2023 Business Performance for the Segment

■ Sales revenue	¥82,917 million	↗	Year on year 4.2% increase
■ Business profit	¥16,139 million	↗	Year on year 5.3% increase

Priority SDGs



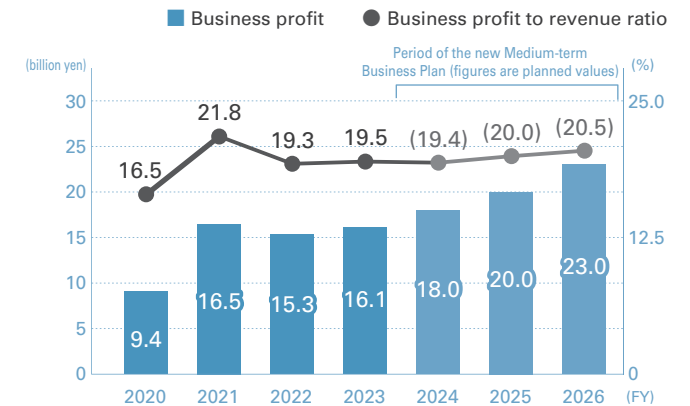
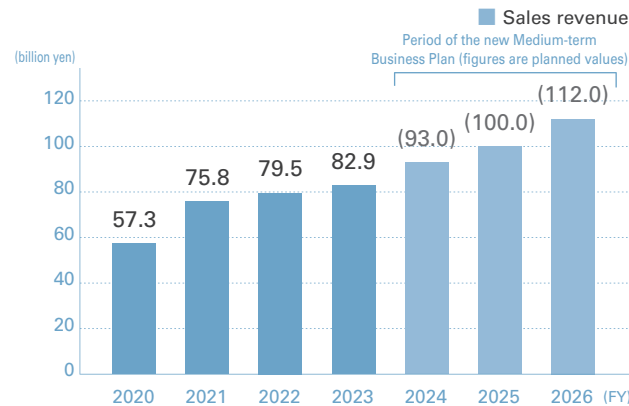
Business Characteristics/Strengths

- We hold top share of the global semiconductor encapsulation materials market and a competitive edge in the 3+1 strategic products for mobility encapsulation materials market
- Business framework that integrates production, sales, and research worldwide to enhance management efficiency
- Advanced technical capabilities and relationships of trust built with stakeholders worldwide
- Ability to make product proposals in the form of sets using back-end process materials such as semiconductor encapsulants and die bonding paste
- Global expansion of open labs enables close one-on-one communication with customers and accelerates research and development
- Ability to propose solutions in a cross-business manner through One Sumibe Activities

Business Risks and Opportunities

- | | |
|---------------|--|
| Opportunities | <ul style="list-style-type: none"> ■ Higher functionality of semiconductors due to the improvement of communication speed and the increase in communication volume ■ Support high voltage and high current of power semiconductors by increasing the functionality of power generation derived from renewable energy, servers, home appliances, cars, etc. ■ Acceleration of vehicle EV conversion ■ Expansion of the semiconductor market in Asia |
| Risk | <ul style="list-style-type: none"> ■ Intensified competition for mainstay products ■ Uncertainty and supply chain disruption due to geopolitical risks ■ Delay in recovery of the smartphone and PC markets ■ Soaring costs of raw materials, energy, logistics, etc. ■ Stagnant demand due to global inflation |

Business Performance (actual results and Medium-term Business Plan targets)



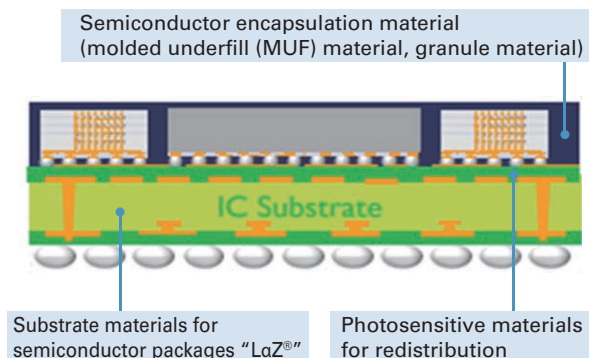
A Review of FY2023

Although stay-at-home demand related to the COVID-19 pandemic for semiconductor materials increased, demand slowed from the second half of FY2022. As the AI-related product market is currently booming, we expect the data center market to expand further as replacement demand for smartphones and PCs increases in the future. In addition, epoxy molding compounds for encapsulation of semiconductors, which are some of our mainstay products, has started to be used for mobility applications. The number of applications for fixing motor magnets in EVs and HVs and number of materials for encapsulating ECUs and power modules are growing. Turning to overseas markets, in China, domestic demand for smartphones and other products continued to recover supported by increased exports. On the other hand, demand for consumer and telecommunication products is sluggish in Taiwan, and Southeast Asia is taking time to absorb its inventories of semiconductors for automobiles.

Overall, although the recovery in the third year of the previous Medium-term Business Plan was modest after an increase in demand due to a sharp recovery in demand due to the impact of COVID-19 and a subsequent sharp slowdown, sales and profits increased as the semiconductor market remained stagnant due to the continued strong performance of the three strategic products for mobility.

Enhanced area 1: Materials for Advanced Semiconductors

Materials that contribute to making semiconductor packages smaller, lighter, more energy efficient, and more reliable



FY2024 Business Strategy

01. Determine enhanced areas with a view to 2030

- We have set power semiconductors, mobility, and AI-related areas as enhanced areas, and are carrying out well-balanced approaches in these areas

02. Make advanced semiconductor materials one of the pillars of our business

- Expand GPU, HBM, and AI-related product lineup
- Build relationships of trust through close communication with key customers and increase our presence in this field

03. Aim to become the world's No.1 manufacturer in the power semiconductor materials market, which is growing at a remarkable pace

- Expand product lineup to conform to customer development roadmaps
- Strengthen relationships with key customers by expanding open labs and making company-wide proposals through One Sumibe Activities

04. Increase share of molding compounds for mobility

- Enhance services worldwide, including expanding open labs, providing customer support through integrated production and sales, and local production for local consumption
- Strengthen global collaboration with customers to enhance new product development

05. Expand SDG-contributing product and differentiate products

- Expand the number of environmentally-friendly products such as low-temperature curing materials for semiconductor encapsulants and materials for fixing motor magnet that are easier to break down

06. Realize strategic allocation by utilizing new plants and new lines

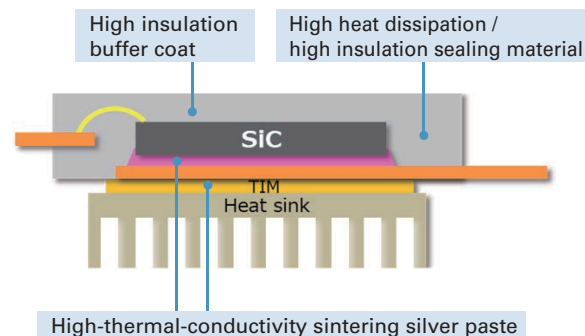
- Establish an optimal supply system by utilizing new plants in Taiwan and China and new lines in Belgium and the United States

07. Strengthen external collaboration

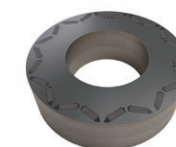
- In addition to customers, we actively collaborate with academia and suppliers to solve technical issues

Enhanced area 2: Materials for Power Semiconductors

These materials contribute to the higher level performance of power semiconductors by responding to higher currents, voltages, and increased heat stress



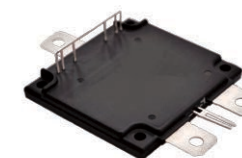
Enhanced area 3: Molding Compounds for Mobility



Encapsulating materials for fixing motor magnets



ECU direct molding materials



Power module sealing material



Encapsulating materials for stators

Business Overview by Segment

High-performance Plastics

Shinichi Kajiya
Director, Senior Managing Executive Officer

From pioneers to innovators, we will deliver new value to the world through high-performance plastics



FY2023 Business Performance for the Segment

■ Sales revenue **¥101,401 million**

■ Business profit **¥5,302 million**

↘ Year on year **0.9% decrease**

↗ Year on year **14.3% increase**

Priority SDGs



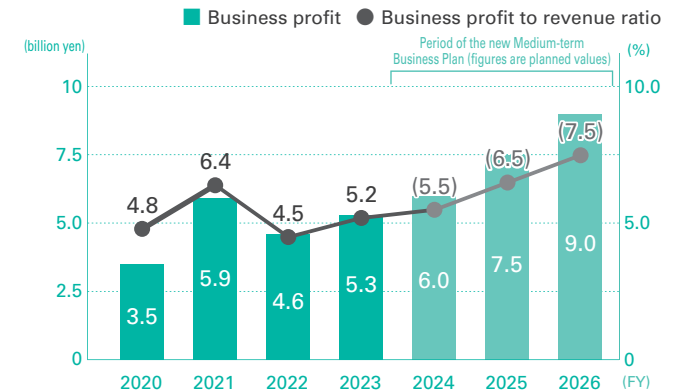
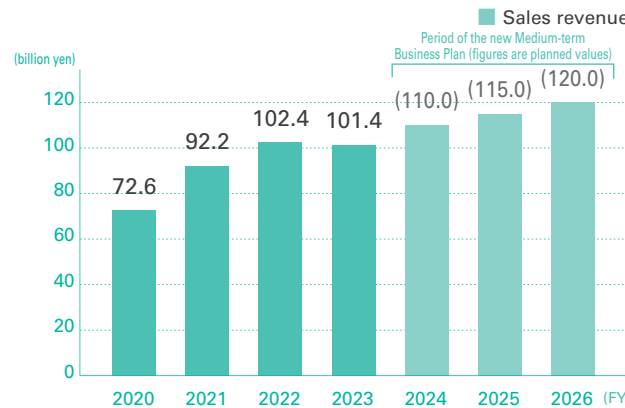
Business Characteristics/Strengths

- Technical expertise built up as a pioneer in thermosetting resins
- A seamless value chain for resins, molding compounds and molded products
- A global business framework responding to key markets
- Environmentally-friendly technologies and products such as lignin-modified phenolic resins and biomass-based polymers
- Strong connections with supply chains in key industries such as automotive, electronics, and aircraft, and relationships of trust with customers
- Ability to propose solutions in a cross-business manner through One Sumibe Activities

Business Risks and Opportunities

- | | |
|---------------|---|
| Opportunities | <ul style="list-style-type: none"> ■ Acceleration of the electrification of automobiles ■ Stronger environmental controls in locations worldwide ■ Increased demand for environmentally friendly products ■ Acceleration of production in China and expanding demand ■ Further growth in demand for aircraft |
| Risk | <ul style="list-style-type: none"> ■ Rising costs of raw materials, energy, and logistics ■ Slower growth due to intensified competition for mainstay products and the maturity of their markets ■ Increased manufacturing costs due to the introduction of carbon pricing |

Business Performance (actual results and Medium-term Business Plan targets)



A Review of FY2023

The previous Medium-term Business Plan started amidst an uncertain outlook due to COVID-19. In FY2022, the second year of the previous plan, there were a variety of negative factors, including a decrease in automobile production due to a shortage of semiconductors, disruptions in international logistics, and soaring logistics costs. One factor was the sharp rise in raw material prices, which had a particularly large impact on business performance. This trend continued in FY2023, and the conditions surrounding our business were extremely challenging. In the first half of FY2023, this segment was impacted by inventory adjustments due to a sharp drop in demand for consumer devices such as smartphones, PCs, and home appliances, and stagnant housing demand due to soaring prices in Europe. However, in the second half of the period, inventory adjustments for consumer electronics applications were completed and signs of recovery finally appeared, and we were able to capture demand while collaborating with each of our sites. In the aircraft business, we recovered from business stagnation caused by the COVID-19 pandemic, and were able to establish a profit thanks to the acquisition of new projects not only in North America but also at the newly established European bases and the results of rationalization that we have accumulated so far. Although the business profit target set in the Medium-term Business Plan was not achieved, we were able to realize the results of efforts to transform our business portfolio under difficult business conditions.

FY2024 Business Strategy

01. Strengthen the profitability of existing businesses

- Optimize production sites globally
- Convert conventional factories into smart factories to improve human productivity
- Launch of a new line of phenolic molding compounds at our Nantong Plant in China
- Utilize our state-of-the-art smart factory-related know-how globally

02. Portfolio transformation with high value-added products

- Enhanced areas: Expand into mobility (xEV), aircraft applications, heat dissipation materials for power modules in semiconductor-related applications, liquid epoxy resins, polymers for photosensitive materials, etc. (in that order)
- Offer value proposals to customers based on One Sumibe Activities and promote mutual cooperation and trust

03. Adapt to a circular society

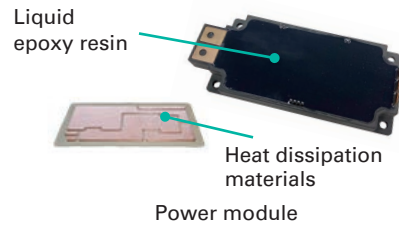
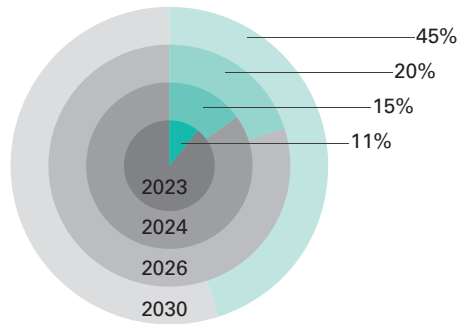
- Promote projects to develop chemical recycling technology for thermosetting resins for use in society, aiming for coexistence with plastics through the realization of a circular society

04. Grow the number of SDG-contributing products and provide them with high functionality

- Utilization of the strengths of the seamless value chain for resins, molding compounds, and molded products
- In the area of semiconductors, we will work to extend the life span of thermal management products and improve their thermal efficiency
- For mobility applications, we will make products lightweight and switch from materials that have a high carbon footprint to thermoset molding compounds
- Development of and creation of supply systems for resins and low-VOC products from non-food plants

Products examples in enhanced areas

Actual Results and Target Figures for Sales Ratio of Reinforcement Area Products



Environmentally-friendly Product Examples



* Jointly developed with Fraunhofer Institute

Business Overview by Segment

Quality of Life Products

Takashi Kobayashi
Director, Senior Managing Executive Officer

We want to bring high value-added products to the market and improve quality of life for everyone



FY2023 Business Performance for the Segment

Sales revenue	¥102,186 million	Year on year 0.1% decrease
Business profit	¥9,723 million	Year on year 5.6% increase

Priority SDGs



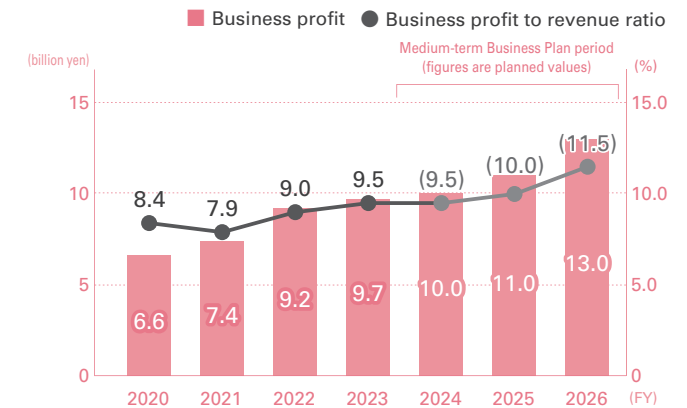
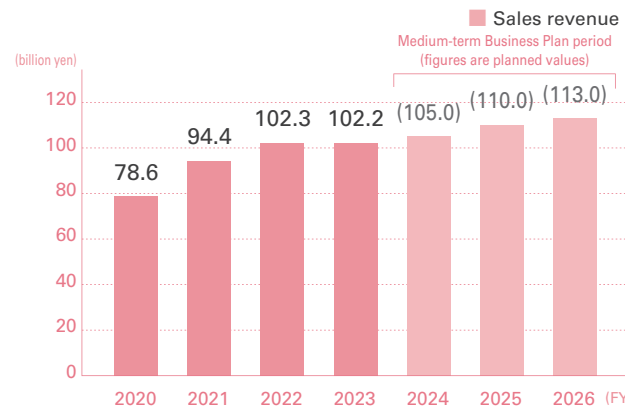
Business Characteristics/Strengths

- (Medical Equipment and Biotechnology Related Products)
 - Capabilities for developing medical equipment in the field of minimally invasive treatment
 - Development of drug discovery support, regenerative medicine, and diagnostic reagents utilizing polymer design, microfabrication, and assembly technologies
- (Film and Sheets) High market share in each niche market, ability to respond to customer needs, and efficiency in sales and manufacturing through Digital Transformation
- (Industrial Functional Materials) High value-added products such as eyewear using polarization and optical control technology, optical products for automotive head-up displays, and insulating materials with top-level electrical characteristics
- (Waterproof Business Products) In addition to the high market share of housing manufacturers, we will develop high value-added anchor products for solar panel installation
- Ability to propose solutions in a cross-business manner through One Sumibe Activities

Business Risks and Opportunities

- Opportunities**
 - Expansion of more sophisticated medical care with low invasiveness and regenerative medicine industry market expansion
 - Expanding needs for environmentally friendly materials and increasing awareness of food loss in the film and sheet business
 - The market for optical products such as eyewear and head-up displays is currently experiencing growth
- Risk**
 - Declining prices for healthcare-related products, decreasing surgical operations, and prolonged medical equipment regulatory approvals
 - In the film and sheet business, plastic packaging products are facing headwinds and mainstay products are experiencing intensified competition
 - Soaring raw material prices

Business Performance (actual results and Medium-term Business Plan targets)



A Review of FY2023

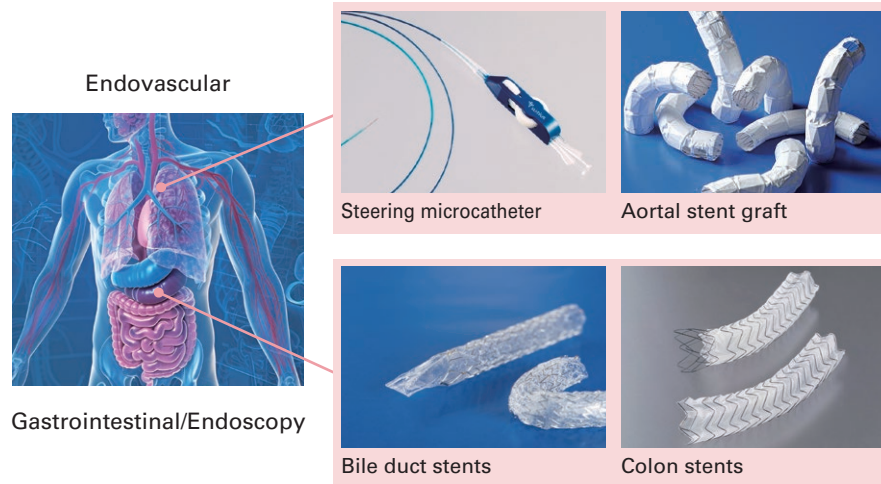
In the healthcare field, since the establishment of SB Kawasumi in October 2021, we have expanded our lineup of minimally invasive endovascular treatment devices and gastrointestinal endoscopic treatment devices, resulting in increasing our market share in these areas.

In the film and sheets business, sales of PTP for pharmaceutical packaging reached a record high thanks to the launch of environmentally-friendly biomass products and strong sales of high moisture-proof products. In the food packaging field, we are creating a market for skin packaging products that meet the needs of environmental friendliness, preservation of freshness, and extension of expiration dates, leading to sales expansion.

In industrial functional materials, although sales decreased due to a decrease in the volume of mainstay general-purpose products, sales decreased and profits increased due to a shift to differentiated functional products such as eyewear and optical materials for head-up displays, as well as improvements in production efficiency and price adjustments centered on general-purpose materials.

In the waterproof sheets business, the increase in the ratio of solar panels installed on roofs led to a sharp increase in the number of solar anchors with integrated waterproofing, which contributed to sales and profits. Since we have been able to steadily increase the volume of SUMIROOF, a new roofing material product, and improve our profits, we will continue to focus on this fiscal year and beyond with high expectations.

Medical Equipment and Biotechnology



FY2024 Business Strategy

01. Develop new products early on and strengthen profitability (Healthcare)

- Strengthen development capabilities for differentiated products, such as endovascular therapy devices, and expand the pipeline of new products
- Promote the development of high value-added products in the bio business through collaboration with customers in the field of regenerative medicine
- Expand sales of glycan analysis kits in Asia in the drug discovery support field and expand our business based on a microphysiological system using human IPS cells
- Strengthen profitability through product portfolio transformation by eliminating unprofitable products and improve human productivity by promoting Digital Transformation

02. Global expansion of growth markets (industrial functional materials)

- We will accelerate the transformation of our business portfolio by strengthening globally our differentiated products such as materials for advanced automobiles, such as electrified vehicles and driving assistance, and optical materials for eyewear and head-up displays

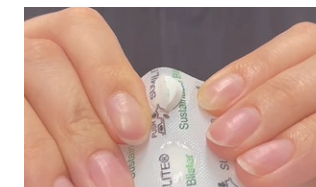
03. Accelerate global expansion of high-market share products (films and sheets)

- With regard to pharmaceutical packaging films, we will expand our lineup of eco-friendly products, strengthen development of alternative films for PFAS, and aim to make monomaterial films meet European standards
- In the area of industrial films, we will expand sales of high electrical resistance cover tape developed for OSAT in China by making it available to new customers in Asia and ASEAN markets
- In the food film sector, we will increase awareness of skin packaging to create a new market

04. Strengthen business in the housing field (Waterproof Business Products)

- Pursue the value of prefabricated construction methods using unit components together with our customers, and promote the digital transformation of construction methods
- We will also focus on the renovation field and expand our waterproofing-related business together with new strategic products such as roofing materials

Films and Sheets



Monomaterial PTP



Skin packaging

Industrial Functional Materials



Optical materials for eyewear

Waterproof Business Products

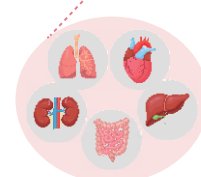


Waterproof products for solar panel

Microphysiological system



MPS device



Organ models



Creation of Environmental and Social Values

Dialogue: Vice President x Officer in Charge of Sustainability

Our goal is coexistence with a sustainable society Maximizing environmental and social value heading toward 2050

Masayuki Inagaki

Representative Director, Executive Vice President
Vice Chairperson of Sustainability
Promotion Committee

Hiroki Oki

Executive Officers, GM of Corporate Planning Department
General Manager of Sustainability Promotion Department,
Chairperson of SDGs Promotion Committee

Taking up the baton of sustainability promotion

Inagaki: The management philosophy under which the Group has long engaged in initiatives is the very embodiment of sustainability thinking. Our Sustainability Promotion Committee occupies a top-level position within the Company. It directs and approves the activities of four committees beneath it: the SDG Promotion Committee that plans and executes measures related to the SDGs, the Carbon Neutrality Promotion Committee that studies technologies related to carbon neutrality and calculates the carbon footprint (CFP) of all of our products, the Risk Management Committee, and the Compliance Committee. I've supervised sustainability promotion activities since 2017, when our Group began initiatives aimed at the SDGs.

Oki: The Sustainability Promotion Department, which shoulders the role of promoting sustainability, kicked off in April 2023. Its most important role is formulating, recommending, and executing long-term sustainability strategies. Its members accumulate expertise and experience to carry out more effective

sustainability activities. The presence of this dedicated organization helps boost awareness within the Company and strengthen internal and external collaboration. The organization also enlightens employees about the importance of sustainability and the value of initiatives through educational programs and communication activities, promoting an awareness shift inside the Company. Instead of tackling issues as a single company, we aim to actively communicate with companies facing similar issues to solve them together.

Inagaki: I recommended you as the General Manager of the Sustainability Promotion Department, and you've also taken over my previous position as Chair of the SDG Promotion Committee. In fiscal 2018, the Company launched a preparatory project for promotion of the SDGs, with you as one of the main members. You have a good understanding of sustainability-related initiatives, a serious attitude, and execution capabilities, so I think you were a fitting choice. In 2023, you became the Company's first female executive. I have high expectations for your continuing leadership.

Oki: It's with seriousness that I take up the baton of sustainability

Sustainability Promotion System

The Sustainability Promotion Department (launched in April 2023) takes the lead in advancing company-wide activities

Board of Directors

Supervision ↓ ↑ Reporting

Sustainability Promotion Committee

Approval/instruction ↓ ↑ Reporting

Chairperson: President
Convened about once every two months



* Carbon neutrality

Departments/affiliated companies



Creation of Environmental and Social Values Dialogue: Vice President x Corporate Officer in Charge of Sustainability











promotion from you. Now in 2024, fewer than six years remain until 2030, the deadline for achieving the SDGs. Our activities to increase our ratio of sales revenue from SDG-contributing product achieved our target ahead of schedule and exceeded 60% in fiscal 2023, but further advances will be needed to reach our fiscal 2030 target of 70% or higher. In terms of sustainability overall, recent years have seen an increase in high-level issues, including human capital and sustainable procurement issues. In addition to these, we intend to squarely address issues such as Green Transformation, Digital Transformation, and the circular economy, and will consider and execute measures toward these from a broad perspective.

Inagaki: To date, we've taken a top-down approach to making sustainability concepts known. Now that understanding is sufficient, though, we need to move on to the next stage. I think you have a gentle manner that makes it easy for others to speak their mind. I have a track record as an engineer. Instead of imitating me, I hope that you'll take in the opinions of people in the field, who feel changes in the world up close, as you move forward.



Looking beyond 2030 to create new value for plastics

Oki: We've created a TCFD Task Team under the Risk Management Committee to predict climate change-related

	Resources	Energy creation/energy conservation	Long life	3R ^{*1}	Environmental measures
Initiatives for carbon neutrality – Technology and product development – <small>*1 3Rs: Reduce, Reuse, Recycle *2 VOC: volatile organic compound *3 CFP: Carbon Footprint of Products</small>	<ul style="list-style-type: none"> Biomass raw materials Byproduct CO₂ utilization (plastic synthesis technology)  <p>Lignin-modified resin Furan resin</p>  <p>Biomass film</p>	<ul style="list-style-type: none"> Lightweight components Energy creation/power storage components and materials Thermal management components and materials Materials that contribute to energy contribution  <p>Low-temperature-cured materials, room temperature stored materials</p>  <p>Optical circuit materials</p>	<ul style="list-style-type: none"> High tolerance High reliability  <p>Super weather-resistant polycarbonate sheets</p>  <p>Long-durability waterproof systems</p>	<ul style="list-style-type: none"> Recycling processes Easily dismantled resin Use of mono-materials Volume/thickness reduction Recycled raw materials  <p>Chemical/material recycling technology for thermoset molding compounds</p>  <p>Easily dismantled materials for thermoset molding compounds for rare metal recovery</p>	<ul style="list-style-type: none"> Expansion of renewable energy Use of electric boilers VOC^{*2} reduction  <p>CFP for all products^{*3} Initiatives for providing value</p>  <p>VOC phenolic resin sheet</p>

opportunities and risks in 2040 and perform scenario analyses for our major businesses. We foresee opportunities in areas including automotive-related products with a focus on electric vehicles, semiconductor-related products, and high-performance films for food packaging with room-temperature storage and freshness retention functions. We view soaring prices of raw materials and of electricity and other energy, along with the introduction of carbon pricing, as risks.

Inagaki: The Group is strengthening its research and development on the basis of such opportunities and risks. If nothing is done, temperatures of 40°C will be commonplace in 2040, and typhoons with wind speeds of 70 meters per second may arise. Technological development and capital investment will be essential to avoid such a world. Looking at the disposal of raw materials and products used, we recognize that the establishment of chemical recycling and material recycling technologies and the use of biomass raw materials are indispensable from the standpoint of resource recycling (3Rs + Renewable). We've also been contributing to the achievement of the SDGs a condition for all new research topics. As we advance research and development, we're making committees, task teams, and other cross-organizational structures a foundation on which everyone can undertake sustainability activities with a sense of personal involvement.

Oki: Our Environmental Vision for 2050 (net zero) sets out emissions reduction targets for fiscal 2030 in line with the Japanese government's reduction targets. We achieved these targets ahead of schedule in fiscal 2023. In response, we are switching to higher reduction targets in line with the 1.5°C standards of the Paris Agreement, and are working to reduce our Scope 1, 2, and 3 GHG emissions. We're also working to obtain

certification under the Science Based Targets initiative (SBTi) for international emission reduction targets. "Amount of contribution to reduction" during the use of products and services downstream in the supply chain is a concept that has emerged in recent years. We need to consider both our own reductions as well as those of our customers and further on down the value chain. We will continue our endeavors to achieve carbon neutrality in 2050. Because the products handled by our Group have wide-ranging applications, we'll continue to advance carbon neutrality initiatives from the five perspectives of (1) resources, (2) energy creation/energy conservation, (3) long life, (4) the 3Rs, and (5) environmental measures.

Inagaki: Born over a century ago, plastics have come to be all around us owing to their safety, comfort, and convenience. At the same time, when viewed from the keyword "environment," plastics made from fossil fuels tend to be preceded by a negative image. That is why our Group must pursue functionality in plastics and provide the world with products that contribute to the environment and society. What we seek is a sustainable society with which plastics can coexist.





Creation of Environmental and Social Values Increasing the Number of SDG-contributing Products

Approach to Contributing to SDGs

Our Group conducts efforts on SDGs under an understanding that SDG efforts, societal needs, and our Company's business objectives / Business Philosophy (Company Policy) are roughly equally interconnected. We believe that the SDGs together serve as one of the points of reference that will show us the direction in which our Group should move as a plastics manufacturer. The SDGs consists of 17 goals and 169 specific targets for achieving those goals. We have designated "6+1" as our priority area targets in which we can make the most of our business fields and strengths. We have identified the Creation of Environmental and Social Values as a key management issue for the promotion of sustainability, and are working to contribute to the SDGs as part of this effort. Our Group has been accrediting products, technologies, and activities that contribute to the SDGs as SDG-contributing products, SDG-contributing technologies, and SDG-contributing activities. Certification is granted by the SDG Promotion Committee, subject to approval by the Sustainability Promotion Committee, upon meeting the assessment criteria: the target must be appropriately selected, and a concrete explanation of contributions must be provided, including objective figures based on actual data or publicly disclosed information. As a result, the ratio of SDG-contributing products in sales revenue is increasing every year.

SDG Priority Area Targets

"6+1"



Six goals that the Company can contribute to and one goal that we should contribute to together with society as a whole

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

Since fiscal 2018, our Company Group 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

- (1) Goal 3: The product promotes health and welfare
- (2) Goal 7: The product contributes to improving energy efficiency and implementing new forms of energy (including energy storage)
- (3) Goal 8: The product contributes to achieving job satisfaction and economic growth
- (4) Goal 9: The product contributes to realizing decent work friendly technologies, and to the foundation of industry and technological innovation
- (5) Goal 12: The product contributes to reducing waste (including food waste) and harmful substances, contributes to reducing environmental impact, and contributes to the realization of recycling and resource saving
- (6) Goal 13: Measures against climate change, and things that help strengthen adaptive capacity to climatic and natural disasters
- (7) Goal 14: The product contributes to the conservation and utilization of marine resources and to the prevention and reduction of marine pollution
- (8) 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 2023 Results

Sales revenue **¥177.8 billion**

Sales ratio **61.9%**

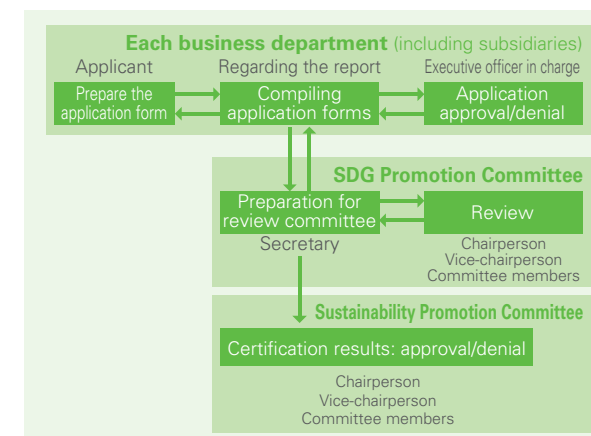
Target

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

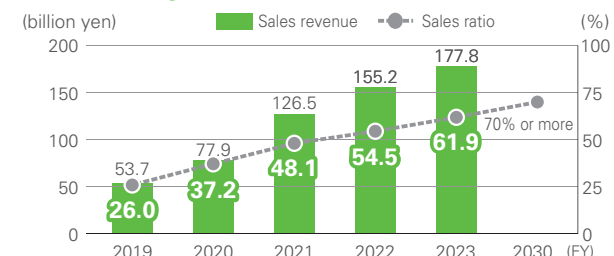
Certification Process

Items reviewed and assessment criteria

- Concrete explanation of contributions: Presented through objective figures based on actual data or publicly disclosed information
- SDGs that the products/technologies/activities contribute to: Selected appropriately



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

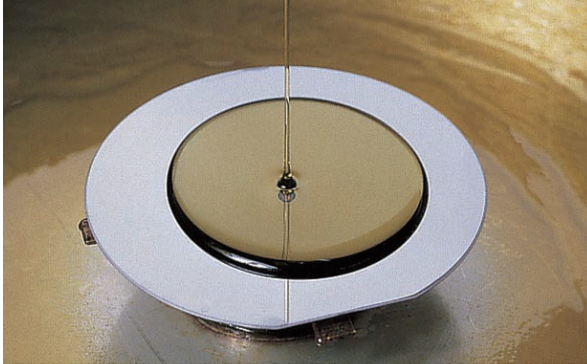


* Sales ratio is calculated by dividing revenue from SDG-contributing products and technologies by overall sales revenue (based on International Financial Reporting Standards).



Creation of Environmental and Social Values Increasing the Number of SDG-contributing Products

Newly-certified SDG-contributing Product



Buffer coat material for power semiconductors



Until now, negative-type buffer coats have been used as insulating protective films for power semiconductors, and an organic solvent developer has been used for this. By improving adhesion with the substrate, which was a problem with positive buffer coats, and solving outgassing generation, it has become possible to use positive buffer coats for power semiconductors. By using this product, it is possible to replace the organic solvent developer with an alkaline aqueous solution, contributing to a reduction in the release of chemical substances.

12.4 Reduce chemical emissions

Typical SDG-contributing Products



Polycarbonate sheets with heat ray cutoff capabilities

The heat ray reflection grade of Polica Ace® has a special heat ray reflective filler embedded into the polycarbonate layer to achieve an even higher heat ray cutoff effect than the conventional heat-absorbing grade (heat ray cutoff rate of 79%).

The heat ray cutoff effect reduces heat at the bottom of the plate, contributing to energy saving and comfort. The panel is also available with a glossy silver tone for a wide range of applications.

- 9.4 Environmentally sound technologies
- 13.1 Strengthen adaptive capacity to climatic and natural disasters
- 13.2 Climate change countermeasures



Ileus tube series

This product is used to decompress and create suction in the intestinal tract via a tube inserted through the nose or anus for ileus (narrowing or obstruction of the intestinal tract). Improvement resulting from its use is seen especially in the initial treatment of early stage ileus.

By significantly reducing the rate of transition from conservative treatment to surgical surgery compared to when not in use, it contributes to the rehabilitation of patients and the improvement of their quality of life.

- 8.1 Sustain per capita economic growth



Liquid epoxy resin for power modules

By replacing conventional silicone gels for sealing case-type power modules with this product, the high heat resistance and low linear expansion coefficient of the material reduce stress on the bonding members and other components at room and high temperatures, contributing to long-term reliability improvement of power modules.

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



Anchor for solar panel with integrated waterproof sheet

These waterproof anchors can be installed after waterproofing work has been performed, simplifying installation. Integration of anchors with sheets ensures high reliability of waterproofing, with the same guarantee period and long-term fixation strength as the sheet waterproofing, and more than twice the strength of the solar panel power generation guarantee. This contributes to improved reliability of solar panel installation and consequent power generation.

- 13.1 Strengthen adaptive capacity to climatic and natural disasters



Creation of Environmental and Social Values

Environmental Vision for 2050

Environmental Vision for 2050 (net zero)

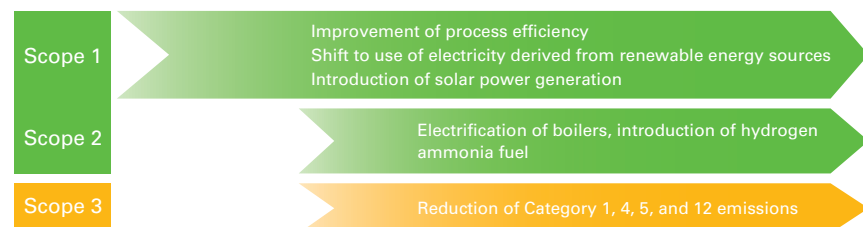
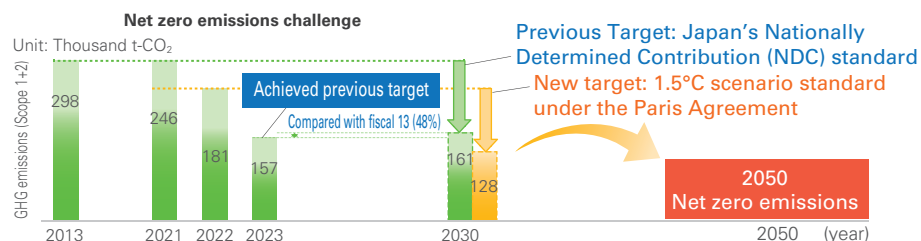
Our Group relies on the earth's natural resources and energy in order to do business. However, doing business generates garbage and air and water emissions. For this reason, we believe it is important for our Group to adhere to environmental laws and regulations, conduct business in an environmentally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

In line with the government's 2050 Carbon Neutral Declaration (2020) and subsequent presentation of its target of reducing GHG by 46% or more (compared to fiscal 2013) by 2030, the Group set 2050 as our target for taking on the challenge of carbon neutrality,

and 2030 for a 46% or more reduction in CO₂ emissions (compared to fiscal 2013). In fiscal 2023, we achieved a 48% reduction in CO₂ emissions ahead of schedule. To acquire SBTi certification (standards equivalent to 1.5°C scenario targets), in February 2024, we made a commitment to develop targets and revised the targets as follows.

2050 target: Taking on the carbon neutrality challenge

2030 target: Reduce Scope 1 and 2 GHG emissions by 48% or more (compared to fiscal 2021) and Scope 3 GHG emission by 25% or more (compared to fiscal 2021)



Environmental Vision for 2050 (net zero)

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

- Reduce CO₂ emissions via energy conservation activities, MFCA*¹ activities, and improving process efficiency
- Electrification of boilers, introduction of hydrogen ammonia fuel
- Increase the share of our electricity derived from renewable energy sources by getting a grasp of the electric power conditions in each country

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

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

*1 Acronym for Material Flow Cost Accounting, an environmental management and accounting tool for companies to improve cost efficiency and reduce environmental impact at the same time. Our Group utilizes this method as an analysis tool.

Climate Change Program Efforts, TCFD Initiatives, and Participation in Green Transformation(GX) League

With the CDP's*² 2023 survey, survey activities were conducted on behalf of 740 institutional investors with net invested assets totaling 136 trillion U.S. dollars. More than 23,000 companies disclose environmental data on their initiatives for climate change programs via the CDP. Upon responding to the CDP questionnaire for fiscal 2023, we received an A- rating for climate change and B rating for water security in February 2024. Having received requests for responses in fiscal 2024 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 on our website.

As a new initiative, we continued to express our agreement with the "GX league Basic Concept" announced by the Ministry of Economy, Trade and Industry in 2022, and set targets for the GX

league*³, in which we became a participating company in May 2023, for Sumitomo Bakelite Group companies in Japan and are proceeding with initiatives.

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.

*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.



Value Creation Accelerators

Co-creation with Customers

Message from the Global Marketing Officer

Sumitoshi Asakuma

Executive Vice President
Global Marketing Division

New value creation initiative based on strong technological expertise of the Company and extensive understanding of the market



Role of the Global Marketing Division

The Global Marketing Division is an organization where a team of members with superior technical expertise and familiarity with the Group's business segment structure work with broad perspectives to lead marketing activities for all our products. With a strong focus on "new"-ness, the Global Marketing Division helps the Sumitomo Bakelite Group enter new business fields and create new markets. To do this, it is essential for us to practice "Co-creation with Customers". Specifically, we carefully identify customers involved in cutting-edge research and development in innovative areas, and then work on building strong partnerships with such customers.

Allocation of Resources to Corporate-Wide Priority Fields to Drive Marketing Efforts Through "One Sumibe" Initiatives

The Global Marketing Division assign its members to geographical regions which are important to our business, which include not only Japan but also China, Europe and the US. In 2024, the Division also dispatched employees to India, where a strong market growth is anticipated. These globally stationed members regularly communicate with each other to work as one across the globe. The current focus areas for the Division include ICT, mobility, healthcare and energy, which are defined as corporate-wide priority fields. Each of these areas, having a good market size and being closely related to Digital Transformation and Green Transformation drives, has good potential for future growth and can also make significant contributions to society. Through One Sumibe Activities, we collaborate with other teams and divisions of the company to drive marketing activities in these new business areas.

For ICT, we collaborate with the Optical Circuit Business Development Department to swiftly bring our optical circuit materials to the market to support photoelectric fusion techniques, a technological region which is expected to be core to the future high-speed high-capacity communications that are essential to run AI servers and

other advanced technological elements.

In the mobility field, we work closely with various business units to accelerate our plastic e-Axle project and the development of other power module materials to expand the company's business. As an outcome of these efforts, our technology is now used in cutting-edge eVTOL (electric vertical take-off and landing) aircraft motors. Our optical circuit material technologies are also used in optical communications for automotive ADAS (advanced driver-assistance system), where operating integrity is critical to end user safety.

In healthcare, we actively speak with customers to understand their needs for materials for vital sensing devices that are expected to play greater roles in preventive medicine and remote medical services, and relay these insights to our laboratories to accelerate their material development work.

In the energy area, we focus on promising renewable energy fields that have a good potential to contribute to the carbon neutrality goal, and our team of globally distributed members work together to market our offerings in these fields.

With long-term commitments in various fields, all the teams of the company work together toward creating new values.





Value Creation Accelerators/Co-creation with Customers Message from the Global Marketing Officer

Building Partnership with Customers to Achieve “Co-creation” of Values

To practice “Co-creation with Customers” in priority fields, our Group works with external partners, such as equipment manufacturers, raw material manufacturers and academic institutions, to offer solutions to our customers and to create new values. Our Group also put a lot of effort into promotional activities to help make our technologies and products better known to customers. These promotional activities include, among others, participation in large-scale open trade shows in various locations and also in-house exhibitions at our important customers. As part of our One Sumibe Activities, we carefully design and organize these promotional events by closely collaborating with various other teams and departments so that the event, including what items to display and how to present them, best aligns with the needs and preferences of the audience/customer in order to make the event beneficial for all the parties involved. We believe that these day-to-day marketing and communication efforts eventually enable us to move forward to the next stage.

“Co-creation with Customers” to Generate New Environmental and Social Values

As an outcome of these day-to-day marketing efforts and strong partnership with customers built through existing businesses, co-creation of new values is now becoming a reality, and a number of projects are being undertaken. For over twenty years, “CS (customer satisfaction) improvement” has been one of our key goals, and our corporate culture places great emphasis on listening to our customers and working with them to solve issues. To accelerate “Creation of environmental and social values”, which is defined as one of the material issues for our Group, we aim at working with even more customers in the future to further our value creation initiative.

Co-creation
Case Study



Sumitomo Electric Industries x Sumitomo Bakelite Co., Ltd.

Automotive optical harnesses with optical branching connector

Developed a Vibration- and Dust-Resistant Optical Branching Connector

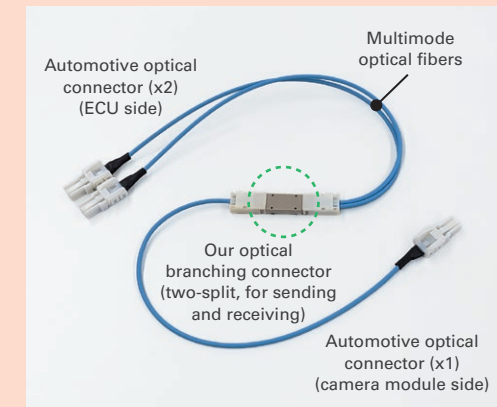
In the rapidly developing field of autonomous driving technologies, there is an urgent need for higher information processing speed and greater data transmission capacity to accommodate high precision cameras and sensors. To meet this need, the existing automotive wiring harnesses are built using thicker cables, which, however, are detrimental as they cause the harness weight to increase and also make the vehicle assembly work more difficult.

Sumitomo Electric Industries, a company with strong expertise in optical communication and wiring harness technologies, is working on developing an Automotive optical harnesses by combining these two technologies. An Automotive optical harnesses, built with a small-diameter, light-weight materials including optical fiber, is beneficial as it enables high-speed large-capacity data transmission while also catering to weight reduction needs. However, building a wiring harness with optical fibers has technical issues such as greater loss at the branching point. To help overcome these issues, we proposed the use of our polymer-based optical waveguide material that is capable of flexibly branching the optical circuit and also helps reduce branching loss. Sumitomo Electric Industries liked the benefits of this material and is now combining the material with their Automotive optical harnesses to develop a new product.

In 2023, a series of image transmission demonstrations using the in-development product were run in domestic and overseas trade shows, to which a number of automotive and component manufacturers expressed strong interest. Further development is underway with a plan to install the product in commercial vehicles by 2030.



Optical circuit film (left photo) and Polymer waveguide with optical connector (right photo)



A mock-up of automotive optical harnesses for practical use in 2026



Value Creation Accelerators/Co-creation with Customers Message from the Officer in Charge of One Sumibe Activities

Atsushi Tanaka

Executive officers
One Sumibe Promotion
Committee leader

Maximize the power of the whole company, boost teamwork and nurture a sense of belonging in employees



CS (customer satisfaction) Improvement Across the Whole Sumitomo Bakelite Group

Since defining “CS (customer satisfaction) improvement” as one of its key goals in 1998, the Sumitomo Bakelite Group has been committed to listening to its customers, working with them to solve their issues and building strong partnerships with them, enabling the Group to further strengthen its business base. This CS spirit has become deeply ingrained in the Group’s operating fundamentals. The CS Promotion Committee, chaired by the company president, discusses and plans CS improvement measures. Our policy for the next three years is to aim at “customer delight”, one step beyond aiming at “customer satisfaction” as we used to do. Under this new policy, we encourage a positive shift in our employees’ mindset and also take steps to provide greater visibility in our activities. The One Sumibe Activities are part of the initiatives we take to achieve for these purposes.

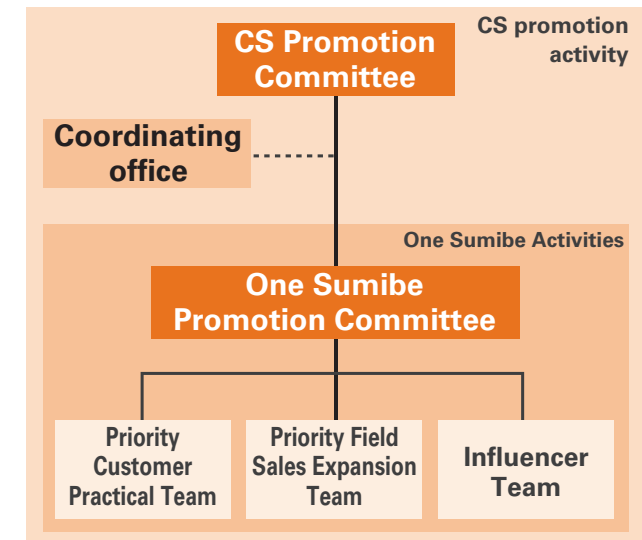
Cross-Departmental Solution Proposal to Most Effectively Fulfill Customer Needs

The One Sumibe Activities started as a part of CS improvement efforts in 2017, to encourage horizontal collaborations between multiple teams and departments in the Sumitomo Bakelite Group to provide solutions to our customers. “Sumibe” is a loving nickname for our Company, long used among customers as well our Group employees. One Sumibe Activities started by designating a cross-departmental team to work with each of our priority customers (“Priority Customer Practical Teams”), orchestrating Sumitomo Bakelite Group’s activities associated with its target customer to build a stronger partnership. The Priority Customer Practical Teams helped organize many in-house exhibitions showcasing a Group-wide collection of technologies and products at customer sites, which would have otherwise been difficult in the traditional single-department approach. The Priority Customer Practical Teams contributed much to building valuable partnerships with many of our important customers.

One Sumibe Activities are planned, implemented and reviewed every year by the One Sumibe Promotion Committee, consisting of sales division general managers and heads of other business units, under the supervision of the CS Promotion Committee. Initially, One Sumibe Activities focused primarily on interacting with our priority customers. However, we learned over time that these cross-departmental activities also help inspire and motivate the whole organization.

Members who were involved in projects organized by Priority Customer Practical Teams all voiced that they “loved collaborating with other teams and departments and making new connections”. At the start of the new Medium-term Business Plan, we reviewed One Sumibe Activities and discussed how it could be made better. Thereby we redefined the One Sumibe vision as a “group of activities that create new value through voluntary collaborations across the Group”. One of our goals for this Medium-term Business Plan is to “make sure that ‘One Sumibe’ is deeply embedded in the whole Group organization as a corporate culture, across domestic and overseas entities, across all functional units including manufacturing, sales and R&D, and across all sites and geographical locations”. To pursue this goal, we have newly organized an “Influencer Team” in the company. Besides the continued work of the Priority Customer Practical Teams, the Influencer Team collaborates with the Priority Field Sales Expansion Teams membered by our laboratory and factory experts, and accelerates information sharing across multiple departments to strengthen collaboration and teamwork in our Group. We will organically connect all these activities to deliver products and services that will delight our customers.

CS/One Sumibe Team Structure for FY2024





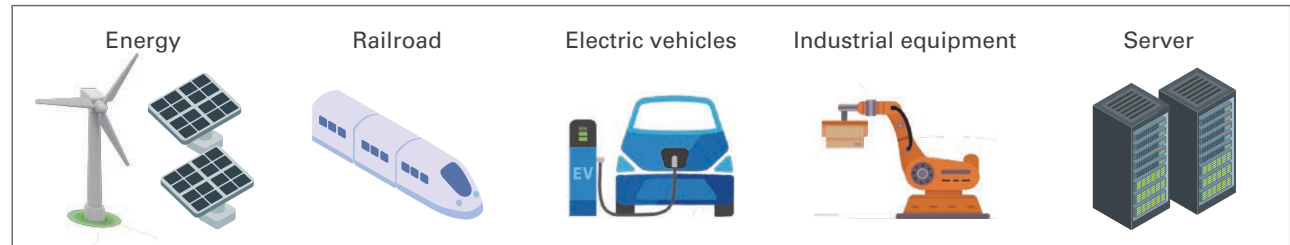
Value Creation Accelerators/ Co-creation with Customers One Sumibe Activities

Corporate-wide engagement in priority fields by creatively identifying what tasks we should work on - Power module team -

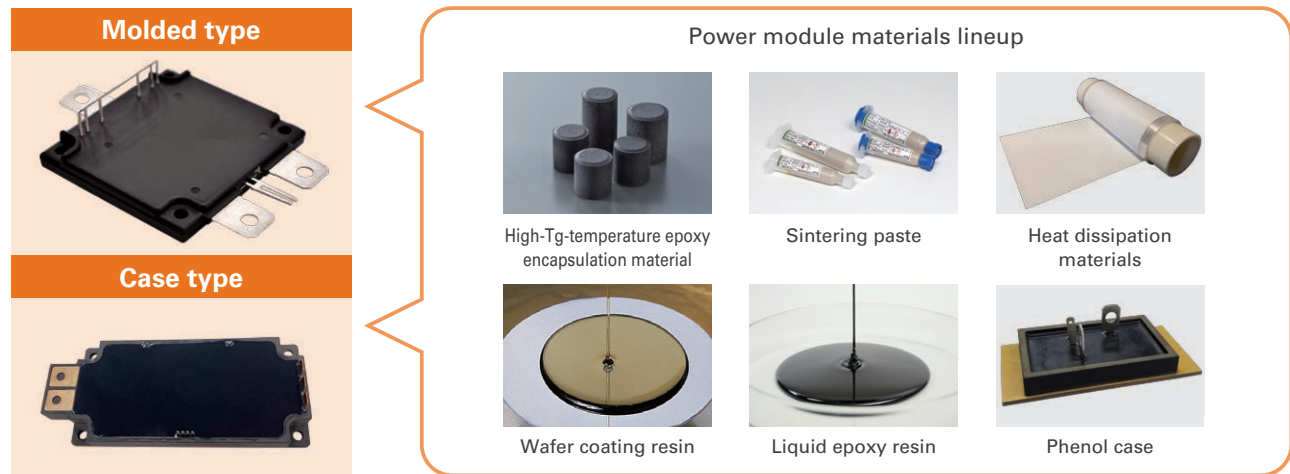
The company formed a number of Priority Field Sales Expansion Teams in FY2024. Each Priority Field Sales Expansion Team has a mission to autonomously and creatively identify tasks what the company should work on in a specific priority field. The Priority Field Sales Expansion Team described here works on the field of power module technology. Power modules are semiconductor devices that are utilized in all kinds of fields where energy efficiency is critical, including solar power and wind power generation, railroad systems, electric cars, industrial equipment and digital servers. A power module typically consists of power semiconductor devices and their peripheral circuits combined into a single package. As modern society places more emphasis on energy saving and environmental friendliness, demand for power modules is expected to further increase in the future. And, to realize greater energy efficiency, there is a strong call for higher-performing power modules.

Our Power Module Team, one of the Priority Field Sales Expansion Teams, includes voluntarily participating members from sales, marketing and R&D in the various business units. The marketing members introduce relevant materials and technologies from various business units to customers across the world, while communicating with the customers to learn what issues they would like to see solved. Technical insights are shared with the R&D members in detail, which leads to solution proposals to help improve the customer's power module performance by combining the high-functional materials the Sumitomo Bakelite Group has. Many business units of the Group can offer materials that have characteristics desired in high performance power module, and we can flexibly propose both a single material and a combination of several materials according to the needs of each customer. There are multiple types of power modules according to their physical form, including molded and case types. We have an extensive portfolio of materials for each of these power module forms. The whole Sumitomo Bakelite Group will continue to work as one to create new environmental and social values with our customers.

Power Module Use Cases



Power Module Types by Use Case and Functionality and Material Portfolio Available for Each Type



Voices of Power Module Team Members

Mitsuo Kameo

(Sumitomo Bakelite Europe (Ghent) NV Marketing & Sales Director)

One Sumibe Activities enable us to most effectively study how various materials that our Group can offer can be combined to enable to pursue what can be achieved in the customers' product, leading to truly valuable solution proposals. We collaborate with academic institutions, customers, and equipment and component manufacturers to understand what product features will be wanted in the future and thereby envision an ideal power module. I believe that these efforts will lead to an environment that stimulates co-creation of solutions with all these partners.

Kazuya Kitagawa

(Department Manager, Heat Dissipation Materials Business Development Dept.)

One Sumibe Activities are also beneficial to the Group's human resource development. These activities encourage our employees to be connected with members of different teams and departments and to learn about materials other than the ones that they work on in their regular duties. As next-generation power modules continue to penetrate the market more widely, this technological field will further grow and expand, and we will have more opportunities to propose even more materials and solutions. By being engaged in activities leading to "customer delight", the whole company will work as one to contribute to the realization of a truly sustainable society.



Value Creation Accelerators/Co-creation with Customers CS Promotion Activities to Encourage Co-creation with Customers

“One Sumibe Activity Reporting Session”, an Experience Sharing Event to Encourage Co-creation of Value with Customers

Every year since FY2005, we have had a “CS Discussion Session” once a year to share what has been done in the area of CS improvement, which is one of our Group’s strengths, and to help heighten employee awareness. This event has been primarily a discussion session to share stories of domestic sales success. Starting from FY2023, the event has been reinvented as “CS Awards”, where all the teams and departments including manufacturing and R&D as well as overseas Group entities can get together to compete, thus inspiring and motivating employee teams. We had presentations from nine parties in the FY2023 session, including three from overseas entities and four where R&D and manufacturing teams are involved. We also have a once-a-year One Sumibe Activity Report Session since 2018 where participants share stories of their activities performed in the framework of the corporate-wide One Sumibe Activities. This session serves as a place where ongoing undertakings and achievements associated with our priority customers are shared with many employees. Through these information sharing events, we will continue to motivate and inspire all our employees, help strengthen their autonomy and nurture a sense of belonging to accelerate co-creation of value with our customers.



CS Awards

Participation in Trade Shows and Events to Accelerate Networking with New Potential Customers

To create a new value, it is essential to seek new customers and new use cases. The Sumitomo Bakelite Group identifies suitable exhibition events and trade shows that we should showcase our priority field technologies and products. For each such identified event, a cross-departmental team plans and orchestrates the actual participation detail. Our business units also individually plan and organize their own trade show participations and private seminars to accelerate their networking with potential customers.

Main Trade Shows and Events Participated in FY2023

Event name	Period	Host country
INTERMOLD 2023	April 12 – April 15, 2023	Japan
Aircraft Interiors Show	June 6 – June 8, 2023	Germany
Skin Packaging Pop-up Store	June 29 – July 1, 2023	Japan
Automotive Engineering Exposition 2023 in Nagoya	July 5 – July 7, 2023	Japan
54th Japan Pancreas Society Session	July 21 – July 22, 2023	Japan
CEATEC 2023	October 17 – October 20, 2023	Japan
Chemical Materials Japan 2023	October 23 – November 27, 2023	Japan (web-based)
Private seminar on pharmaceutical packaging technology	November 21 & 22 and December 6, 2023	Japan
SEMICON JAPAN 2023	December 13 – December 15, 2023	Japan
16th AUTOMOTIVE WORLD Advanced Automotive Technology Show	January 24 – January 26, 2024	Japan
Bharat Mobility Global Expo	February 1 – February 3, 2024	India
30th Architectural and Construction Materials 2024	March 12 – March 15, 2024	Japan



16th AUTOMOTIVE WORLD Advanced Automotive Technology Show



CEATEC 2023



Value Creation Accelerators

Innovation

Message from the Officer in Charge of Research and Development

Build a sustainable innovation creation framework to discover new business themes and turn them into project works

Hisao Nakanishi

Executive Director, General
Manager of Research &
Development Division



I believe that creation of new products with environmental and social values is critical in corporate research and development efforts and is also essential for our Group's sustainable growth. To work on a promising R&D theme, we form a project team of members with a passion for success to conduct intensive research in a shorter time frame. In the previous Medium-term Business Plan period, electrochromic devices and heat dissipation materials projects were promoted to business divisions. These new technologies are soon to be realized as actual products. In the new Medium-term Business Plan period, project teams are working on R&D themes such as optical circuit materials and BMI (Brain Machine Interface) and environment-friendly technologies.

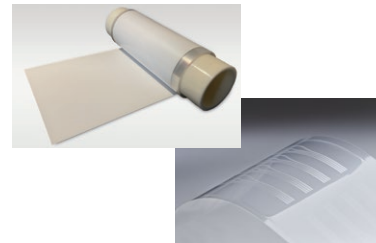
Another important task from the long-term perspective is to cultivate new business themes. We define the following three themes as strategic business fields for the new Medium-term Business Plan period: (1) ICT, (2) mobility and (3) healthcare. In addition to these, important themes include material development that contributes to addressing social issues such as energy saving and environment protection. Our mission is to work on these R&D themes to realize as many useful products as possible. To successfully achieve that, we have built and introduced an Innovation Management System (IMS) that allows us to review R&D themes that we failed to turn into a product at the first attempt and

identify the failure causes. This approach provides us with clearly defined and systematic criteria for making judgments and decisions that used to depend on particular members of the workforce. We believe that this will raise the success rate of our R&D undertakings and will also contribute to speedy decision-making and robust R&D teamwork.

This approach provides us with clearly defined and systematic criteria for making judgments and decisions that used to depend on particular members of the workforce. We believe that this will raise the success rate of our R&D undertakings and will also contribute to speedy decision-making and robust R&D teamwork. In addition to these efforts, we will work on enhancing our existing businesses in the One Sumibe Activities and also on improving our R&D efficiency by adopting materials informatics (MI) and open innovation approaches. Meanwhile, we will provide more opportunities for human resource exchanges and information sharing for the R&D teams so as to encourage our researchers to grow their human abilities and to stimulate the creation of new ideas through wider interactions. We believe that, for a medium-scale enterprise like us, synergy achieved through interaction between researchers and with other departments will be particularly beneficial in realizing sustainable business. By developing and working on new business themes through these initiatives, we aim at achieving a business profit of 10 billion yen by FY2030.

01

Innovation



Turning Promising R&D Themes into Projects

We deploy R&D projects based on proposals from our researchers in a bottom-up manner. I would like promising outcomes from these project works to be promoted to our business development divisions. We also form R&D projects based on proposals from laboratories for technologies and products with potential feasibility to be made into a successful business in the future, allowing effective allocation of R&D resources to create innovations.

02

Innovation



Boosting New Product Development

For new product creation, we actively collaborate with universities and businesses that conduct cutting-edge research. We also focus on development of human resources capable and passionate to connect their works to environmental and social issues to make proactive proposals. As part of such human resource development, we have started exchange sessions for younger researchers in FY2023 onward, in addition to the existing laboratory directors' meetings.



Value Creation Accelerators/Innovation Research and Development

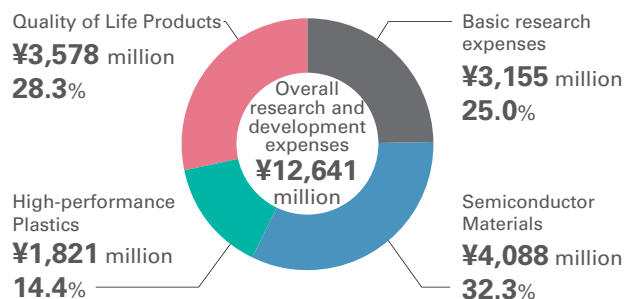
Innovative Products That Generate New Value

As part of our R&D work, we will work on planning and implementing research themes related to SDGs and carbon neutrality to address social and customer needs in the three strategic fields: ICT, mobility, and healthcare. We will work on research and development in these fields in a seamless and speedy manner to contribute to the SDGs and carbon neutrality goals.

We are shifting toward a more data-driven development approach to further increase our product development capability in three basic research categories: “materials design” to discover new functionalities through molecular design and catalytic techniques, “process/composite” to discover previously unavailable plastic functionalities through organic and inorganic composition and molding techniques, and “evaluation and analysis” to understand the relationship between material structure and functionality.

During FY2023, we have successfully developed and commercialized a number of new products, including powder-form encapsulation materials for next-generation panel-level packaging, Ag-based sintering materials for heat-resistance power module TIMs, 12W heat-dissipating bonding sheets, polycycloolefin plastics for sensors, medical stents for constriction treatment, and sample preparation kits with automated pre-processing functionality for glycan analysis.

Research and Development Costs (FY2023)

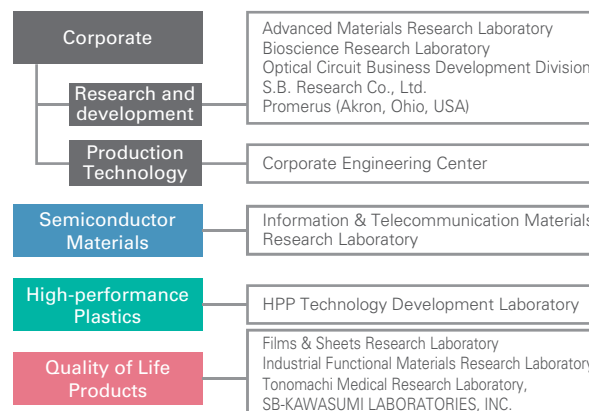


Domestic and Global Research Teams to Fulfill Global Needs

Based on the medium- to long-term perspectives, the company’s domestic R&D structure consists of the Advanced Materials Research Laboratory that conducts research into new products and their underlying technologies and the Bioscience Research Laboratory, and the Corporate Engineering Center that works on production engineering technology development, as well as five application research laboratories that work on commercializing new products as well as improving existing products. Outside Japan, we have a corporate division research site in Akron, Ohio, USA, and a number of research sites in Europe and Asia that work on semiconductor materials and high-performance plastics.

In addition, we have developed and deployed an innovation management system that aligns with our company structure to sustain continuous innovations and enable speedy feasibility studies to create new businesses.

Research and Development Structure



Main Initiatives in FY2024

- 1. Development of new business themes and projects**
We create new products with environmental and social values. For environmental value creation, we will focus on three Rs (Reduce, Reuse and Recycle) and biomass materials. For social value creation, we will work on cultivating new themes in energy creation and electricity storage fields.
- 2. Development of human resources with a capability of planning and work theme implementations**
Specifically, we will continue to help improve the skills of our research and development members and revitalize our laboratory structure through a number of initiatives including the ongoing new product development acceleration program “to encourage employees to plan and implement exciting products based on their own ideas with a view to start a new business” (SBInno), technical discussion and exchange sessions where all development teams get together for debate and interaction, study meetings where participants can learn about the Group’s underlying core technologies, and technological exchange sessions with external partners (academic institutions and companies).

- 3. Support for expanding our existing businesses**
We actively support our application research laboratories and help them solve issues in our existing business fields. Specifically, we assist with speedy discovery of new technologies and processes on a global scale by dispatching technical expert employees to our US and European sites, acquire differentiating technologies through NanoTerasu and other advanced analysis technology development projects, and encourage collaboration between our application research laboratories and the analysis subsidiary S.B. Research Co., Ltd., a subsidiary analysis company, to accelerate resolution of issues. All these activities will contribute to achieving the new Medium-term Business Plan targets and the FY2030 sales and profitability targets.



Value Creation Accelerators/Innovation Intellectual Property

Promotion of Strategic Intellectual Property Management Activities Contributing to Business Profitability

The aim of our intellectual property (IP) management activities is to contribute to implementation of intellectual property strategies in line with our business and R&D strategies to improve our business competitive advantage. Effective use of our intellectual property (rights) to boost business competitiveness is defined as one of our Medium-term Business Plan targets. To cope with our Group's increasingly globalized research and development scope, we closely work with the overseas subsidiaries to help them define rules and regulations regarding their intellectual property management (regulations on employee inventions and confidential information management), including what action to take when a new invention is made. The list on the right shows our six-rule basic policy business philosophy for intellectual property management. By building on the outcome of our previous work, we will continue to drive strategic intellectual property management to contribute to greater business profitability.

In the new Medium-term Business Plan period, we will focus on the following areas: (1) strategic patent applications in the three strategy fields: ICT, mobility, and healthcare, (2) strategic application of patents that address environmental issues, (3) acquiring patents to protect the Group's business in India, and (4) IP landscaping to propose new themes to contribute to improvement of business competitiveness.

For a business to survive in a turbulent and unpredictable economic situation, it is essential to be agile in responding to changes in the environment. Our intellectual properties are closely linked to the Group's innovative technologies and new products that serve as the source of our response capabilities. Through strategic intellectual property management activities, we will continue to accumulate and expand useful knowledge and be ready to quickly identify and deploy promising development themes.

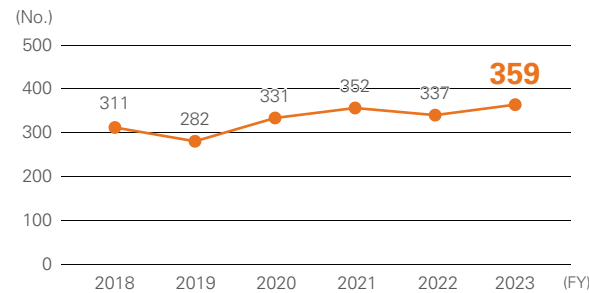
Business Philosophy on Intellectual Property-Related Activities

- 1 Strengthening our business competitiveness by drafting and executing intellectual property strategies for the major products from each of our business divisions.
- 2 Strengthening our intellectual property strategy by drafting and executing intellectual property strategies for major themes from each research laboratory.
- 3 Clarifying our response to intellectual property risks and reducing business risks.
- 4 In addition to the ongoing prevention-focused legal approach to support business and research scenarios, adopt a proposal-based legal approach as well.
- 5 Maintain and operate a corporate-wide intellectual property management system to cover the entire Sumitomo Bakelite Group (with a special focus on overseas subsidiaries).
- 6 Practice IP landscaping to contribute to business competitiveness.

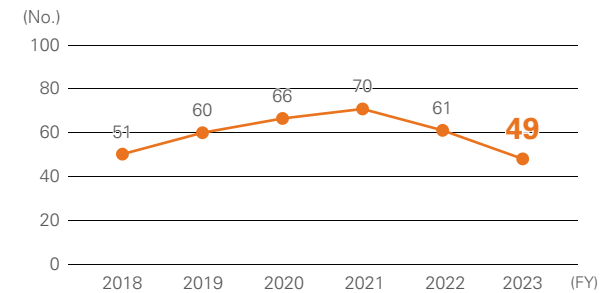
Number of Patent Applications for SDG-contributing Products and Technologies

Of all the patent applications filed during FY2023, 49% were related to SDG-contributing products and technologies.

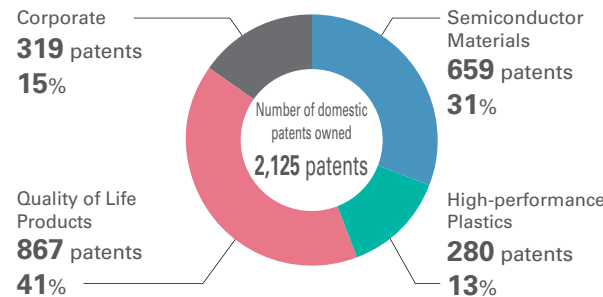
Number of Domestic Patents Published



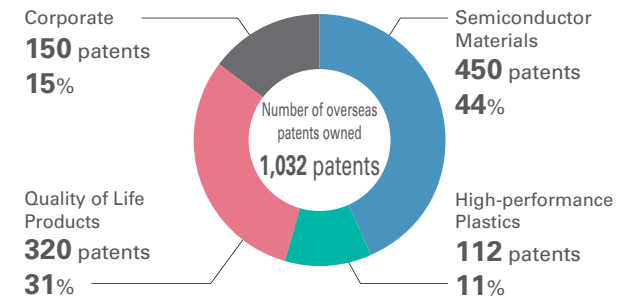
Number of Overseas Patent Applications



Share of Domestic Patents Held by Each Business Division (as of March 31, 2024)



Share of Overseas Patents Held by Each Business Division (as of March 31, 2024)





Value Creation Accelerators

Human Capital

Roundtable: President x Employees

Koji Makihara

General Manager,
Research Dept. Information &
Telecommunication Materials
Research Laboratory

Kazuhiko Fujiwara

President and Representative Director
Sumitomo Bakelite Co., Ltd.

Midori Sakaguchi

Senior Researcher,
S-BIO Research Dept.
Bio · Science Research Laboratory

Takatomo Kawate

Sales Manager,
Composite Materials
Molded Parts Sales Dept.
Material Solutions Sales Div.

Individuals and organizations uniting to tackle the creation of new customer value

Changes felt in working styles amid the enhancement of individual autonomy

Makihara: Nearly 20 years have passed since I joined the Company. In the past, we typically responded to customer requests only by proposing our materials. Recently, however, we're working to better understand customers' processes and issues all the way through to the final product, and address requests with a mindset of proposing ways that products and technologies across the Company can offer solutions. I'd like to further raise the level of this

so that everyone, including employees in the field, can offer solutions backed by the capabilities of the entire Company.

Sakaguchi: The S-BIO Research Dept. Bio · Science Research Laboratory to which I belong has a lot of bottom-up-oriented development themes proposed under the leadership of managing staff in the field. We set customer needs and even future targets on our own. We often completed such work solely within the laboratory, but in recent years, we've been working with other companies, SB-Kawasumi, and other divisions to engage in development paired with our own technologies.

Kawate: I'm in my 17th year in a sales position now. For about 10 years after joining the Company, I mainly worked selling physical products. The past five or six years have seen a rapid increase in cases in which we join hands with customers to consider how to solve problems from marketing and technical perspectives. The products I deal with are materials, so sales members who know the field more than anyone else play a huge role in how we give shape to solutions. I think that through these actions, we can create delight for customers and new projects.

Fujiwara: That's a great thing. Whatever the

business, we can't do anything through our Company alone. Working with other companies and institutions should provide great learning experiences.

Sakaguchi: From the point of view of DE&I, too, I feel that opportunities to attain positions have become equal, irrespective of gender. I was surprised to see the Company appoint two women as executives at the same time. In terms of ease of work, the Company has offered substantial benefits for some time. When I had a child, I took full childcare leave and prenatal and postnatal leaves. Recently, a lot of male employees are also able to take childcare leave.



Value Creation Accelerators/Human Capital Roundtable: President x Employees

Makihara: That's true. Nearly 100% of the people under me take leave. The atmosphere has become not so much one of making leave easy to take, but rather one of urging employees to take leave.

Fujiwara: That's because our Group values the diversity represented by DE&I. I want employees to enjoy long careers in a comfortable working environment. The original purpose of DE&I is to enhance the individuality and capabilities of diverse human resources to advance business development. I want to make this a company where more diverse human resources, including foreign nationals and people with disabilities, can be more active than ever.

What is the Company's corporate culture that holds the key to enhancing a sense of organizational unity?

Kawate: In the Material Solutions Sales Div.



where I work, I feel that a culture of bottom-up approaches has taken root. In our recent development activities, opportunities are increasing to make proposals to customers by refining proposals that were created jointly by research and sales staff with the involvement of higher-ups, working through trial and error. Customers have been pleased with the proposals, leading to adoption of our materials. I'm thankful that people in the organization are able to transcend their positions and departments to cooperate in achieving goals. It's because members have a passion for our goals that we're able to work with a sense of unity.

Makihara: As an organization, I think the Company has an atmosphere that backs people up in tackling challenges. When I was a young employee, I was given the opportunity to work in Singapore as an overseas trainee. I was able to directly interact with local staff and customers there, and gain valuable insights into the area's unique culture and way of thinking. Back in Japan, I'm putting this experience to good use in product manufacturing processes. I think that within the Company's culture, the tackling of challenges has been accompanied by the creation of mechanisms for positively evaluating those endeavors.

Fujiwara: The significant changes made in the personnel system in 2021 have had positive effects. There was a particular commitment to adding "degree of challenge" to the factors in employee evaluations. People who take on big goals can now earn higher evaluations. I think that if we can boost this atmosphere and enhance our climate of praising challengers, the organization will change in an even better direction.

Sakaguchi: My image of the Company as a solid organization differs from that of Mr. Makihara.



The Materials Research Laboratory in Kobe was conducting ambitious research within the Company. But when I talk to people from other companies, the impression is that it's still low-key. Recently, I've been inspired by people who've come to the Company from a variety of other companies. Our internal mechanisms have also changed, and I think the time has come for them to take on challenges.

Cross-organizational One Sumibe Activities foster the promotion of CS and an open corporate climate

Kawate: In our One Sumibe Activities, we propose products from across the Company to priority customers, which creates collaborative relationships extending horizontally across departments. In the past, departments interacted individually with customers. If a department was asked by a customer about products other than its own, the department would struggle to respond appropriately. Creating horizontal connections through One Sumibe Activities leads to synergistic actions, with persons from other departments being drawn into projects.

Makihara: I see One Sumibe Activities as



Kazuhiko Fujiwara

President and Representative Director
Sumitomo Bakelite Co., Ltd.

Kazuhiko Fujiwara joined the Company in 1980. He became Team Leader of the Biotechnology-related Product Development Project in 2003, Department Manager of the S-BIO Development Department in 2007, General Manager of the 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.



Koji Makihara

General Manager, Research Dept.
Information & Telecommunication
Materials Research Laboratory

Koji Makihara joined the Company in 2006. As a young employee, he was dispatched to Singapore as an overseas trainee and stationed at a Group company in Taiwan, where he engaged in the research and development of semiconductor materials while working with overseas customers. He is currently the General Manager of the Research Dept. Information & Telecommunication Materials Research Laboratory where he engages in the research and development of epoxy resin molding materials and sintering paste materials used in advanced devices.



Midori Sakaguchi

Senior Researcher,
S-BIO Research Dept.
Bio·Science Research Laboratory

Aoi Sakaguchi joined the Company in 2006. She has known President Fujiwara since days working with him as her superior on a project team. Since 2021, she has been affiliated with the S-BIO Research Dept. Bio·Science Research Laboratory, where she is involved in research and development of bio-related products. Her main work is in the development of glycan-related products and new diagnostic drugs.



Takatomo Kawate

Sales Manager,
Composite Materials
Molded Parts Sales Dept.
Material Solutions Sales Div.

Jochi Kawate joined the Company in 2007. From the start he was involved in sales of high-performance plastic products and was assigned to Thailand for four years from 2016. Since 2024 he has been part of the Composite Materials Molded Parts Sales Dept. of the Material Solutions Sales Div., where he is involved in the planning and sales of high-performance plastics (phenolic molding materials) and in meeting customer requests through wide-ranging knowledge of materials.



Value Creation Accelerators/Human Capital Roundtable: President x Employees

something like a mind. As all departments are partners, as long as they have regular interactions without putting up partitions between themselves, they should increasingly introduce products from other departments.

Kawate: In One Sumibe Activities aimed at reinvigorating the Company, we've recently set up opportunities for young and veteran employees to interact. This communication space where we're gathered today, called One Room, was actually born from a proposal under these activities. Young employees tackled the idea with a lot of passion, and received approval from you as president.

Fujiwara: The intent of the project was to boost communication, which had slackened under the COVID-19 pandemic, by creating a place where employees can casually gather. I decided right away to adopt it. I'm very pleased to see such interesting proposals come out of a bottom-up approach.

Sakaguchi: In terms of horizontal connections,



our Group uses One Sumibe Activities to solve issues in work. When designing equipment outside our area of expertise, we gain the cooperation of Corporate Engineering Center members who are skilled in equipment and device technologies. By having them enter into technical exchanges with equipment manufacturers we accurately convey our intent to the manufacturers, with the result that the development of planned equipment progresses smoothly. In market research, too, we team up with sales representatives from other departments to hold useful discussions and gain necessary information for technological improvements. By working as a team with the cooperation of relevant departments, taking on new challenges has become easier.

Continuing future-oriented endeavors to maximize the Company's capabilities

Makihara: I want the Company to keep on studying what it should do from here on out, based on markets and trends. Whether every individual can do that and become able to think and act proactively so that we can all move in the same direction – that is where the key to enhancing the organization's sense of unity lies, I think.

Sakaguchi: I feel that my department hasn't yet been able to contribute sufficiently to sales and profit, so I hope to first generate some success stories. In order for what we've created to be turned into products, and for us to share in processes that are recognized by the world, what I need to do is to solidly create a story for future strategy. I want to build up successful experiences and foster a sense of organizational unity and a spirit of challenge.

Kawate: On a personal level, I want to more

clearly express my aspirations and intentions. On the organizational level, our goal is to gain adoption of our new materials suited to electric vehicle technologies, energy-related technologies, and other new technologies in the world. That will require more learning. I intend to make efforts toward that while also placing importance on peer relationships.

Fujiwara: This is our first shot at such a panel discussion. I'm encouraged to see how you're all looking firmly toward the future while working hard in your roles as conduits to people in the field. I feel that the enhancement of "human ability," something I first spoke about when I became president, is taking root. I want to set "maximization of Company-wide ability" as a goal for our next stage. Just as One Sumibe Activities and Customer Satisfaction (CS) are extensions of our enhancement of employees' "human ability," I want all of us to



fully respect the opinions and judgments of people in the field and work toward "maximization of Company-wide ability" so we can inspire and impress customers together.





Value Creation Accelerators/Human Capital Message from the Officer in Charge of Human Resource Management

Drive human resource development that helps employees grow with a sense of fulfillment to empower the whole organization

Yasuhisa Ikeyama

Executive Director, head of the Personnel Division



We are committed to providing the best environment to assist with the personal growth of all employees. As part of this commitment, we have revised our human resource management system twice in recent years, once in 2021 for managerial employees and then in 2023 to include non-managerial members in the scope. The revisions include system improvements to make sure that everybody will be fairly treated and remunerated according to their achievements and performance and that each member can receive assessment feedback to help their personal growth. We hope that the revised system will encourage everybody, including young people with less experience, to be courageous and try new things. Another management vision that our Group pursues is “to be a company whose members can actively apply themselves”. To achieve this, it is important for us to support each employee to appropriately manage their physical and mental health. To embody this commitment, we have implemented the “Sumitomo Bakelite Group Declaration of Health” that emphasizes the importance of helping employees maintain and improve their good health. In March 2024, our Company was recognized by the government as one of the “Excellent Corporations for Health Management 2024 (in large-scale enterprise category)”. This recognition is only a small step forward as we continue to implement and promote various health promotion measures as a means to accelerate the sustainable

growth of the company.

In recent years, DE&I promotion has been an important issue. To help all members of our diverse workforce to maximize their capability and personal attributes to accelerate productivity improvement and innovations of the company, we have formed a DE&I Promotion Office under the Personnel Division. In FY2023, a newly formed women’s empowerment working group organized a number of round-table discussion sessions, where female employees can get together and voice their thoughts, which are then collected and reflected in our human resource management system. Also as part of our human resource management improvement, we periodically conduct employee engagement surveys. One survey result showed that the percentage of affirmative responses to the questions of “I believe that I am duly performing my social responsibility” and “I comply with my company’s code of ethics” significantly exceeds the average among Japanese companies. For greater improvement, we will work on providing greater visibility into our organizational personnel information to clarify the strengths of our workforce and take necessary actions to further improve employee performance.

Other measures in the new Medium-term Business Plan include development of digital-skill leaders and enhancement of mid-career recruitment to build a stronger workforce across the Group.

Embracing Diversity

With a belief that helping women play greater roles in the company should be the first step to achieve that, we now track “ratio of female management staff” (non-consolidated) and “the percentage of paternal leave” (non-consolidated) as improvement KPIs. We will also gradually increase the percentage of mid-career hires (non-consolidated) to create a workplace where a truly diverse group of people can work together and perform at their best.



Greater Autonomy

We utilize a series of training programs based on a 360-degree assessment scheme so that employees can stimulate each other and help themselves achieve greater autonomy. The number of participants in training programs based on the 360-degree assessment is now set as a KPI. With this, we will work on increasing the number of employees with greater autonomy and a passion for problem solving to further accelerate value creation.



Improved Organizational Capabilities

In order to help train managerial candidates who can help build up our teamwork across the whole organization, we now set the number of participants in our management training programs as a KPI. We assist and encourage managers influential within the organization to stimulate teamwork and grow a sense of belonging to the organization among employees to accelerate the creation of Environmental and Social Values across the organization.





Value Creation Accelerators/Human Capital Respect for Diversity

Basic Approach and DE&I Policies

In September 2022, the Sumitomo Bakelite Group declared that it would embrace and promote Diversity, Equity and Inclusion (DE&I) initiatives. In line with the DE&I policies, we work on providing fair and personalized opportunities to all the employees so that everybody in our diverse workforce can demonstrate their abilities by maximizing their strength and personal attributes and all members can work together in harmony based on mutual understanding and respect.

With a starting point to focus on empowering women to play more active roles, we will take all necessary actions to be a company where all types of the employees, including those with work restrictions due to disabilities, those having to care for their family members, as well as foreign nationals with diverse backgrounds, and people who are LGBTQ, can each perform at their best.

As we embrace DE&I, employees with diverse perspectives can work as a team by combining their different views and maximizing their unique strengths to encourage innovation.

DE&I Policies

1. Promotion of “Diversity, Equity, and Inclusion (DE&I)” is defined and enforced as one of Sumitomo Bakelite Group’s priority management actions.
2. With a starting point to focus on empowering women to play more active roles, promote various initiatives to empower diverse employees to play greater roles in the company.
3. Provide work-and-life balancing support schemes and allow the employees to select from diverse ways of work to help them accommodate various life stage events.



Women’s Empowerment to Play Greater Roles

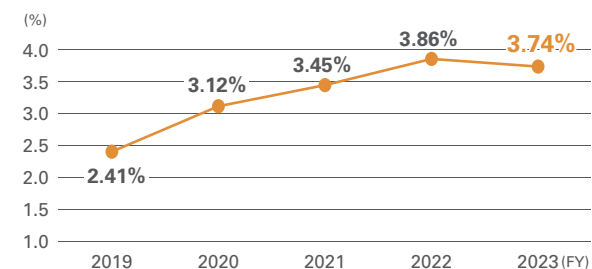
We are working on the following targets to enable female employees to more easily balance their own careers and life events:

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

By March 2024, the number of female managers in the company grew to 37, which brought the percentage of female managers to 3.74%. Our action plan released in April 2020 stipulates that action must be taken to address the low percentage of women among career-track employees by making sure that at least 20% of the newly hired career-track employees each year consists of women. In FY2023, women made up 26% of the newly hired career-track employees.

Also in FY2023, a women’s empowerment working group was newly formed. The group organized a series of round-table discussion sessions at our domestic sites across the nation where female employees are invited. Voices collected from female employees are reflected in management system revisions and educational activities to help women play greater roles in the company. We also provide opportunities to encourage personal networking of women where they can share their thoughts or consult each other to overcome difficulties.

Change in the Percentage of Women in Managerial Workforce



* 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.

* The data shown is as of March 31 of each year.

Organizational Schemes to Help Diverse People Demonstrate Their Capabilities

Based on views and opinions collected through the women’s empowerment working group, we have added a number of new female employee assistance schemes:

- Enhanced support to make it easier to work from home (increased number of maximum days for employees who take care of their children or sick or elderly members of the family)
- Assistance to cope with health issues (including a newly created scheme to allow employees to take leave for fertility treatment, greater focus on health-related education, relaxing of the requirements to use accumulated annual leaves)
- Improvements to make it easier for women to take menstrual leave (change the name of the leave to “F Leave”, relaxing the requirements to apply for the leave, greater focus on education to accelerate understanding)

In addition, we are focusing on creating an environment where employees can more easily balance their work and personal life (including childbirth and childcare) such as providing greater childbirth and childcare assistance schemes in excess of the minimum legal requirements, as well as offering e-learning programs to create a culture where employees can use the assistance schemes with the least amount of friction. As a result of our continued effort to nurture a culture where male employees can readily apply for paternity leave, including providing work-and-childcare balance education programs and communicating the success stories of early paternal leave takers. As a result, the percentage of new fathers who take paternity leave increased to 65.5% in FY2023. As evidence that the company’s continued commitment to helping the employees balance their work and childcare and assistance with fertility treatment has been positively recognized, our Company has been awarded the “Kurumin Plus” recognition by the government.



“Kurumin” is a governmental scheme sponsored by the Minister of Health, Labour and Welfare where, based on the Act on Advancement of Measures to Support Raising Next-Generation Children, a company whose childcare support measures have satisfied a certain criteria can be recognized by the Minister as a “Childcare Supporting Business”.

“Kurumin Plus” is an extension of the Kurumin scheme added in 2022 that recognizes companies satisfying the basis Kurumin criteria and active in assisting its employees to receive fertility treatment and helps them balance their work and treatment time.



Value Creation Accelerators/Human Capital Enhancing Autonomy and Organizational Strength

Corporate Culture Where Courageous Risk-Taking Will Be Rewarded

We have revised our human resource management system twice in recent years, once in 2021 for managerial employees and then in 2023 to include non-managerial members in the scope. These are parts of our work environment optimization effort to create a workplace where everybody will be fairly treated and remunerated according to their achievement and performance and each member can receive assessment feedback to help their personal growth. A unique element is the inclusion of a degree of “challenge” to be taken into consideration in personal performance assessment, allowing employees to be evaluated for their brave shots regardless of the results.

An effort to encourage researchers to try new things is “SBinno”, a research theme development acceleration program ongoing since 2016. Success stories coming out of this program include a research theme proposed by one of the first-year SBinno program members officially adopted as a development project with a plan for commercialization in FY2024.

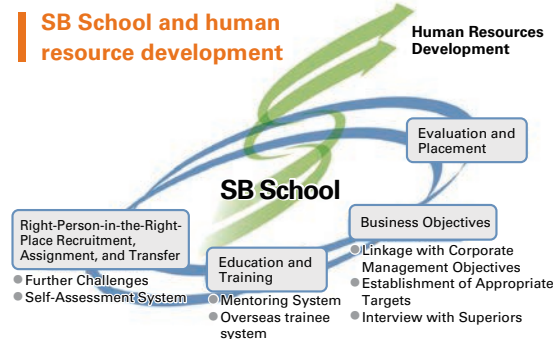
Toward creating greater environmental and social values, we will continue to nurture a corporate culture that recognizes courageous risk-taking challengers.

Human Resource Development Effort to Encourage Employee Skill Improvement

Based on a belief that the growth of each and every employee is a driving force behind the sustainable growth of our businesses, human resource development is one of the strongest focuses for the whole organization. We are committed to training and educating employees to align with the Group’s management philosophy and purpose, understand desired human resources, and be able to think and act in an autonomous manner.

“SB School” (Sumitomo Bakelite School), an internal education and training scheme ongoing since FY2007, has a systematic curriculum of human resource development training courses, including practical training sessions, that enables the employees to learn everything they need to know to support the sustainable growth of the Sumitomo Bakelite Group.

We also have an overseas trainee scheme to allow ambitious younger employees to gain work experience outside Japan, fostering employees who can play roles on a global scale.



Creation of a Workplace Where Everybody Can Work Safely and with Peace of Mind

Based on the Sumitomo Bakelite Group Declaration of Health stating that “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 to maintain and improve their health”, we actively provide health management assistance to our employees. As evidence of positive evaluation of our continued efforts, our Company has been recognized as one of the Excellent Corporations for Health Management 2024 (in large-scale enterprise category) in the government’s Corporate Health Management Excellence Recognition scheme.

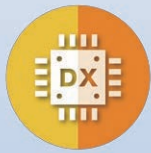


Recognition of “Excellent Corporations for Health Management” is a governmental scheme sponsored by the Ministry of Economy, Trade and Industry. The scheme was started in FY2016 with the aim to provide a framework where corporations, from large-scale enterprises to smaller-scale businesses, that practice excellent employee health management are publicly recognized so that they can be positively viewed by all the stakeholders including employees, job applicants, business partners and financial institutions.

As part of the effort to create a workplace where everybody can enjoy communicating with one another, we opened a new cafeteria building in the Amagasaki Plant in February 2024. The new cafeteria was designed based on recommendations from a cross-departmental team that has been formed for the purpose of “revitalizing our business through greater employee engagement and happier communication”. The cafeteria building includes a communication space open to both employees and visitors, a food menu consisting of healthy meals, and bathrooms and elevators with universal accessibility, which all embody a corporate culture that embraces DE&I.



Communication space in the new cafeteria building in Amagasaki Plant



Value Creation Accelerators

Digital transformation

Digital transformation strategy to accelerate value creation toward the future



Continuing its commitments from the previous Medium-term Business Plan period, the Sumitomo Bakelite Group drives digital transformation across the entire Group organization to achieve Vision 2030.

To pursue the priority digitalization themes of “revamp of the corporate-wide digital core system to realize data-driven management”, “research and development capability buildup by adopting sophisticated informatics technologies”, “improvement of human work efficiency by turning the entire production system into smart factories”, and “business operation transformation through utilization of digital tools”, we believe that all our employees must have a digital-centric mindset and achieve higher levels of digital literacy, which will lead to the creation of a corporate culture that can transform itself through active use of data and digital technologies.

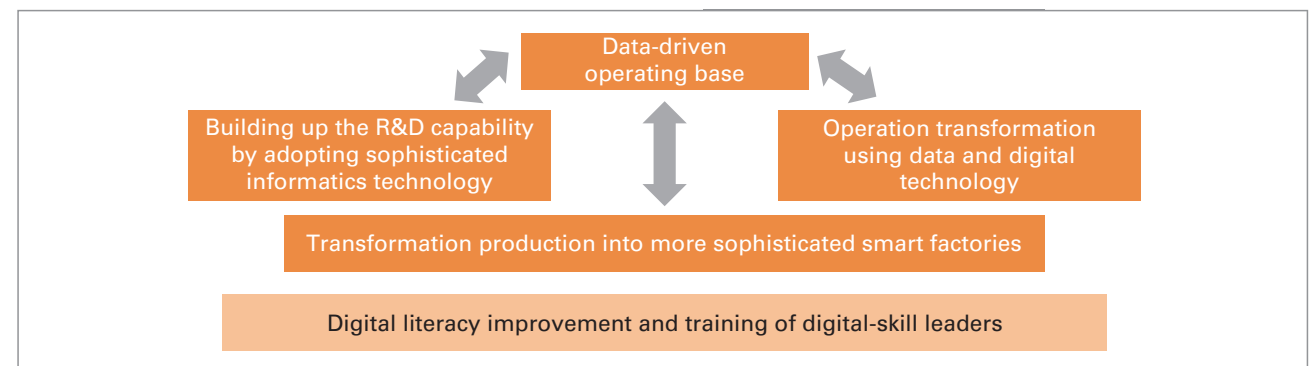
To accelerate digital transformation in this way, it is essential for us to hire and train digital-skill leaders who can contribute to the buildup of our corporate competitiveness by using digital tools. To train such digital-skill leaders, we have to first clarify what types of human resources are needed for the role to help drive our business and operation transformation, and then provide the candidates not only classroom training for skill and knowledge buildup but also greater exposure to practical experience to accelerate their growth and improvement.

Making all the employees digitally literate will be a strong base for digital transformation, where fully trained digital-skill leaders will lead productivity improvement and innovation efforts through digitalization of the whole organization and co-create sustainable outcome. Such digital transformation will be essential to the continued development of the Sumitomo Bakelite Group in the future.

Building a Sustainable Data-Driven Operating Base Resilient to Changes

To enhance competitive advantages amid rapidly changing external and business environments, it is essential for a company to have an agile decision-making capability. To achieve that, the whole organization must work together to build a data-driven operating base where data will be readily available for use in a timely manner. We aim at automating all necessary data collection, processing and editing tasks instead of depending on manual work to complete these tasks, so that all teams, from the production floor to the executive level, can access and gain visibility into a consistent body of data whenever necessary and at the required granularity to enable the most effective analysis. To achieve this, the first necessary step is to standardize our business processes that generate data, optimizing it in a comprehensive manner.

We are starting this commitment at domestic sites with a view to eventually scaling it up to the global scope, to create a resilient, sustainable and future-proof data-driven operating base.





Value Creation Accelerators/Digital Transformation

Building up R&D Capability by Adopting Cutting-Edge Informatics Technology

We promote data-driven research and development on a corporate-wide scale to accelerate the resolution of social issues through a greater harmony of human and data and to build up our new material discovery power. We have launched a “research and development data management core system” where our laboratories can accumulate their everyday data and manage it appropriately. In addition, a “web application for material development assistance” has been newly launched to utilize these accumulated data in a most efficient way.

As technological transformation of informatics technologies progresses, we are working on creating a digital system that “autonomously searches for optimal conditions” to further develop our informatics to obtain the best possible outcome.

In addition, we also work on introducing “process-targeting informatics technology” and “simulation-assisted material development technology”. Having these technologies widely adopted across the Group will help further build up our R&D capability.

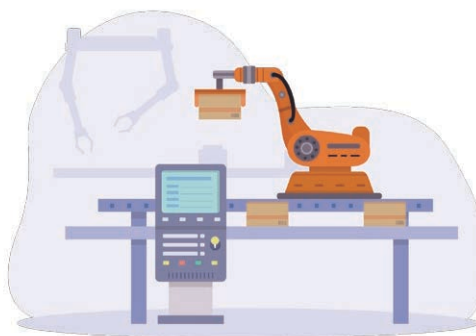


Transformation of Production into More Sophisticated Smart Factories

In manufacturing, we aim at building more sophisticated production systems that do not rely on human intervention and are now taking steps to actually introduce such systems to five domestic and five overseas locations. Currently we are working to fully automate the condition setup tasks in these production systems and also to introduce more advanced auto pilot functionality and robotics features.

On production lines, we are trying to fully digitize and automate the condition setup tasks for each product number and also collect production status information (temperature, pressure, flow, vibration, etc.) using various sensors. By continuously collecting and storing this information and introducing automated monitoring and autopilot functionality, we aim at establishing full visibility into the entire production process. In addition, we plan to actively utilize robotics technologies to automate non-value- generating tasks such as horizontal traverse movements. In recent years, the manufacturing sector faces serious issues, such as decreased worker availability as a result of a chronically low birth rate and loss of skills due to retirement of experienced workers, which need to be urgently addressed. In addition, we must be ready to respond to unexpected emergencies such as natural disasters which are occurring more frequently due to climate change. To address these needs, we are working to build a centralized production information management system that covers not only our domestic locations but also overseas sites as well. We believe that having such a globally stabilized manufacturing system will be beneficial to the world society in the end.

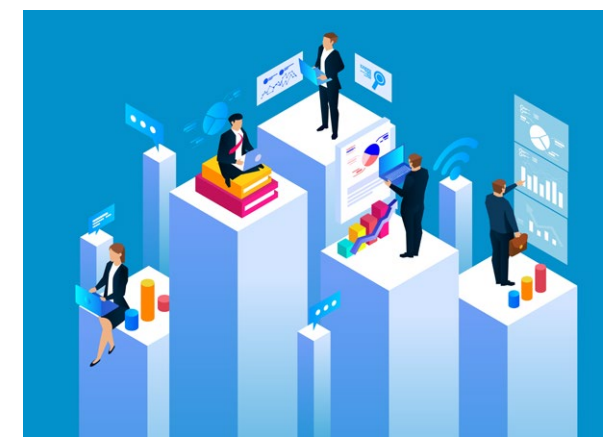
We plan to roll out these sophisticated systems gradually to overseas sites that we have acquired through M&As. We will make sure that these roll out projects will be planned and implemented in appropriate manner with due consideration for differences in local cultures and values.



Accelerating Operation Transformation Using Data and Digital Technology

As generative AI and other advanced digital technologies illustrate changes in society at a greater pace than our expectation, it is essential for a company to quickly identify and adopt all the necessary digital technologies in order to maintain and improve its competitiveness.

To avoid being left behind and steadily enhance the Group’s strength, we must help all employees improve their digital skills and to nurture a corporate culture of digital agility to be ready to adopt new data and digital technologies in a timely manner. Our Group’s digitalization efforts go beyond merely improving and streamlining our operation within the existing IT framework. We promote utilization of data and digital technologies in such a way that, with the use of user-friendly tools such as RPA, AI-OCR, no-code tools and BI, all employees can take part in business operation transformation without relying on IT experts. We will continue to drive digital transformation in our workplace so that all our employees will be more digitally adept and literate, which in turn will allow them to select more diverse ways to work.





Foundations for Business Continuity

Corporate Governance

Interview with Outside Directors

Realizing new value creation and connecting dreams and vitality to the future

Kazuo Matsuda

Outside Director

Etsuko Nagashima

Outside Director

Hiroyuki Wakabayashi

Outside Director



The interview was conducted with three Outside Directors of the Company with varied knowledge and fields of expertise, in a discussion of future expectations and issues in achieving the vision of “a company that makes your dreams for the future a reality” under the new Medium-term Business Plan.

Kazuo Matsuda

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

Etsuko Nagashima

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

Hiroyuki Wakabayashi

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



Foundations for Business Continuity/Corporate Governance

Interview with Outside Directors

Q1

Director Wakabayashi, you were appointed as a new Outside Director in June 2024. Tell us about your aspirations and expectations upon becoming involved in the management of the Company.

Wakabayashi: The Company has the image of a company that earnestly tackles new directions while valuing its own history. The Company of today has moved into a variety of areas. I look forward to further expansion of the Company's potential as it grows in and combines those fields. I want to help in that growth.

Q2

What thoughts did the two of you who were re-appointed have when becoming involved in management as Outside Directors during the final year of the previous Medium-term Business Plan? Please also touch upon your evaluation of the previous Medium-term Business Plan.

Matsuda: In the Company's past medium-term business plans, these targets have often not been achieved. So we shared ideas, including that of working toward a more realistic build-up of single-year goals, and that of also committing to ratio of business profit to revenue instead of pursuing sales alone. As a result of introducing measures such as SB-ROIC, the Company's proprietary management metric, I think we've been able to steadily earn the trust of markets, as seen in the upward revision made under the previous Medium-term Business Plan. The significant increase in our market capitalization during the period of the Plan would appear to be proof of that.

Nagashima: Business profit in fiscal 2023, the last year of the previous Medium-term Business Plan, reached a record 27.5 billion yen. While there are some differences by business, I see this profit as an outcome of the Company actively investing in growth areas, revising its product prices in a timely manner to meet rising raw material prices, and otherwise steadily conducting management in line with the Plan. Business profit margin and SB-ROIC are lower in the high-performance plastics business than in other businesses. I anticipate that the business will shift its portfolio toward high-profit fields, leveraging the technologies of the Company as a pioneer in thermosetting resins.

Q3

Tell us your frank impressions of the new Medium-term Business Plan, including your expectations regarding its policies and content.

Nagashima: As the new Medium-term Business Plan clearly categorizes material issues and sets out specific strategies in line with them, I think the Plan has been made very easy to understand, I feel the target figures are a bit conservative, yet it likely won't be easy to achieve them while also carrying out major changes such as organizing unprofitable divisions and switching to high-value-added fields. For future medium-term business plans, too, I think it will be important to manage and analyze budgets and performance and to disclose those to outside stakeholders.

Matsuda: When formulating the new Medium-term Business Plan, we introduced the approach of first backcasting from our image for the Company in 2030. When I offered my own



thoughts and advice on keywords aimed at enhancement of corporate value, active initiatives related to non-financial capital, and disclosure of those, I was able to express my thoughts simply, in a Sumitomo Bakelite Co., Ltd.-like manner. It should also be appreciated that the new Medium-term Business Plan makes business profit, not sales revenue, a major target.

Wakabayashi: I think that the clarification of management as based on business profit is nicely easy to understand. The areas of initiatives are balanced among semiconductor materials, high-performance plastics, and quality of life products. In each of those areas, the Company maintains a solid awareness of the SDGs and the environment in its key products and technologies, which will serve as a strength in the future. As initiatives progress in each of the areas, I think the Company will face expectations to play the role of an opinion leader.





Foundations for Business Continuity/Corporate Governance Interview with Outside Directors

Q4

In the new Medium-term Business Plan, “corporate governance” is noted as an important management issue. Tell us about issues to be addressed and prospects during the period of the new Medium-term Business Plan, particularly with respect to enhancing the effectiveness of the Board of Directors.

Matsuda: Within everyday work execution, managers responsible for business areas assess issues surrounding the Company and share information on related problems through the Management Committee and other internal conference bodies. Within this, questions of how specific issues are progressing should come up. Such a specific issues from execution side may be a topic that should be discussed with outside officers. Accordingly, at least in the agenda-setting process of the Board of Directors and the Outside Officers’ Meeting that outside officers attend, I think it would be good if

there were an agenda-setting venue where outside Director representatives can engage in advance discussion and coordination on the agenda.

Nagashima: Compared to internal Directors, outside Directors are considerably lacking in information on the backgrounds and discussion processes behind cases. For that reason, we try to obtain sufficient briefings in advance and gain clarification by actively posing any questions. At the Company, cases that become matters for resolution are shared in advance as matters for study, and follow-up is conducted on resolved matters. I believe that further enriching these actions will lead to enhanced effectiveness of the Board of Directors.

Q5

Tell us how you can make use of your expertise and knowledge to achieve the targets of the new Medium-term Business Plan, along with your thoughts on making contributions.

Nagashima: I think that capital investment and M&A are essential to achieving the targets. In Board of Directors deliberations, I evaluate decisions with consideration of the future impacts those decisions will have on the Company’s financial statements. I also believe that Group-wide internal control is what sustains the solid execution of the new Medium-term Business Plan. When there are some case that suggests weaknesses in a Group company’s internal control at the Board of Directors, I want to analyze the reasons behind the weakness and actively speak out to improve the internal control of the Group overall.

Matsuda: In markets, too, dialogue with institutional and individual investors is essential in guaranteeing business continuity and further enhancing the Company’s corporate value. To strengthen non-financial capital, it’s also important that the Company achieves measures to address the Company’s material issues, one by one, and provide markets with appropriate feedback on the process. I hope to offer advice on methods for this dialogue and disclosure.

Wakabayashi: I previously worked with an auto parts supplier. During that time, I considered satisfying automakers to be my

top priority. Looking back, through, what I see as important now is whether I was acting with an understanding of the end customers’ real goals. In every area of the Company, I want to cooperate in achieving targets with the goals and concerns of end customers always in mind.

Q6

The new Medium-term Business Plan puts forth a vision of “a company that makes your dreams for the future a reality by creating value for our clients.” Tell us about what is needed to realize that vision, and about any dreams that you yourself hope to achieve with the Company.

Wakabayashi: Creating value for the Company’s clients requires that the Company understands their true goals. It’s important that the Company takes a stance of approaching a customer with a hypothesis and verifying its feasibility. If the Company advances such initiatives throughout various areas of the Company, the Company will get customers saying “Talk with the Company to make it happen.” That’s the sort of company I’d like to aim for.

Matsuda: Realizing “a company that makes your dreams for the future a reality” requires that the Company shares a vision that transcends organizations, and that the Company discloses its processes to the markets. I hope that Outside Directors can serve as a “spice” in helping out with that. Nothing would please me more than all Outside Directors achieving a seasoning, neither too sweet nor too hot, that satisfies customers.

Nagashima: The Company has set out a management philosophy of “contributing to the progress of society and enhancement of people’s welfare and livelihood through business activities.” I expect that not only expanding business and achieving targets but also advancing a stance of developing new technologies and staying close to the needs of customers will provide the power for achieving the Company’s vision. As an Outside Director, I’d like to back up the implementation of measures that will make the Company compelling to the young people who will lead the future.



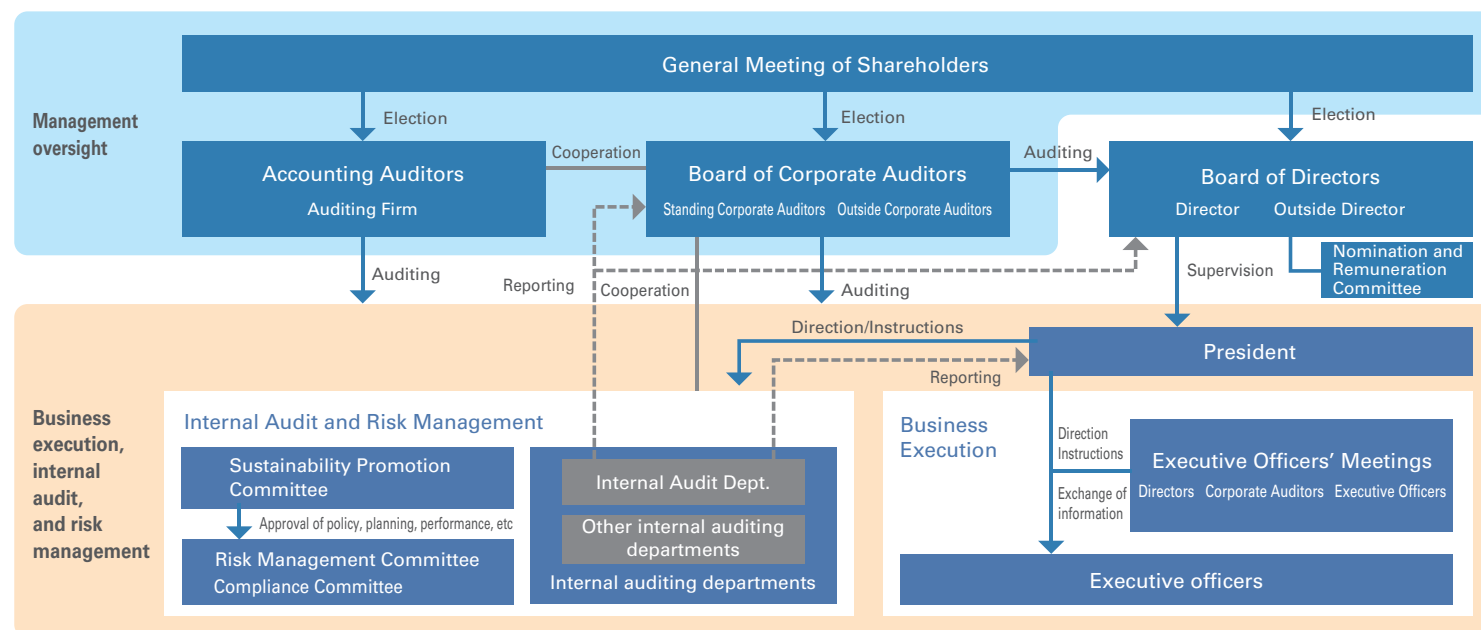


Foundations for Business Continuity/Corporate Governance Management System

Basic Approach

We have set “Toward a sustainable society through expanding the potential of plastics” as the purpose of our Group 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 is highly compatible with society and the environment and for addressing risks facing management, including rigorous compliance.

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



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 25, 2024. 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.

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 knowledge of finance, accounting, and legal affairs, and to conduct fair, impartial, and efficient auditing activities going forward. The Board of Corporate Auditors' business philosophy is to respond flexibly to changes in the environment and conduct audits in a fair, unbiased and transparent manner in order to achieve sound and sustainable growth, create medium- to long-term corporate value, and contribute to the establishment of a high-quality corporate governance system that can meet the trust of society. In addition, it 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.

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 25, 2024.

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.



Foundations for Business Continuity/Corporate Governance Management System

Outside Directors / Outside Corporate Auditors

The Company has determined that its three Outside Directors and two Outside Corporate Auditors are independent in accordance with the Criteria for Independence of Directors and Corporate Auditors established through a resolution of the Board of Directors. 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.

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.

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 the authority to determine matters relating to Director remuneration, etc. (including their system and policy) based on delegation to the Committee by resolution of the Board of Directors.

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 base pay," 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 base pay. 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.

Analyzing and Evaluating 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.

Internal Control

Our Group has systems in place for ensuring appropriate operations in accordance with our Business Philosophy. In accordance with our Business Philosophy on Internal Control Systems 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.



Foundations for Business Continuity/Corporate Governance

List of Directors (As of June 25, 2024)

Directors and Corporate Auditors



President and Representative Director
Kazuhiko Fujiwara



Representative Director, Executive Vice President
Masayuki Inagaki



Director, Senior Managing Executive Officer
Takashi Kobayashi



Director, Senior Managing Executive Officer
Keisuke Kurachi



Director, Senior Managing Executive Officer
Shinichi Kajiya



Director, Managing Executive Officer
Toshiya Hirai



Outside Director
Kazuo Matsuda



Outside Director
Etsuko Nagashima



Outside Director
Hiroyuki Wakabayashi



Standing Corporate Auditor
Yoshikazu Takezaki



Standing Corporate Auditor
Katsushige Aoki



Outside Corporate Auditor
Kazuhiko Yamagishi



Outside Corporate Auditor
Noriko Kawate

Executive Vice President
Sumitoshi Asakuma

Managing Executive Officer
Nobuyuki Sashida
Makoto Suzuki

Executive Officer
Atsushi Tanaka
Hisao Nakanishi

Toshihide Kanazawa
Yasuhisa Ikeyama

Hiroshi Oki
Hiroshi Nomura

Akiko Okubo
Takeshi Mori

Directors and Corporate Auditors Skills Matrix

(As of June 25, 2024)

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

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

(As of June 25, 2024)

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, experience, abilities, etc. required of the Company's Board of Corporate Auditors. Key knowledge, experience, abilities, etc. of the Corporate Auditors are marked with "●".



Foundations for Business Continuity/Corporate Governance Risk Management

Major Risk Content, Potential Impacts, and Responses

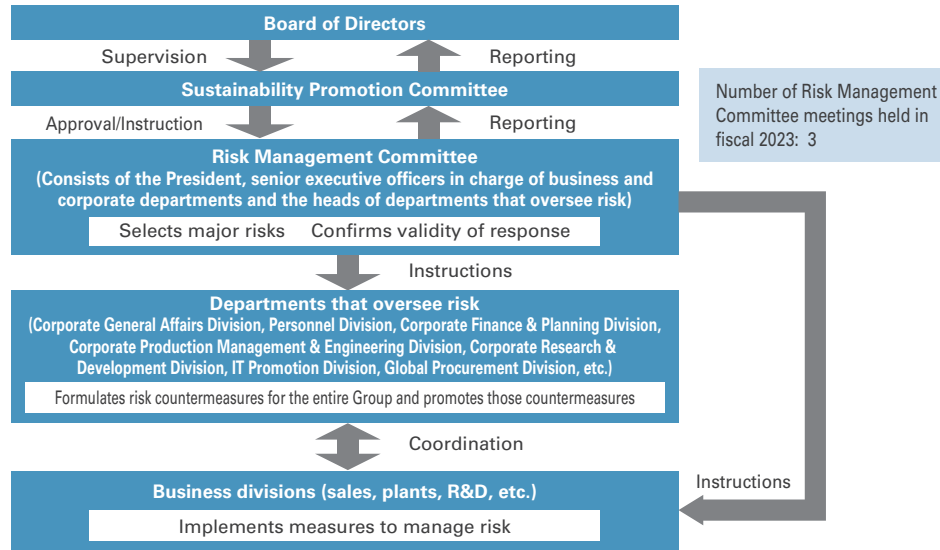
Our risk management structure is described on page 62. Based on the major risk selection process described on the following page, we have identified the major risks provided in the table on the right that could have a significant impact on the Group's business, and by viewing these as opportunities and promoting responses, the Group will create value in the future. The eight major risks selected in fiscal 2023 that must be addressed in fiscal 2024 are: (1) disasters, accidents, and pandemics (2) geopolitical risk, (3) information security incidents, (4) measures to mitigate environmental impact, (5) compliance with laws and regulations, (6) product quality, (7) raw materials supply problems and price fluctuations, and (8) human capital risk.

Risks	Details and potential impacts of risks	Handling and opportunities
Disasters, accidents and pandemics Probability of occurrence time frame: Undetermined Likelihood of occurrence: Moderate Level of impact: High	Details <ul style="list-style-type: none"> ● Earthquakes, explosions, fires, leaks, storm and flood damage, and pandemics 	Responses <ul style="list-style-type: none"> ● Formulation of a business continuity plan (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
	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, and impediments to continued business activities due to supply chain disruptions ● Claims for substantial damage, etc. 	Opportunities <ul style="list-style-type: none"> ● Expansion and continuation of transactions with customers through improved BCP response
Geopolitical risk Probability of occurrence time frame: Undetermined Likelihood of occurrence: Moderate Level of impact: 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/region ● Suspension of settlement of funds, wars and conflicts 	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 ● Gather information on import/export restrictions, economic sanctions, etc., to reduce or minimize impact, shift to multi-fabrication/multi-sourcing
	Impacts <ul style="list-style-type: none"> ● Criminal penalties, administrative penalties, civil lawsuits, and loss of 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 Probability of occurrence time frame: Undetermined Likelihood of occurrence: Moderate Level of impact: High	Details <ul style="list-style-type: none"> ● Principal systems failure or stoppage, or leakage of confidential information held by our company due to cyber attack 	Responses <ul style="list-style-type: none"> ● Establishment of cross-organizational body "SUMIBEC-SIRT", 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, security evaluations conducted by external organizations, 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 ● Promotion of acquisition of "Registered Information Security Specialist" certification to improve the skill sets of our information security staff, and deploy and train information security personnel for work at overseas sites
	Impacts <ul style="list-style-type: none"> ● Loss of trust, disorder or disruption of business activities, and costs incurred for compensating business partners, etc. 	
Measures to reduce environmental impacts Probability of occurrence time frame: Medium- to long-term Likelihood of occurrence: Moderate Level of impact: High	Details <ul style="list-style-type: none"> ● Climate change issues (strengthening greenhouse gas emissions regulations, carbon pricing, etc.) 	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 sales revenue ratio targets ● Scenario analysis of our key business areas by TCFD Task Team
	Impacts <ul style="list-style-type: none"> ● Exclusion from markets due to delay of countermeasures 	
Response to laws and regulations Probability of occurrence time frame: Undetermined Likelihood of occurrence: Low Level of impact: 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 	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 catch up to the latest chemical substance regulations in each country ● Operation of a Compliance Whistleblower System that allows not just officers, but also stakeholders to report issues
	Impacts <ul style="list-style-type: none"> ● New costs for measures to deal with changes in laws and regulations ● Loss of trust, or major losses due to criminal penalties, surcharges and civil litigation when laws or regulations are violated 	
Quality Activities for Existing Business Probability of occurrence time frame: Undetermined Likelihood of occurrence: Low Level of impact: High	Details <ul style="list-style-type: none"> ● Large-scale product incidents ● Advancement of quality control standards required by customers after launch due to advances in science and technology and changes in customer markets and usage methods 	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 major domestic plants, and expansion to main overseas plants ● 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
	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 damage ● Occurrence of unforeseeable quality problems due to advancement of quality management standards 	
Raw materials supply problems and price fluctuations Probability of occurrence time frame: Short-term Likelihood of occurrence: High Level of impact: Moderate	Details <ul style="list-style-type: none"> ● Withdrawal from business by raw materials manufacturers due to reconsideration of business portfolio ● Geopolitical factors such as conflicts in various regions and supply problems caused by natural disasters ● Supply concerns stemming from the 2024 logistics problem, revisions to laws and regulations, and tighter environmental regulations ● Increase in raw materials prices due to the weak yen and interlocking of prices in the crude oil and nonferrous metals markets 	Responses <ul style="list-style-type: none"> ● Risk reduction through pluralization of procurement sources for important raw materials, ensuring secure storage, etc. ● Implementation of BCP measures and planning for suppliers of important raw materials in Japan; Working to ensure the availability of substitute products and safety inventory for suppliers of important raw materials in the US and China ● Confirmation of BCP measures when new raw materials are adopted, and risk reduction by setting a standard of adoption that ensures materials do not contain prohibited substances ● Application of the formula system for principal raw materials (automatically reflecting raw materials price fluctuations in product prices)
	Impacts <ul style="list-style-type: none"> ● Declining sales, deteriorating profitability, and hindrance to business continuity 	
Human capital risk Probability of occurrence time frame: Medium- to long-term Likelihood of occurrence: High Level of impact: Moderate	Details <ul style="list-style-type: none"> ● Inability to secure and maintain the necessary human resources due to the decline in the labor force caused by the declining birthrate and aging population ● Inability to flexibly manage organizations in an era where making future predictions is difficult ● Inability to secure the human resources necessary to promote Digital Transformation ● Suspension, stagnation, and delay of important operations due to the turnover of key personnel/talented employees and recruitment delays 	Responses <ul style="list-style-type: none"> ● Creation of innovation through the active participation of diverse human resources through the promotion of DE&I ● Enhancement of management education and expansion of education using 360°evaluation to strengthen management-level leadership and improve individual and organizational performance ● Promotion of hybrid recruitment (new graduate and career hires) ● Expansion of education courses related to data science utilization and Digital Transformation promotion, introduction of an in-house certification system for data scientists, and creation of human resources using data through various types of education ● Implementation of necessary measures based on the analysis results of the engagement survey to improve employee engagement and performance
	Impacts <ul style="list-style-type: none"> ● Hindrance to business continuity 	

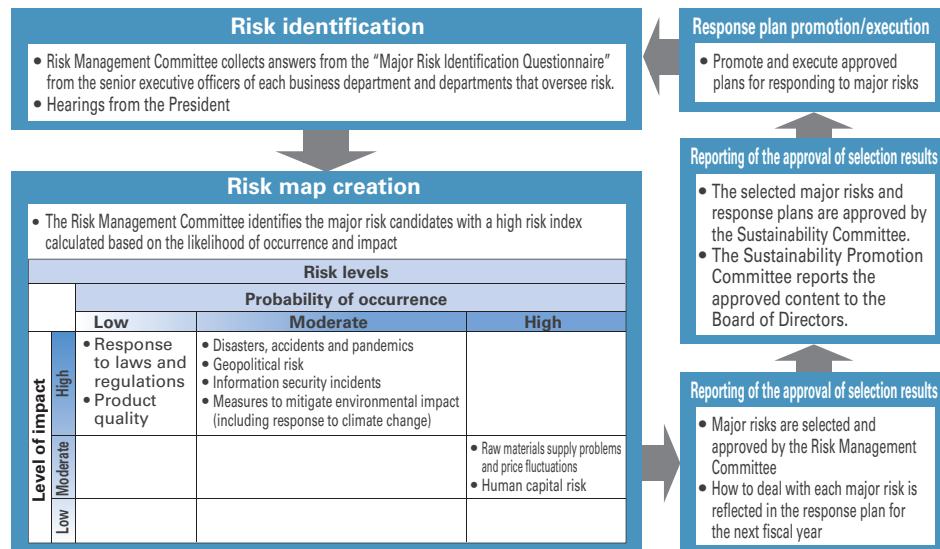


Foundations for Business Continuity/Corporate Governance Risk Management

Risk Management Structure



Major Risk Selection and Approval Process



Business Continuity Plan (BCP)

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 Business Continuity Plan (BCP) designed to ensure the continuity of business when such emergencies occur, and share these with our clients as needed.

To respond to reduced production and to ensure sustainability, 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 as a preventive measure against fires and explosions that could occur in our Group.

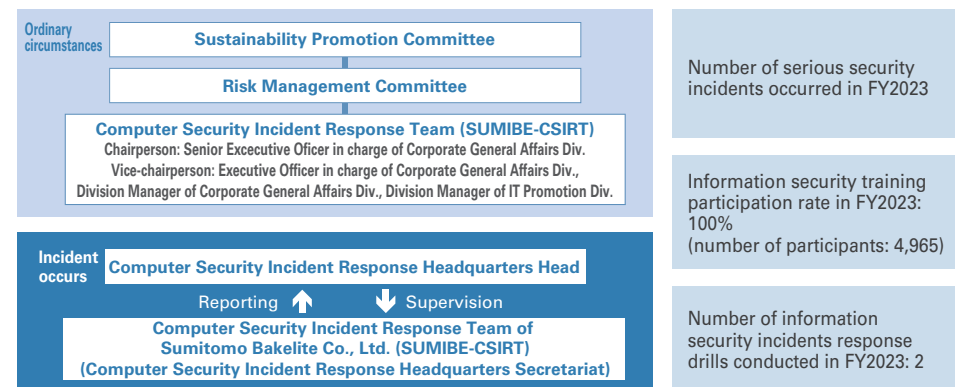
We recognize that the frequency with which disasters and incidents occur, as well as the magnitude and extent of their impacts, is changing as a result of advances in science and technology and the effects of climate change. As such, every year we verify the adequacy of our BCPs based on the latest information.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

Information Security Measures

The Company has established SUMIBE-CSIRT, a cross-organizational body to prepare for the occurrence of information security incidents, share topics through regular meetings, formulate preventive measures to prevent accidents, and develop response procedures in the event of an incident. When an incident occurs, it is designed to respond to the situation, including management, and to cooperate with external security-related organizations.

Additionally, we are strengthening prevention and promoting awareness through regular information security training for all directors, officers and employees in Japan and abroad who use company-provided PCs.

System for Addressing Information Security Incidents





Foundations for Business Continuity Compliance

Basic Approach and Policy

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 with integrity, 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 ethics to be observed by the Group's directors, officers and employees in the course of business.

Compliance Structure

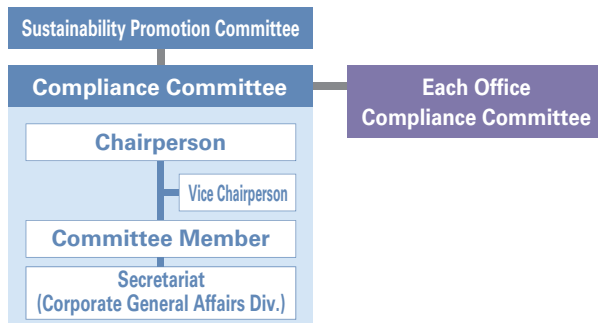
We established the Compliance Committee to minimize the risks of compliance violations at our Group, promote the creation of structures for compliance, and to promote activities to raise awareness of compliance. The Compliance Committee checks for compliance violations that could have a serious impact on business.

Number of Compliance Committee meetings held in fiscal 2023: 1

Number of serious compliance violations in fiscal 2023*: 0

* Number of compliance violations that had a serious impact on Group business

Compliance Structure



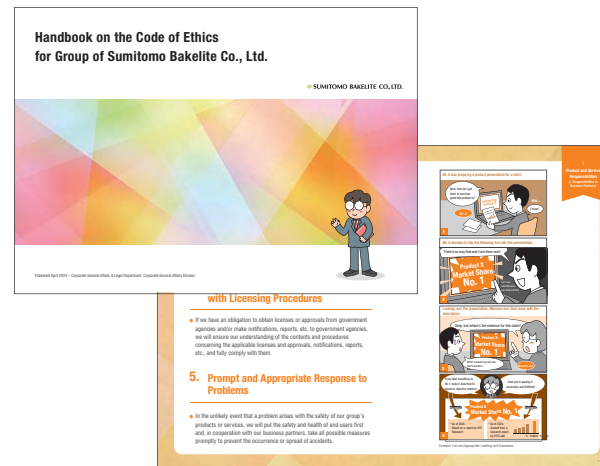
Compliance Education

As part of Compliance Awareness Month held yearly in October, all officers and employees of the Group are invited to participate in e-learning or workplace-based training that focuses on the content of Our Code of Conduct and the Group Code of Ethics (including the prohibition of corruption, cartels, discrimination, and harassment), and provide an overview of the internal whistleblowing system.

In addition, we provide compliance training for new employees and compliance training in individual fields (personal information management, security export control, subcontract law, etc.) as appropriate.

Compliance training participation rate during Compliance Awareness Month in fiscal 2023: 100%
(number of participants: 8,740)

Handbook on the Code of Ethics for Group of Sumitomo Bakelite Co., Ltd.



This handbook is an easy-to-read version of the Code of Ethics for Group of Sumitomo Bakelite Co., Ltd. (created in 2022; available in eight languages), with the addition of four-panel comic strips. The Japanese version will be published in April 2024, and handbooks in the other seven languages will be published in late October 2024.

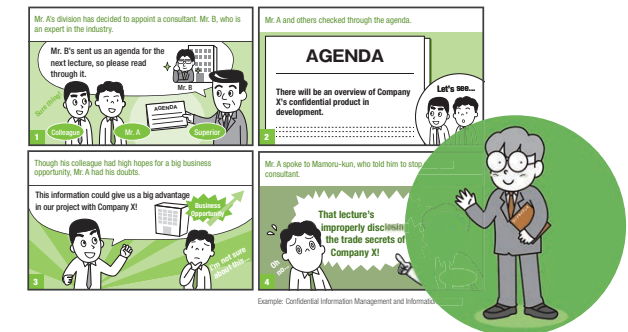
Compliance Slogans

At each department's workplace, we have established "Compliance Slogans", which are important compliance-related items that are appropriate for each department's daily work. These items may differ for each department, but we strive to make employees aware of them by posting them in the workplace and having them recite them regularly. Our group 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.

Comic character "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.



Foundations for Business Continuity/Compliance

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.

Number of bribery and corruption incidents confirmed in fiscal 2023: 0

Policies and Initiatives for Compliance with Competition Law

In the Code of Ethics for Group of Sumitomo Bakelite Co., Ltd. the Group stipulates compliance with trade regulations under Competition Law (Antimonopoly Law). the Group also prohibits cartels or bid-rigging with competitors, demands on dealers, etc. to maintain resale prices (unless otherwise permitted by law), and unreasonable demands on business partners who abused their superior position.

Furthermore, as part of our program to comply with competition laws, we operate the Price Deliberation Committee, the approval procedures for price determination and revision, and the approval procedures for interviews with competitors.

Audit/Monitoring

In accordance with the Business Philosophy 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.

Internal audits were conducted by the Internal Audit Dept. in fiscal 2023 at 26 company organizations in Japan and 9 company organizations overseas

Compliance Whistleblower System

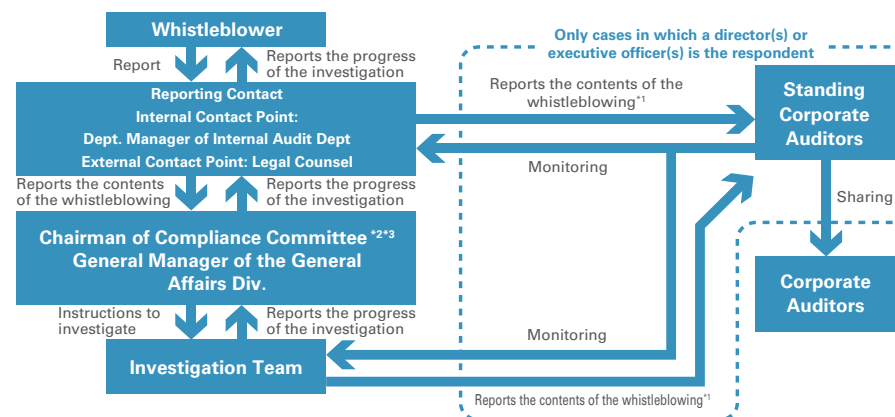
We have established an internal whistleblower system (which has been designated as the "Compliance Whistleblower System" at our Group). Under this system, employees can report to an internal contact point (GM of the Internal Audit Department) or an external contact point (Legal Counsel) when they have 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.

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.

Number of reports made using the whistle-blowing system in fiscal 2023: 17*

* Number of reports made using the Compliance Reporting System (Group-wide system): 8
Number of reports made using the whistle-blowing systems of subsidiaries: 9

Compliance Reporting System response process flow



*1 Information that may lead to the identification of whistleblower will be removed

*2 President

*3 If the chairman of the Compliance Committee is the respondent, the vice-chairman of the Compliance Committee will act on his/her behalf.

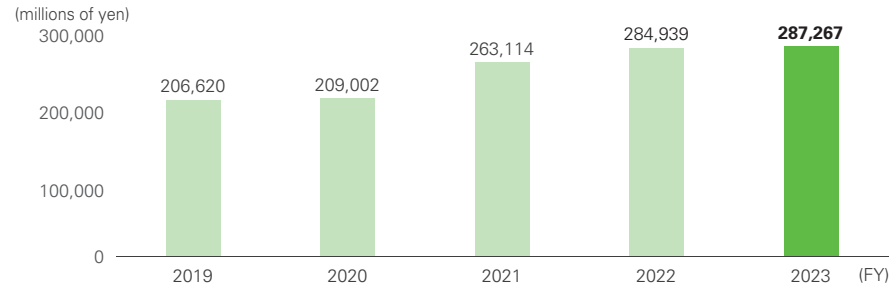
* If any of Reporting Contact, Chairman of Compliance Committee, General Manager of the General Affairs Div., or member(s) of the Investigation Team has an interest in the incident that is the subject of the above reporting or investigation.

* With the approval of whistleblower, there are cases in which the investigation team provide the progress report directly to the whistleblower.

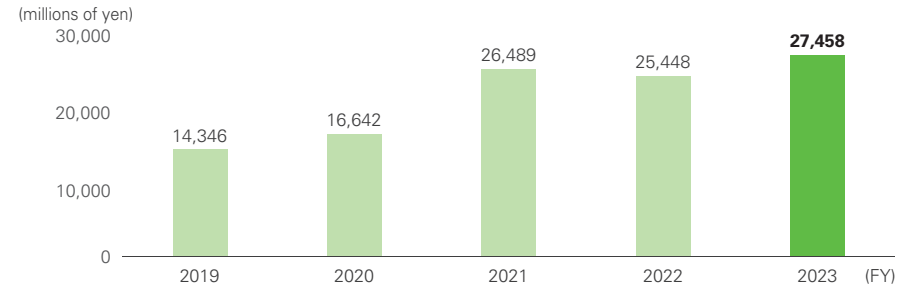
Corporate Data

Financial Highlights

● Revenue

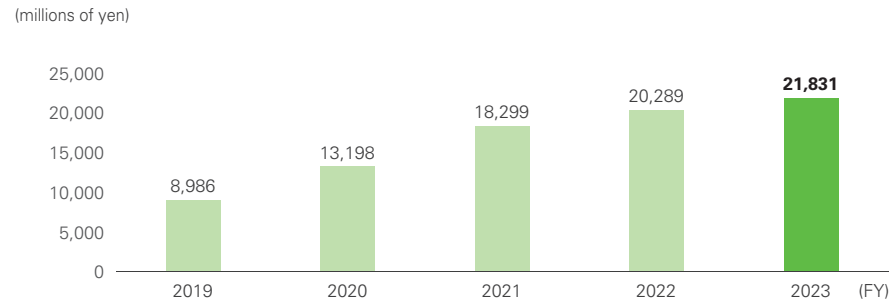


● Business Profit

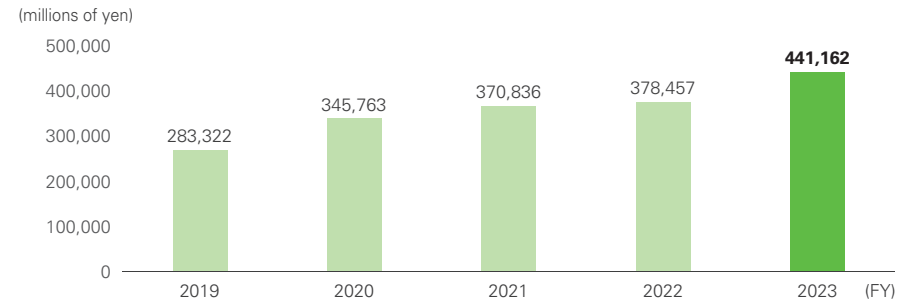


* "Business profit" is calculated by deducting "cost of sales" and "selling, general and administrative expenses" from "revenue".

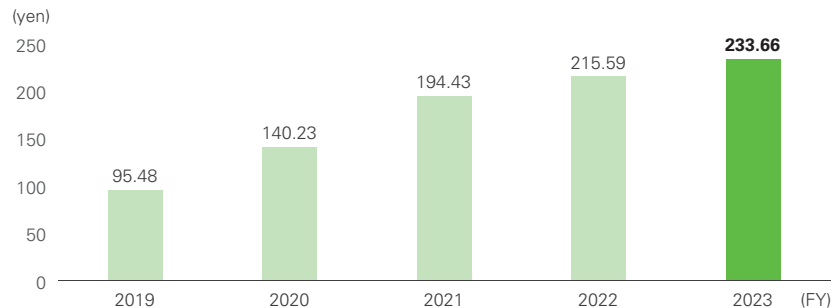
● Profit Attributable to Owners of Parent



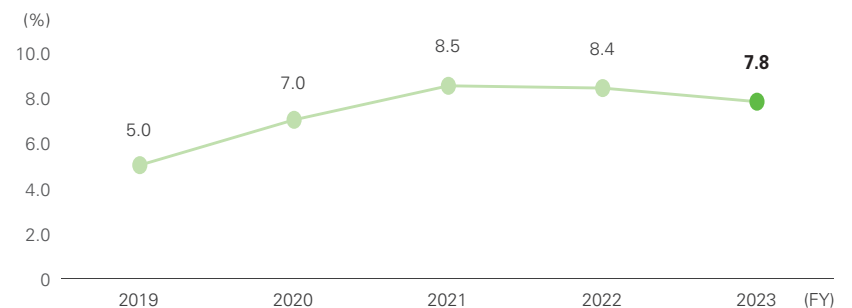
● Total Assets



● Earnings per Share/Basic Earnings per Share



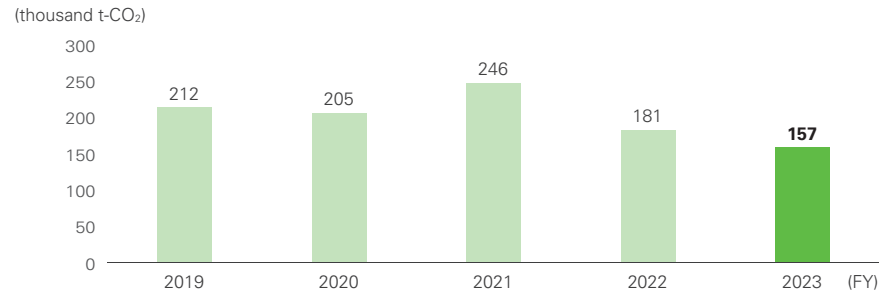
● Profit to Equity Attributable to Owners of Parent Ratio (ROE)



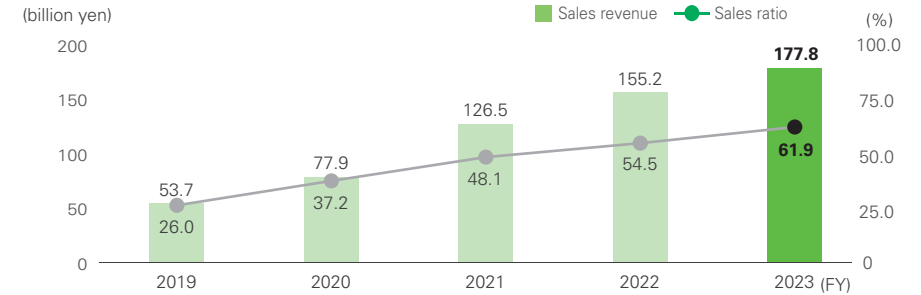
* As the share consolidation of each 2 shares of common shares into 1 share was exercised effective on April 1, 2024, "equity attributable to owners of parent per share" and "basic earnings per share" are calculated with the assumption that the share consolidation had been exercised at the beginning of FY2019.

Non-financial Highlights

● GHG Emissions (Scope1+Scope2) (Japan/Overseas Business Sites)

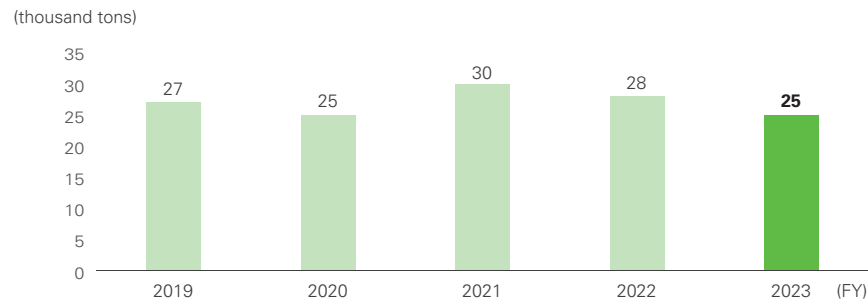


● Sales Revenue from SDG-contributing Products and Technologies (Consolidated)

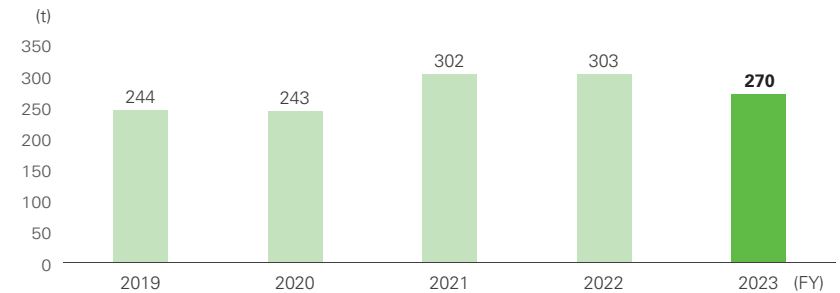


* Sales ratio is calculated by dividing revenue from SDG-contributing products and technologies by overall sales revenue (based on International Financial Reporting Standards).

● Amount of Material Loss (Japan/Overseas Business Sites)

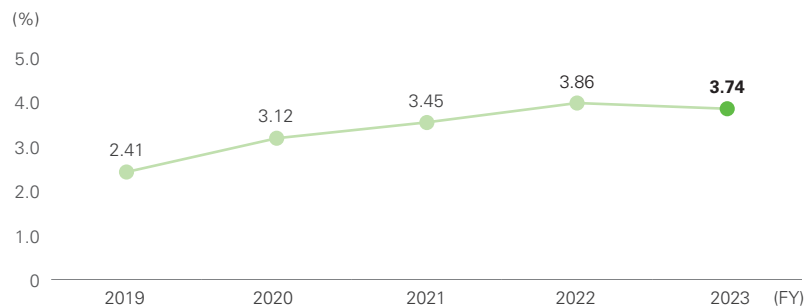


● Chemical Substance Emissions (Japan/Overseas Business Sites)

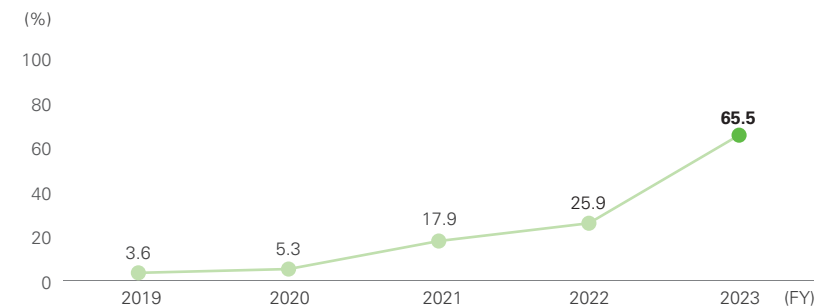


* The calculation method for chemical substance emissions has been reviewed and retroactively adjusted from FY2013 onward.

● Trends in the Proportion of Female Management Staff



● Percentage of Men Taking Childcare Leave



* Due to the revision of the law in April 2023, the publication of the data for fiscal year 2022 is mandatory.

Corporate Information/Stock Information

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	Kazuhiro Fujiwara
Established	January 25, 1932
Share capital (As of March 31, 2024)	¥37.1 billion
Number of shareholders (As of March 31, 2024)	10,796
Stock listing (As of March 31, 2024)	Tokyo Stock Exchange, Prime Market
Number of employees (As of March 31, 2024)	1,633 (non-consolidated) 7,953 (consolidated)
Net sales/Revenue (Fiscal, 2023)	¥99.8 billion (non-consolidated) ¥287.3 billion (consolidated)

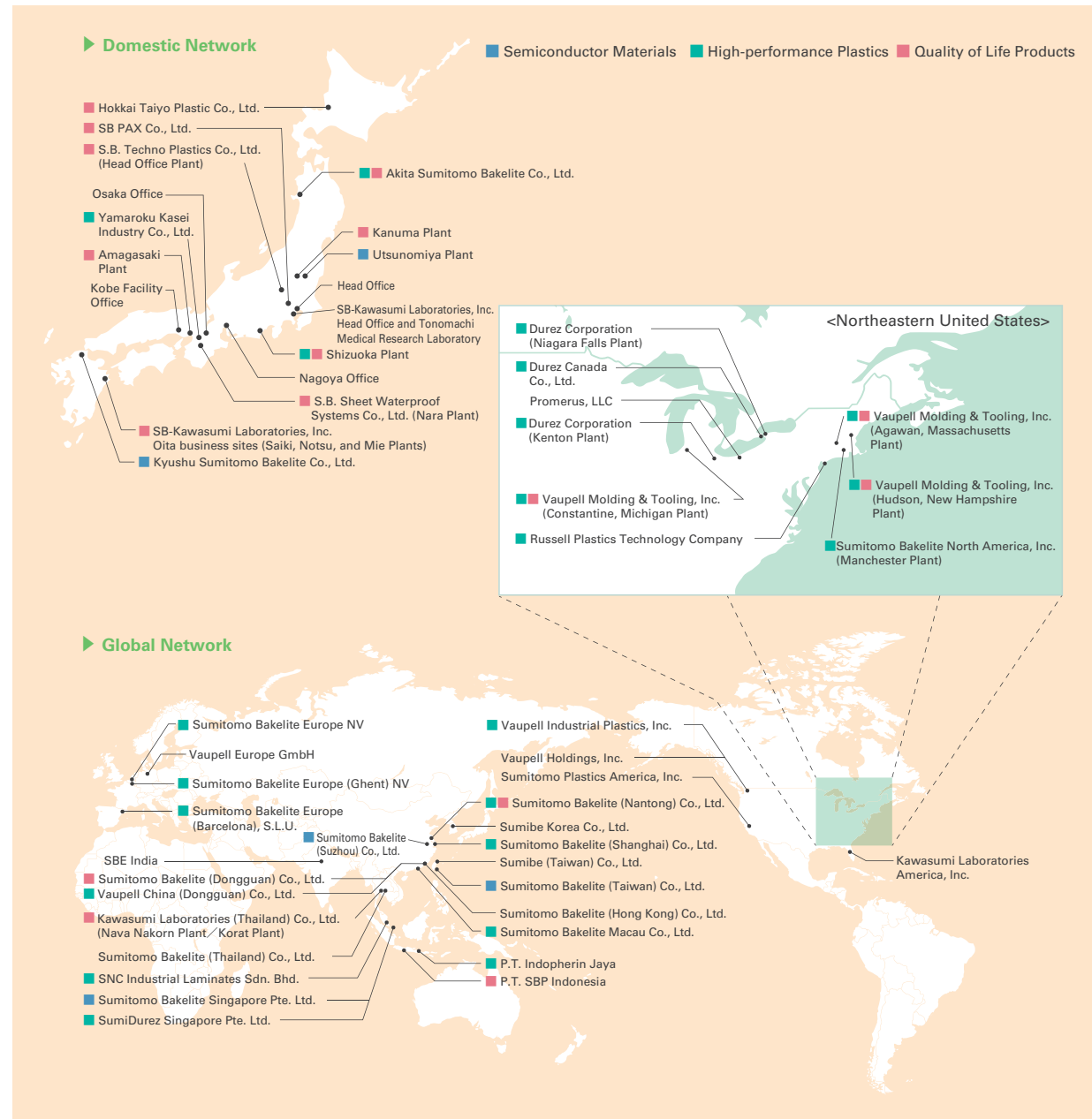
Principal shareholders (as of March 31, 2024)

Name	Number of stocks held (Unit: 1,000 shares)	Shareholding ratio (%)
Sumitomo Chemical Co., Ltd.	10,509	22.57
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,281	13.49
Custody Bank of Japan, Ltd. (Trust Account)	3,911	8.40
SSBTC CLIENT OMNIBUS ACCOUNT	3,036	6.52
STATE STREET BANK AND TRUST COMPANY 505001	973	2.09
JAPAN POST INSURANCE Co., Ltd.	953	2.05
Custody Bank of Japan, Ltd. Payment Account of Sumitomo Mitsui Trust Bank)	654	1.41
Sumitomo Mitsui Banking Corporation	654	1.40
SUMITOMO LIFE INSURANCE COMPANY	523	1.12
Mitsui Sumitomo Insurance Company, Limited	474	1.02

Note: 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 16 countries and regions, including Japan. Manufacturing sites are as shown in the figure below.



 **SUMITOMO BAKELITE CO., LTD.**

Tennoz Parkside Building
5-8, Higashi-Shinagawa 2-chome,
Shinagawa-ku, Tokyo 140-0002, Japan

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Corporate Communications Department
Corporate General Affairs Division
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URL: <https://www.sumibe.co.jp/english/>



The cover illustration depicts an image of the Iko no Mori biotope of the Shizuoka Plant. Iko no Mori features lush forest and flowering plants that change expression with each season. It is visited by kingfishers and other water birds. It is a place where quiet and motion coexist, and healing scenery can be enjoyed.

