

CORPORATE GOVERNANCE GUIDELINES

We establish these “Corporate Governance Guidelines” (the “Guidelines”) setting forth our basic ideas and policy concerning corporate governance based on a resolution of the Board of Directors.

1. Basic Ideas Concerning Corporate Governance

Under our corporate philosophy of the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, our group maintains its everlasting basic policy of contributing to society through our fair business practices. While adhering to this basic policy, in order to seek sustainable corporate growth and to increase corporate value over the mid-to-long term, we believe that it is critical to ensure transparency and fairness of management activities through appropriate corporate governance, as well as to draw up and implement a growth strategy using our management resources to the utmost extent, with the key word being “innovation.” We are committed to further enhancing our corporate governance in accordance with the following basic ideas.

- a) We will develop an environment in which shareholders can exercise their rights appropriately.
- b) We will take the interests of stakeholders, including shareholders, into consideration, and will appropriately cooperate with stakeholders.
- c) We will disclose corporate information appropriately and ensure transparency.
- d) We will emphasize the Board of Directors’ functions to make decisions on basic policy, including strategies, as well as to supervise management. We will also focus on developing a system and operating the Board of Directors to ensure the effectiveness of such functions. In respect of executive operations, we have introduced an executive officer system and a business unit system, for the purpose of clarifying authority and responsibilities, and of establishing a flexible system to execute operations in response to changes in the business environment. From a viewpoint of ensuring sound management, we commit to strengthening audits by corporate auditors and adopting a supervisory system under which independent outside corporate auditors and full-time corporate auditors work with our internal audit department and accounting auditors to ensure the lawful and proper management.
- e) In order to contribute to sustainable growth and increase corporate value over the mid-to-long term, we will engage in constructive dialogue with shareholders to a reasonable extent.

2. Securing the Rights and Equal Treatment of Shareholders

(1) Securing the Rights and Equal Treatment of Shareholders

- (i) We will take appropriate measures to substantively secure shareholders' rights and develop an environment in which shareholders can exercise their rights appropriately.
- (ii) We will treat all shareholders in proportion to their equity interest and disclose information in a timely and appropriate manner to avoid causing any information gaps between shareholders.

(2) Shareholders' Meeting

- (i) We will send a notice to call an annual shareholders' meeting three weeks prior to the scheduled date thereof, early enough to give shareholders sufficient time to consider the proposals of the shareholders' meeting and to appropriately exercise their voting rights. We will also disclose the notice to call the annual shareholders' meeting on our website prior to sending the notice.
- (ii) We will take steps to create the means for shareholders to exercise their voting rights, including the use of an electronic voting platform, and provide the English translation of the notice to call the shareholders' meeting.

(3) Basic Policy on Strategic Shareholding and Exercising Voting Rights of Strategically-held Shares

- (i) From a standpoint of contributing to the enhancement of medium- and long-term value of the company, we own strategically-held shares, taking into consideration their implications for and potential contributions to our ROE and ROIC, with the primary aim of building and strengthening long-term and stable relationships with customers and to facilitate business and technical alliances with them. Shares that have failed to meet the above mentioned purposes of strategic shareholding or to contribute to the enhancement of medium- and long-term value of the company will be subject to a review with the aim of disposition. On an annual basis, the adequacy of continued shareholding will be verified at a meeting of the Board of Directors for individual strategically-held shares, based on the above mentioned purposes of strategic shareholding and underlying idea behind it and in accordance with the business conditions with the customers at the time.
- (ii) In exercising the voting rights of strategically-held shares, in light of the policy mentioned in (i) above, we will determine whether to exercise our voting rights for or against each case, based on the premise that exercising the voting rights should result in the enhancement of value of the company and its business partners as issuers of strategically-held shares in light

of the policy stated in (i) above, taking into account the financial conditions and other matters of the companies in which we hold shares for strategic purposes. More specifically, in the event that the adoption of a resolution is likely to cause substantial damage to shareholder value or in the event of prolonged poor performance, the we will determine whether we are for or against the case under a prescribed decision-making procedure after the responsible department has consultations with the Accounting Dept. and the General Administration Dept.

3. Appropriate Cooperation with Stakeholders

We recognize that our sustainable growth and an increase in our mid-to-long-term corporate value are supported by relationships with a range of stakeholders including customers, business partners, local communities and employees. While taking stakeholders' interests into consideration, we strive to build appropriate cooperative relationships with them.

4. Enhancing Information Disclosure

We will appropriately disclose information in compliance with laws and regulations and will also actively commit to providing information beyond that which is required by laws and regulations.

5. Responsibilities of the Board of Directors, etc.

(1) Roles of the Board of Directors

In order to ensure our sustainable growth, an increase in corporate value over the mid-to-long term and to improve profitability, capital efficiency, etc., the main functions of the Board of Directors will be to deliberate and determine the basic management policy and other important corporate issues, and to supervise the execution of the duties of each director.

(2) Scope of Delegation to the Representative Director, etc.

- (i) In compliance with the provisions of the Companies Act, we will prescribe important matters which are required to be resolved by the Board of Directors pursuant to the Articles of Incorporation and other internal rules. From the viewpoint of mobility and flexibility, we will delegate the authority to make decisions on other business matters to the Representative Director and other executive directors, etc.
- (ii) As we believe that the importance of the role of the Board of Directors to direct management strategies is increasing, the Board of Directors will adopt a system under which management strategies and planning, etc. (and, in particular, the annual sales plan and the profit and loss plan, etc.) will be deliberated, and the status of achieving the objectives will be reviewed on a quarterly basis. On the other hand, with respect to decisions on the execution of individual business matters(,) such as investments or incorporation of new companies, we will limit the number of these transactions according to the valuation criteria that is prescribed by internal rules, and will leave the decision-making to the directors, etc. to the extent practicable.

(3) Roles of the Independent Outside Directors

The major roles of our independent outside directors are to give advice on general management matters, such as management policy and strategies, and to supervise the directors from an independent and objective viewpoint.

(4) Composition of the Board of Directors

The Board of Directors will have a balanced composition, made up of members who have experience in fields central to determining corporate strategies, such as accounting, finance, management or corporate governance, who have extensive expertise and experience in the areas where the company particularly focuses on as a manufacturer such as research and technical development, manufacturing and production technology, and supply chain, who have excellent corporate management and international expertise, who have knowledge of laws and industrial economic policy, and who are independent and contribute to the increase in corporate value from a comprehensive viewpoint. Also, the Board of Directors will elect the appropriate number of members needed in order to perform its functions including independent outside directors of which shall account for one-third or more of the directors.

(5) Audit System for Corporate Auditors

(i) The majority of the corporate auditors will be independent, outside corporate auditors with various areas of expertise and multifaceted points of view. We will adopt a monitoring system under which the independent, outside corporate auditors and full-time corporate auditors or the corporate auditor's dedicated staff will cooperate with the internal audit department and the accounting auditors to ensure lawful and proper management.

(ii) Pursuant to the audit standards, policy and assignment prescribed by the Board of Corporate Auditors, a corporate auditor will attend Board of Directors' meetings and other important meetings; engage in interviews with the directors, internal audit department and other employees with respect to their duties; have access to important approval documents; visit the main business locations for on-site audits; receive reports on audits from other corporate auditors; and exchange information with accounting auditors from time to time.

(6) Transactions with Affiliated Parties

Any competition or transaction involving a conflict of interest between the company and any director will be subject to approval procedures at the Board of Directors' meetings pursuant to laws and regulations and our internal rules. If such a transaction is conducted, the relevant important matters will be reported to the Board of Directors. Other transactions with affiliated parties which might prejudice our interests or the common interest of the shareholders will be carefully deliberated at the Board of Directors' meetings, placing emphasis on the views of outside directors and outside corporate auditors.

(7) Nominating Advisory Committee and Compensation Advisory Committee

In order to secure transparency and fairness in nominating candidates for director and corporate auditor, and in making decisions involving compensation for directors, we will establish the Nominating Advisory Committee and the Compensation Advisory Committee, with a membership including outside directors, as an advisory body for the Board of Directors.

- a) The chairman of the committee will be an outside director.
- b) The number of members will be three or more, and the majority of the members will consist of outside directors.
- c) The committee will deliberate on the following matters upon request from the Board of Directors, and report to the Board of Directors.
(Nominating Advisory Committee)
 1. Proposal for nominees for directors and corporate auditors
 2. Skills that the Board of Directors should have in light of management strategies, etc. (including succession plan)
 3. Proposal for the establishment, amendment, or abolition of the company's important rules, etc., related to each of the preceding items, as well as proposal for contents of important documents announced to the public
 4. Other matters requested from the Board of Directors.
(Compensation Advisory Committee)
 1. Proposal for policy concerning the determination of the content of individual compensation, etc., for directors and executive officers.
 2. Proposal for compensation system for directors and executive officers
 3. Proposal for the amount of compensation for each individual director and executive officer
 4. Proposal for the establishment, amendment, or abolition of the company's important rules, etc., related to each of the preceding items, as well as proposal for contents of important documents announced to the public
 5. Other matters requested from the Board of Directors.

(8) Policy and Procedure to Nominate Candidates for Director and Corporate Auditor

- (i) Candidates to be nominated as an inside director will be individuals who have and have carried out the Sumitomo Spirit—which values doing your sincere best, not only in business but also in every aspect of your life, placing importance on integrity and sound management, and not acting rashly or carelessly in pursuit of easy gains. These will be individuals who have extensive experience and excellent performance records in connection with our businesses; who have sound objective judgment concerning management in light of the changing environment surrounding us and future changes; and who have superior character, foresight and insight.
- (ii) Candidates to be nominated as an outside director will be individuals

with experience in company management, experts of respective fields or academic experts who would be suitable for supervising our management from the viewpoint of encouraging sustainable growth and striving to increase corporate value over the mid-to-long term.

- (iii) In the event that a director of the company is found to be in material breach of laws and regulations or in the event that a director of the company is found to be otherwise unable to appropriately fulfill his/her duties and obligations as a director, we will be deliberated whether to submit a motion for his/her removal at a general meeting of shareholders depending on the situation.
- (iv) Candidates to be nominated as a corporate auditor will be individuals with experience in company management and persons with expertise in law, finance or accounting.
- (v) Submission of a motion for appointment of candidates for directors and corporate auditors and for removal of a director(s) at a general meeting of shareholders will be discussed by the Nominating Advisory Committee and will be decided upon by a resolution of the Board of Directors based on the report of the committee.

(9) Policy and Procedure to Decide Compensation of Directors

Under our corporate philosophy of the Sumitomo Spirit and the Sumitomo Electric Group Corporate Principles, we ensure that our compensation system will add incentives to facilitate the sustainable growth of our group and enhance its corporate value over the medium-to-long term, while standing firm on our universal basic policy of contributing to society through fair business practices.

(i) Composition of compensation of directors

Compensation of Directors consists of monthly compensation and bonuses.

(ii) Policy for determination of monthly compensation

With respect to monthly compensation, research conducted by a third-party regarding compensation of officers will be used, with research targets being companies that are similar to us in terms of business lineup, size, etc., thereby ensuring objectivity of our compensation levels. Afterwards, a monthly compensation table for each job position will be set based on the job position's role, level of responsibility, and contribution to our operating results. The amounts provided in the table applicable to each director will be set from a mid-to-long-term viewpoint in accordance with the director's role, level of responsibility, the scale, complexity and difficulty of the scope of work, and the contribution to our operating results. The total amount to be paid will be determined within the scope of the compensation amount approved and resolved at a shareholders' meeting.

(iii) Policy for determination of bonuses

Bonuses are performance-linked remuneration. Upon securing the objectivity of compensation levels by utilizing third-party inquiries into the compensation of officers, which target companies similar to the company in terms of business lineup and size, etc., the total amount of bonuses will be determined through the resolution of a shareholders' meeting with our operating results for each business year, including sales, operating profit, ROIC and current net profit on which the company particularly focuses in terms of management strategies, as well as dividend levels and other relevant matters comprehensively taken into consideration. The amount to be paid to each director will be determined to be at such a level that the amount serves as the director's incentive, with consideration given, from a medium-to-long-term viewpoint, to the director's job position, level of responsibility, degree to which the director has achieved the major targets of the director's department (sales, various profit indicators, ROIC, etc.) and has contributed to our operating results for each business year, and qualitative elements such as the qualities necessary to attain the above factors. No bonuses will be paid to outside directors in order to ensure their independence.

- (iv) Policy for determination of the ratio between monthly compensation and bonuses

The ratio between monthly compensation and bonuses will not be predetermined and will fluctuate according to the business performance indicators described in the previous paragraph, "(iii) Policy for determination of bonuses," the evaluation results of each individual director, and other relevant factors.

- (v) Compensation determination procedure

With respect to the procedure for determining monthly compensation and bonuses, the Compensation Advisory Committee will deliberate, from an objective viewpoint, on important matters such as the formulation, revision and abolition of policies for decisions, relevant rules, etc., the specific amounts of each individual director's monthly compensation and bonus based on the evaluation of business performance. Based on a report of the committee, the Board of Directors will resolve the total amount of bonuses for each business year and, in the case of revising the upper limit on the total amount of monthly compensation, the details of a relevant proposal to be resolved in a shareholders' meeting, in addition to deliberating and resolving the formulation, revision or abolition of any policy on decisions or any rule. With respect to the determination of the specific amounts of each individual director's monthly compensation and bonus, the President delegated by the Board of Directors will make decisions together with decisions on the compensation/bonus provision timing and method, based on the details of a report of the Compensation Advisory Committee.

- (vi) Holding our own shares

In order not only to increase motivation and raise morale to improve

our operating results, but also to encourage management to emphasize shareholder value, we encourage inside directors to hold our shares through the officers' shareholding association in accordance with its specified standards. The inside directors will continue to hold our shares during their term of office.

(10) Determining Criteria on the Independence of Independent Outside Directors and Independent Outside Corporate Auditors

In electing candidates for outside director and outside corporate auditor, their independence will be determined in compliance with the criteria prescribed by the relevant financial instruments exchange, through careful investigation and confirmation of whether or not they have interest in the company.

(11) Operation of the Board of Directors

(i) The secretariat of the Board of Directors will devise a system to distribute to each of the directors and corporate auditors, including outside officers, materials for proposals of the Board of Directors prior to the scheduled meeting date, so that they will be able to fully discuss the proposals at the Board of Directors meeting.

(ii) The secretariat of the Board of Directors will fix the schedule of regular meetings of the Board of Directors for the following year by the end of the current year, and notify the schedule to the directors and the corporate auditors.

(12) Support Structure for Outside Directors and Corporate Auditors

(i) The secretariat of the Board of Directors will, in cooperation with other departments, provide outside directors with information regarding management, explanations on proposals of the Board of Directors and other necessary support.

(ii) The full-time corporate auditors will provide the outside auditors with necessary information including explanations on proposals of the Board of Directors. The corporate auditor's dedicated staff will offer support necessary for the corporate auditor to carry out such activities.

(13) Analysis and Evaluation of Effectiveness of the Board of Directors

The Board of Directors will analyze and evaluate the effectiveness of the Board of Directors every year and disclose a summary of the results of this evaluation.

(14) Training for Directors and Corporate Auditors

So that the directors and the corporate auditors can appropriately perform their expected roles and responsibilities as a critical part of the governance body, we will systematically provide and arrange training opportunities along with financial support as follows:

For new directors and corporate auditors, training to deepen their understanding of their roles and responsibilities; and

For outside directors and corporate auditors, training to deepen their understanding of the company and its corporate group, and of the laws, risk management and business environment surrounding the corporate group.

(15) Internal Control

The Board of Directors will determine the basic policy for an internal control system pursuant to the Companies Act and other laws, and we will supervise the status of the development and operation of the system.

6. Dialogue with Shareholders

We will encourage constructive dialogue with shareholders by observing the following policies:

- a) Designating the director in charge of accounting and finance to be responsible for controlling dialogue with the shareholders.
- b) Establishing a cross-sectional secretariat to assist dialogue.
- c) Enhancing communication with institutional investors and analysts by utilizing opportunities at briefings on financial results and interviews. For general shareholders and investors, conveying wide-ranging information through our website, such as by posting financial information, press releases, materials distributed at financial results briefings and their related videos.
- d) Reporting shareholders' opinions or concerns discovered through such dialogue to management or the Board of Directors on a regular basis.
- e) Managing information pursuant to the Sumitomo Electric Group Disclosure Policy*.

* URL: <https://sumitomoelectric.com/csr/disclosure>

End

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Note: This is a translation of the Japanese original for reference purposes only. In the event of any discrepancy between this translation and the Japanese original, the original shall prevail.