

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 interests 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 increasing corporate value over the mid-to-long term, we own strategically-held shares, mainly in order to build and strengthen long-term and stable relationships with customers and to facilitate business and technical alliances.
- (ii) In exercising the voting rights of strategically-held shares, in light of the policy mentioned in (i) above, based on the assumption that exercising the voting rights will result in an increase of our corporate value, we will consider the financial conditions of the companies in which we hold shares for strategic purposes, and will determine whether to exercise our voting rights for or against each proposal from the viewpoint of whether doing so will contribute to a mid-to-long-term increase of the corporate value of such companies.

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 or management, 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 two or more independent outside 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 made up of outside officers, 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 officers.

(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) 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.
 - (iv) The Nominating Advisory Committee will deliberate the candidates for director and corporate auditor from an objective viewpoint and the Board of Directors will decide on the candidates by a resolution based on the report of the committee.
- (9) Policy and Procedure for Decisions on Compensation of Directors
- (i) Compensation of Directors consists of monthly compensation and bonuses.
 - (ii) With respect to monthly compensation, we establish compensation levels suitable for our directors according to their respective job positions. Compensation of an individual director will be determined in accordance with the director's role, level of responsibility and contribution to our operating results. The amount shall be determined within the scope of the amount approved and resolved at the shareholders' meeting.
 - (iii) With respect to bonuses, the total amount will be determined based on our operating results for each business year, especially profitability criteria and dividend amounts, by a resolution of the shareholders' meeting. The amount to be paid to each director will be determined in accordance with the director's job position, level of responsibility, degree to which the director achieves major targets and contributes to our operating results for each business year from a mid-to-long-term viewpoint. No bonus will be paid to outside directors in order to protect their independence.
 - (iv) The Compensation Advisory Committee will deliberate the monthly compensation and bonuses of the directors using objective standards, and the Board of Directors will decide on compensation based on the committee's report.
 - (v) In determining the monthly compensation and bonuses of directors, objectivity in determining the level of monthly compensation, bonuses and annual salary will be protected by utilizing research conducted by a third party regarding compensation of officers. The research will look to companies similar to the company in terms of business lines and size, etc.

(vi) 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 interests 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 directors 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: <http://global-sei.com/csr/disclosure.html>

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.