

Corporate Governance

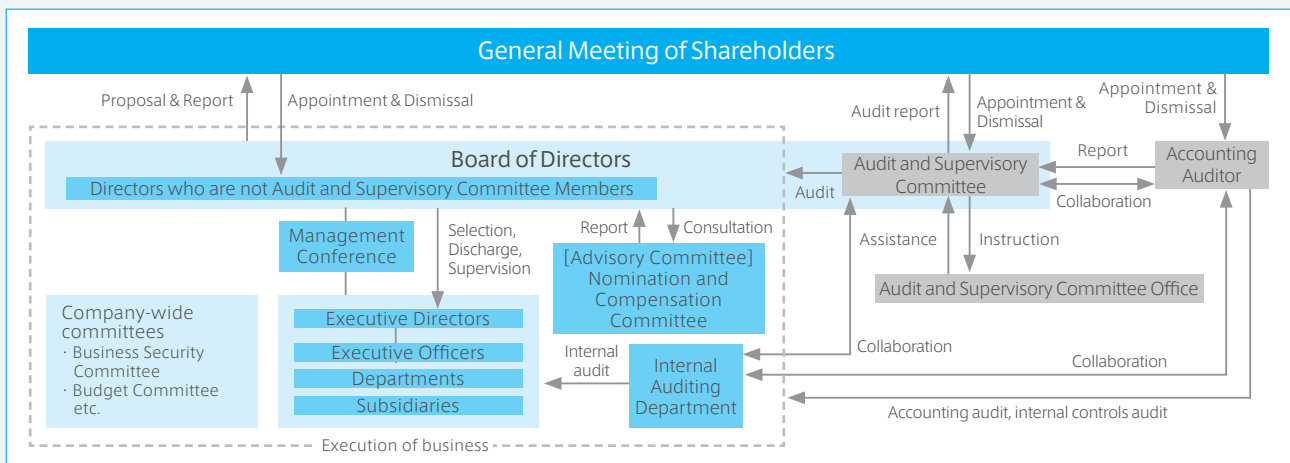
Why SUMCO Tackles Corporate Governance

SUMCO recognizes that it is a critical management challenge to fulfill its mandate from shareholders by achieving sustainable growth and improving corporate value in the medium-to-long-term, while building and maintaining positive relationships with other stakeholders. Based on this recognition, SUMCO pursues a range of measures related to corporate governance, such as reinforcing the auditing and supervisory functions of the Board of Directors, ensuring efficiency in how directors execute their duties and improving internal controls within the SUMCO Group, in order to achieve swift management decision-making and to ensure transparency and fairness in the execution of business.

Basic Stance on Corporate Governance Structure

SUMCO is organized as a company with an Audit and Supervisory Committee. By adopting this system, the effectiveness of supervision and auditing has been enhanced through audits conducted by Directors who are Audit and Supervisory Committee Members and have voting rights at Board of Directors meetings. In addition, the effectiveness of internal controls has been enhanced through audits conducted with the support of the Internal Audit Department.

Corporate Governance Structure



Board of Directors

SUMCO's Board of Directors comprises internal Directors with a proven record of performance in their respective areas of responsibility and outstanding management abilities, along with Outside Directors with expert knowledge and extensive experience, based on the basic stance of the Company to ensure an overall balance and diversity in knowledge, experience and capabilities of the directors. The Board of Directors comprises four directors (except for directors who are Audit & Supervisory Committee Members) and five directors who are members of the Audit & Supervisory Committee (four of whom are Independent Outside Directors).

In accordance with legal statutes, the Articles of Incorporation and the Rules of the Board of Directors, the Board of Directors makes decisions on management strategy, management plans, and other such important matters relating to business. It receives reports from every Director on the status of the execution of duties and it exercises supervision of compliance, internal controls, risk management, and important business execution at affiliated companies. With the participation of Independent Outside Directors, the Board of Directors also engages in the free exchange of opinions regarding the appropriate evaluation of company performance and related matters, and reflects that evaluation in the personnel administration of senior management members.

It is also our basic company policy that matters relating to financial results and so on, matters relating to management plans, and the execution of other such important operations should be decided after adequate discussion by the Board of Directors, including the Independent Outside Directors. For this reason, the Articles of Incorporation do not stipulate that decisions on the execution of important business can be delegated to each Director.

The effectiveness of the Board of Directors is evaluated each year in order to continually enhance the effectiveness of corporate governance. In 2018, Board of Directors meetings were convened 16 times in total.

Independent Outside Directors

SUMCO has appointed four Independent Outside Directors. One is an attorney; one is a management consultant who has experience working as a certified public accountant; one is a person with wide experience and knowledge cultivated through experience in the public sector as well as many years of experience in corporate management; and one is an individual with knowledge as an expert in the field of metallic materials research and experience cultivated through years of working as a university professor.

Each Outside director satisfies SUMCO's "Criteria of Independence" established in accordance with Tokyo Stock Exchange

standards on the independence of independent directors, and has been verified to be free of potential conflicts of interest with general shareholders.

In an effort to ensure the sustained growth of the SUMCO Group and increase its corporate value over the medium-to-long-term, the Independent Outside Directors provide advice on important matters related to management based on their own individual knowledge and take the perspective of minority shareholders and other stakeholders in supervising management. They participate in the appointment of candidates for Director and other important decision-making by the Board of Directors, and supervise business execution by the Board of Directors, senior management and others as well as conflicts of interest between the Company and senior management and others.

Audit and Supervisory Committee

The Company's Audit and Supervisory Committee is made up of five directors who are Audit and Supervisory Committee members (four, a majority, of whom are Independent Outside Directors). In order to ensure the effectiveness of Audit and Supervisory Committee activities, permanent Audit and Supervisory Committee Members are put in place by mutual voting among Audit and Supervisory Committee members. In addition, it is the Company's basic policy to take steps to ensure that at least one Audit and Supervisory Committee Member has considerable knowledge and experience pertaining to finance and accounting. Additionally, the Company has established the Audit and Supervisory Committee Office and assigns staff to support the activities of the Committee and facilitate the smooth performance of its audit and supervisory functions.

The Audit and Supervisory Committee exercises its statutory right of investigation and audits the Directors' execution of their duties from the viewpoints of appropriateness and conformance with laws and regulations and the Articles of Incorporation by inspecting and confirming the status of compliance with laws and regulations, Articles of Incorporation, and so on, and by monitoring and otherwise supervising the development of and operational status of the system of internal controls, including the internal control of financial reporting.

Nomination and Remuneration Committee

In an effort to further enhance its corporate governance, SUMCO has established a Nomination and Compensation Committee composed of two internal Directors and two Independent Outside Directors to serve as a discretionary advisory body for the Board of Directors.

The Nomination and Compensation Committee convenes twice a year in principle, receives inquiries from the Board of Directors regarding the process for selection of candidate Directors of SUMCO (excluding Directors who are Audit and Supervisory Committee Members), their qualifications, the reasons for their designation as candidates, the remuneration of executives, and related matters. The committee examines the appropriateness and other aspects of the matter of inquiry and, also taking evaluations of company performance into account, delivers its findings. The Board of Directors, receiving the findings of the Nomination and Compensation Committee, designates candidate Directors (excluding Directors who are Audit and Supervisory Committee Members) and decides on their remuneration and related matters.

Message from an Outside Director

Masahiro Mitomi, Outside Director

Q1. From your standpoint as an Outside Director, moving forward, how do you expect SUMCO to pursue the promotion and development of its business in the medium-to-long-term, and how do you envisage your involvement?

To promote and develop its business activities going forward in the medium-to-long term, I think it is important for SUMCO to continually implement initiatives aimed at achieving the SUMCO Vision. I also think that to respond flexibly to changes in the industry, SUMCO should withdraw from fields in which it lacks strengths and opportunities, and venture farther into fields in which it enjoys strengths and opportunities. This is the perspective from which I will be involved as an Outside Director going forward.

Q2. Please describe the strengths, characteristics and other qualities of SUMCO's governance system.

To start with, the strength of SUMCO's governance system lies in the fact that human resources with long involvement and familiarity with the silicon wafer industry are tasked with management. Combined with the fact that four of the Outside Directors enjoy an environment in which they can openly express their views to senior management based on their respective areas of expertise,



I believe that the robust discussions that take place in the Board of Directors are characteristic of SUMCO's governance system.

Q3. In recent years we have seen heightened interest and expectations pertaining to ESG (environment, social and governance). How do you feel SUMCO, for its part, needs to respond to this trend?

I believe SUMCO has incorporated ESG perspectives in the course of efforts to achieve the SUMCO Vision and its CSR policy. Accordingly, I think it will be important to push forward in a thoroughly honest fashion to achieve the vision and policy, and develop the human resources capable of doing so at multiple levels within the organizational hierarchy.

Masahiro Mitomi Director (Audit and Supervisory Committee Member)

October 1987	Joined the Tokyo Office of Arthur Andersen
March 1991	Registered as a Certified Public Accountant
September 1991	Senior Staff of San Francisco Office, Arthur Andersen
September 1994	Manager of Seattle Office, Arthur Andersen
March 1996	Senior Manager of Atlanta Office, Arthur Andersen
May 2001	Representative Director of Value Create Inc. (present post)
April 2009	Part-time Lecturer of Keio Business School (present post)
March 2014	Outside Director of the Company
March 2016	Outside Director (Audit and Supervisory Committee Member) of the Company (present post)
March 2017	Outside Director (Audit and Supervisory Committee Member) of OTSUKA KAGU, LTD.