



Security Export Control

Basic Policy

At present, ongoing efforts are being made via international initiatives, mainly through the United Nations, to reduce the threat of weapons of mass destruction. At the same time, however, tensions between the United States and China and other countries and regions are intensifying in the name of ensuring national economic security, and the international security environment is changing rapidly.

Japan is working toward a rules-based international order and to that end has been leading the formulation and use of multilateral agreements, such as the EU-Japan Economic Partnership Agreement (EU-Japan EPA).

Mitsubishi Chemical (MCC) believes that security-related risk management and the effective use of economic partnership agreements are important to realizing sustainability. To that end, MCC particularly strives to ensure effective security export control based on the appropriate application of not only Japan's Foreign Exchange and Foreign Trade Law, but also export-related U.S. laws and the similar laws of many other countries, in addition to its own Security Export Control Policy.

Policy of Security Export Control for the MCC Group

- (1) We do not engage in concerns that threaten the maintenance of international peace and security.
- (2) We comply with export control laws applicable to countries and regions where we conduct business.
- (3) We appoint a person who is responsible for export control and improve and enrich the export control system.
- (4) We comply with U.S. law when trading, including re-exporting, products or technology originating in the United States.

Security Export Control System

MCC has established a tiered export control system based on its Security Export Control Rules. The chief executive of this system is MCC's president. Through this system, we work to prevent legal violations and avoid reputation risk using such means as thorough export screening, notifications about legal changes, raising internal awareness about security export control and internal audits of exporting departments. In 2020, we began to build a network in each region to reinforce the export control functions of our regional headquarters. In addition, we decided to apply this system to effectively utilize existing frameworks in the determination of product origin as required under economic partnership agreements.

Export Control Mechanisms

MCC implements three screening steps: Item classification using the export screening system, customer screening and transaction verification. Recent years have seen numerous restrictions placed on foreign companies, such as sanctions imposed by the United States, and we monitor and appropriately respond to such rules.

We also apply this system to meet the requirements of trading under economic partnership agreements.

Training and Education

MCC provides both regular and as-needed internal education to ensure thorough compliance with laws, regulations and internal rules in the areas of export control and economic partnership agreements. In fiscal 2020, we held 49 explanatory meetings targeting business domains, corporate function domains, plants, our R&D center, and branches. These meetings were held mainly online to prevent the spread of COVID-19. A total of 10,979 employees also took part in security export control training via e-learning. Going forward, we will continue to carry out training and education that covers the basics of legal compliance while finding new ways to increase the effectiveness of our programs, such as by introducing content important to the real-life practice of compliance and new educational tools as needed. In addition, we will gather the necessary information from governments and other actors regarding economic security (a topic of growing importance) and the establishment and amendment of laws in other countries and share it with employees in a timely manner while working to implement appropriate responses in coordination with related departments.

Effects

As a result of such initiatives, in fiscal 2020, MCC recorded no legal or regulatory violations related to security export control and achieved importer-side tariff savings of approximately ¥500 million on direct exports through the use of economic partnership agreements.

Going forward, we will continue to contribute to the realization of KAITEKI through these activities.