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Message from the Chief Officer Supervising Corporate Sustainability Management

We will deliver sustainable growth to our stakeholders guided by our unwavering commitment to the KAITEKI principle



Joseph Rinaldi

Vice President
Chief Strategy Officer

Our commitment to sustainability

Since adopting the KAITEKI concept in 2011, our organization has made sustainability its cornerstone. At the beginning of 2023, we unveiled our renewed Company Purpose: “We lead with innovative solutions to achieve KAITEKI, the well-being of people, and the planet.” This Purpose and our new Slogan, “Science. Value. Life.,” reinforce our unwavering commitment to the KAITEKI principle. These declarations provide clarity and

specificity, guiding our team in a common direction and serving as the foundation for day-to-day business execution and decision-making. The concept seamlessly incorporates the Management of Sustainability (MOS), Management of Technology (MOT), and Management of Economics (MOE) into every aspect of our operations.

Our medium-term management plan reflects our commitment to sustainability, emphasizing the importance of environmental, social, and governance (ESG) factors. We recognize that creating non-financial value is vital to achieving our financial targets. As such, we have set ambitious environmental and social goals, including reducing GHG emissions and waste and initiatives for employee engagement, customer satisfaction, and diversity. Additionally, we aim to significantly increase the proportion of sustainability-supporting products in our portfolio in the coming years by developing innovative solutions that fulfill our customers’ evolving needs.

Achievements and looking forward

By consistently implementing these measures, we are poised to make significant strides in the near future. Allow me to highlight some of our accomplishments over the past year.

We have initiated a comprehensive energy transition program to meet or exceed carbon emission reduction targets for 2030 and 2050. We have substantially reduced GHG emissions globally by shifting to renewable energy resources and implementing various measures in our

Performance Polymers and Specialty Materials production sites in Europe and the Americas.

Furthermore, we have launched several innovative solutions that drive circular economy practices. For example, our holistic program of thermoplastic semi-finished materials in Europe and the Americas incorporates a sustainable brand, environmental data, and a waste takeaway program. In Japan, we have partnered with others to enhance recycling initiatives, such as reconvert plastic bottle labels and developing a scheme to recover and recycle acrylic resin from end-of-life vehicles.

These achievements underscore our unwavering dedication to sustainability and the integration of sustainable practices throughout our operations. However, we acknowledge that our journey has only just begun. Looking ahead, we have set ambitious targets for the coming years:

We aim to collaborate with industry partners, alliances, and research institutions to devise sustainable alternatives that reduce our dependence on non-renewable resources and minimize environmental impact.

We will increase the transparency and reporting of our ESG efforts, ensuring stakeholders have clear visibility into our progress and commitments.

By leveraging our combined expertise and innovative spirit, the Mitsubishi Chemical Group will pave the way toward environmental responsibility, social well-being, and economic prosperity.

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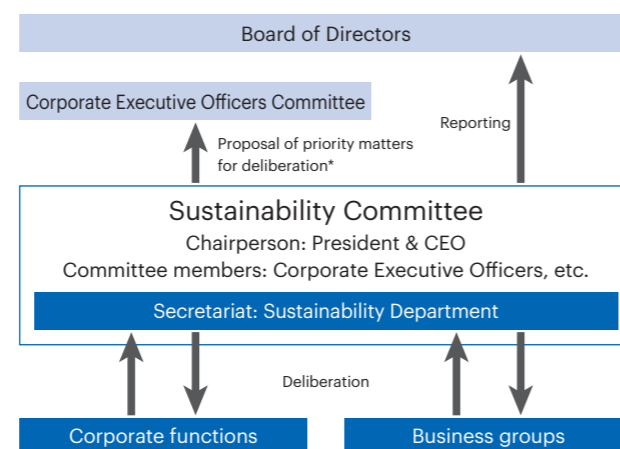
Implementing Sustainability

The Mitsubishi Chemical Group recognizes **sustainability as a core element to manage its corporate activities under our Purpose, which we define as leading with innovative solutions to achieve KAITEKI, the pursuit of the well-being of people and the planet. We aim for sustainable growth by working to fulfill the targets set for identified material issues under the leadership of our CEO and other members of the management team.**

Structure for implementing sustainability

The MCG Group has established the Sustainability Committee, chaired by the CEO and with committee members drawn from the corporate executive officers, to act as a forum for discussion of the Group's sustainability policy and related matters and to supervise and monitor progress in various activities.

Structure for implementing sustainability



* Where necessary

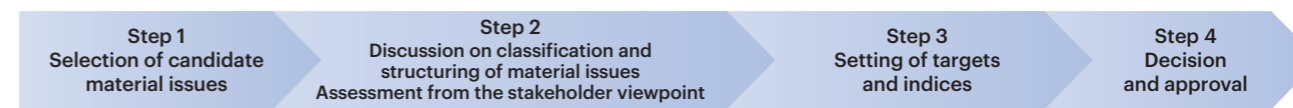
Process to identify material issues

The MCG Group has identified material issues that take into account its medium- and long-term policy direction, while incorporating stakeholder perspectives. We set sustainability indices to measure our progress versus the

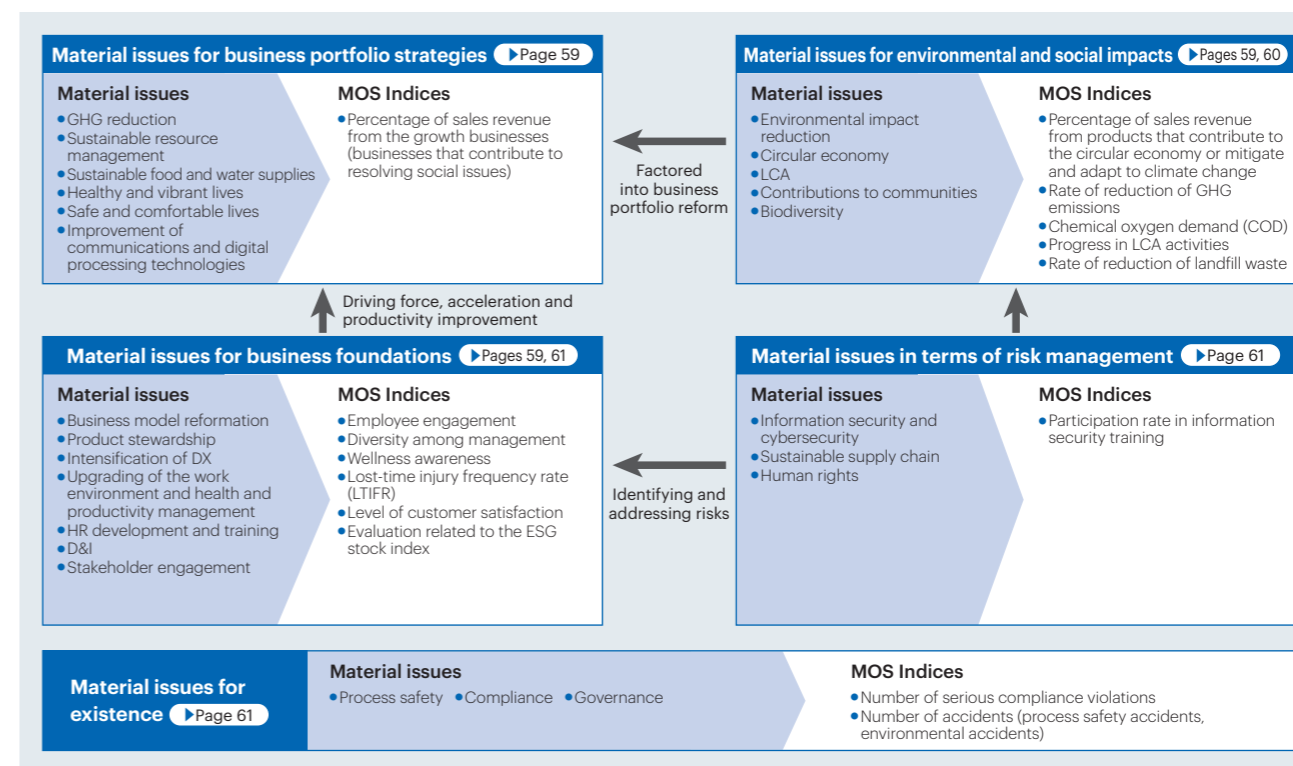
targets for these material issues, and the Sustainability Committee meets regularly to monitor activities and ensure that we are making steady progress.

[Detailed identification process](#)

Steps in the identification of material issues



Overview of material issues and sustainability indices (MOS Indices)

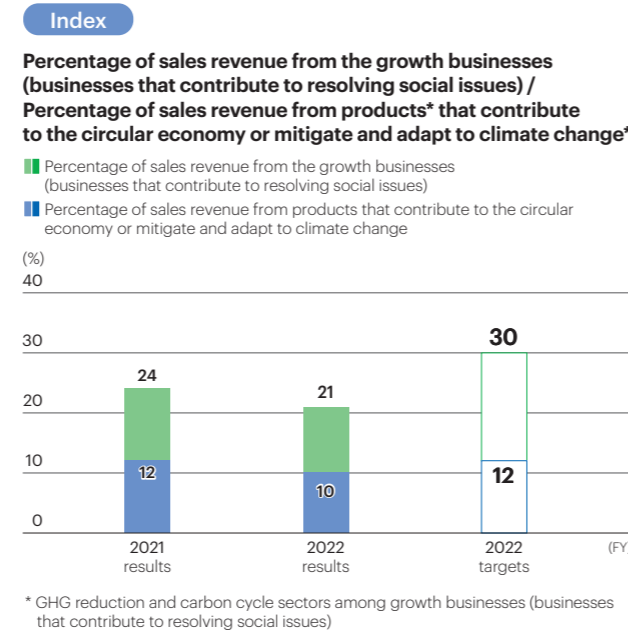


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Sustainability Indices

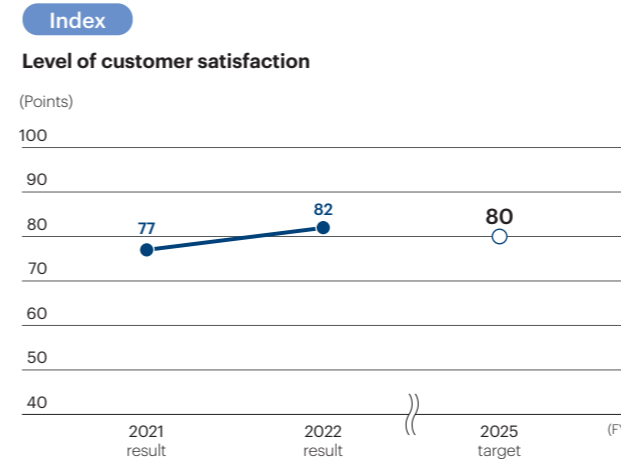
For the material issues identified by the Mitsubishi Chemical Group, targets are set and progress is measured with the Management of Sustainability (MOS) Indices. We will proceed steadily with initiatives on material issues by monitoring the yearly progress of each index.

Material issues for business portfolio strategies / Material issues for environmental and social impacts / Material issues for business foundations

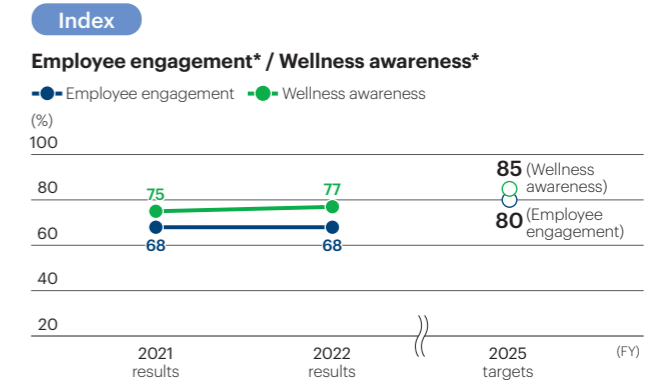


Although the relevant businesses returned solid sales revenue, the target was not reached. We will continue to concentrate resources on expanding sales of products that embody MCG Group strengths in focus markets such as EVs and bioplastics. We aim to expand the percentage of sales revenue from sustainability-related products* to 20% by fiscal 2025.

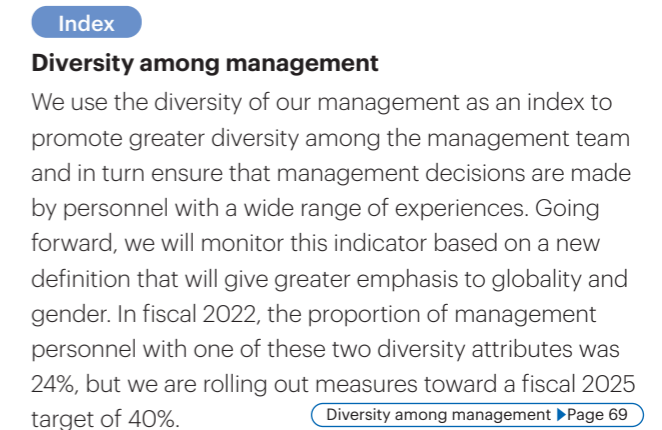
* Products that contribute to sustainability, particularly those relating to climate change, circular economy, food supply, and conservation of water resources



The MCG Group creates a variety of opportunities to engage in active and constructive dialogue with customers and other stakeholders as a way of promoting collaboration to realize KAITEKI. We value feedback from our customers and carry out an annual customer survey so that we can provide better services and improve customer satisfaction. In addition to satisfaction with services and products, the survey covers customer awareness of our sustainability initiatives and other items that allow us to track customer evaluation of the Group from multiple perspectives. The survey results help us to gauge the level of customer satisfaction, strengthen our relationship with customers, and promote sustainable growth.



By raising employee engagement and wellness awareness and thereby enabling employees to reach their full potential, the MCG Group aims to achieve higher levels of creativity and productivity.

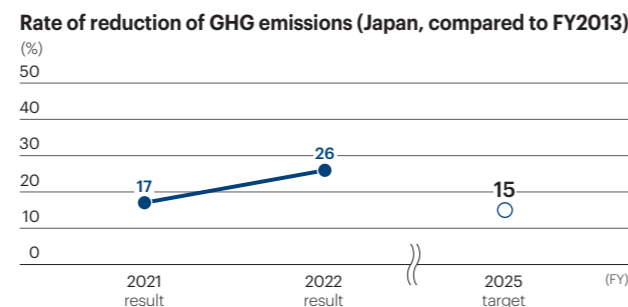


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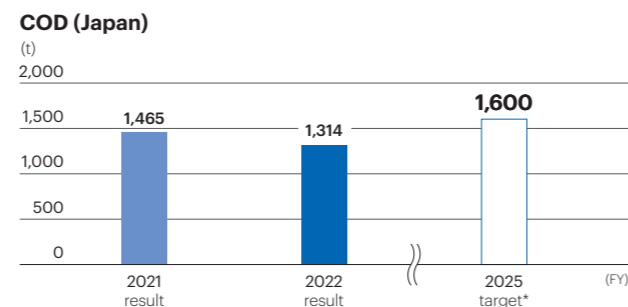
Sustainability Indices

Material issues for environmental and social impacts

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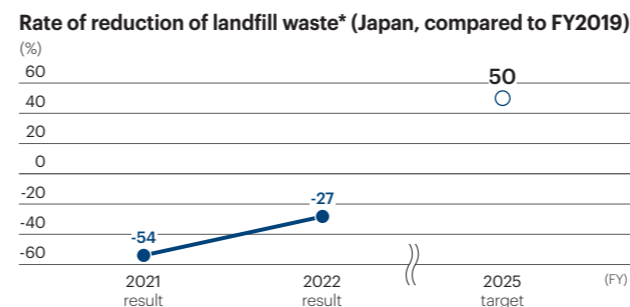
* The FY2025 target is to maintain the FY2019 level of 1,600 tons

As a step toward reducing environmental impact, resolving the issues of climate change and water resources, and building a recycling-oriented society, we have established indices to measure GHG emissions and water- and waste-related impacts and set associated targets.

We achieved a 26% reduction in GHG emissions in Japan compared to fiscal 2013 through increased production efficiency and upgrading of facilities combined with the effect of reduced production volumes at our main business sites. In the area of waste, where improved progress toward our target is needed, we are investigating business sites emitting high volumes of landfill waste to establish the cause. We will carry on working to reduce waste through continuing efforts to boost production yields and improve recycling rates.

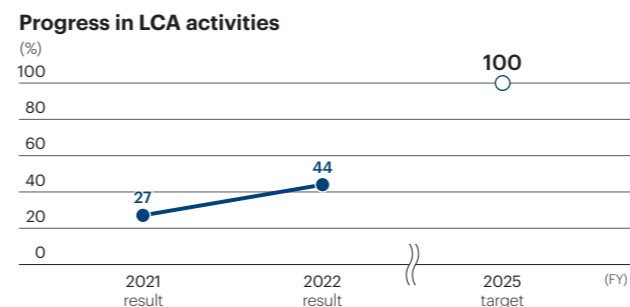
Additionally, the Group is rolling out LCA to enable us to quantify and evaluate our environmental impact and carbon footprint. We have established goals such as working to use LCA as a management tool and are aiming to eventually progress to making full usage of LCA (see next column).

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* Amount of landfill waste regularly generated in the Company's routine production and logistics activity

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ACTION

Examples of LCA application

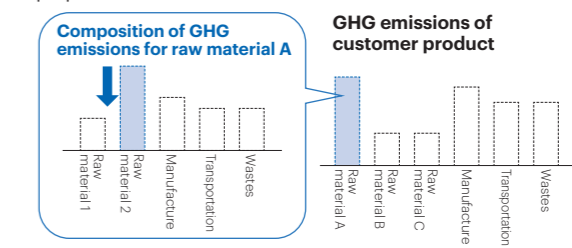
The MCG Group uses LCA as a tool toward achieving carbon neutrality. Specifically, we apply it in a range of settings, from R&D and manufacturing to product proposal, in each of which it supports GHG reduction initiatives. Going forward, we will seek to expand its domains of application while accumulating relevant expertise.

Achievements

- Confirmed reduction in GHGs by switching to biomass raw material at the initial exploratory stage of R&D.
- Confirmed reduction in product carbon footprint through recycling and effective use of byproducts of the manufacturing stage.
- Based on hotspot analysis of products, we explored GHG reduction, taking account both the practical feasibility of proposed improvements and their effect on carbon footprint, before presenting our customer with a carbon footprint reduction plan.

Hotspot analysis

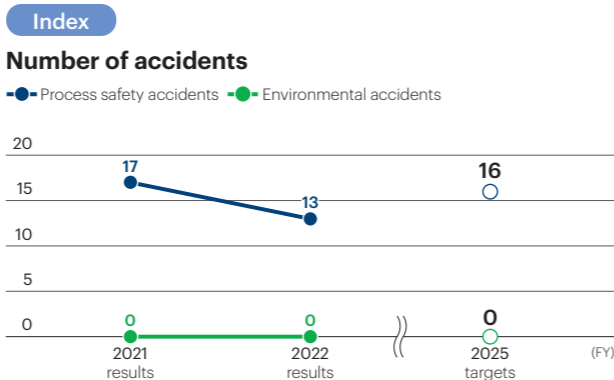
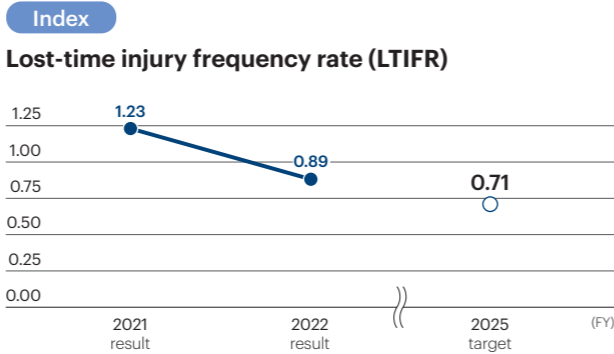
This enables us to establish a breakdown of the environmental impact of products for each life-cycle factor in order to identify those with the highest impact and thereby facilitate proposals to reduce environmental burden.



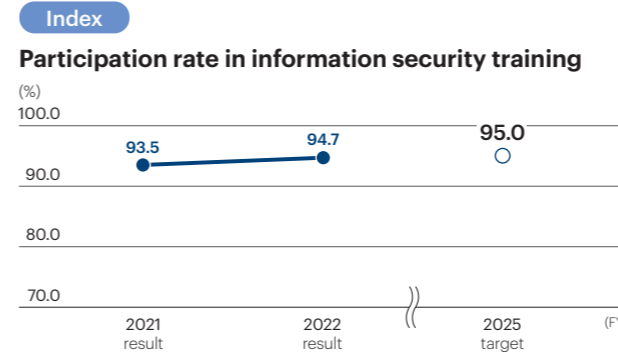
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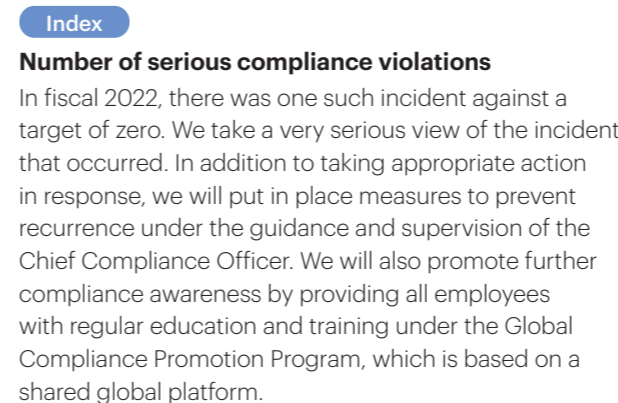
Material issues for business foundations / Material issues for existence / Material issues in terms of risk management



Recognizing safety assurance as a corporate social responsibility, we will continue working to prevent accidents and support ongoing operating stability. Through risk assessment and training, regular messages delivered by management, and enhancement of safety activities in the spirit of interdependence, we will seek to instill in employees an even stronger awareness of safety in order to reduce the number of accidents and the rate of lost-time injuries.



To ensure that all employees recognize the importance of protecting information assets and understand their associated responsibility, we carry out information security training every year. By reaching out repeatedly to employees who have yet to participate in the training and underlining its importance, the proportion of employees who have completed the training increases year by year. With the aim of further improvement, we will continue promoting enhanced information security awareness among employees.



[Details of incident \(in Japanese only\)](#)

[Compliance](#) ▶ Page 88

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Evaluation related to the ESG stock index

In recognition of the MCG Group's initiatives, we have been included continuously in the ESG stock indices indicated below (as of June 30, 2023). Going forward, we will continue to review the insights and issues identified from the evaluation results and use them to further enhance relevant activities.

Dow Jones Sustainability Indices
Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

MSCI Japan ESG Select Leaders Index*
2023 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

MSCI Japan Empowering Women Index*
2023 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

FTSE4Good Index Series



FTSE4Good

FTSE Blossom Japan Index



FTSE Blossom Japan Index



FTSE Blossom Japan Sector Relative Index

* The inclusion of the MCG Group in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement, or promotion of MCG by MSCI or any of its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI Index names and logos are trademarks or service marks of MSCI or its affiliates.

Environment

Reporting in Line with the TCFD Recommendations

The Mitsubishi Chemical Group is working to enhance its climate change-related measures in areas such as environmental impact reduction, driving energy-saving activities, promoting renewable energy use, and adding to the range of products that contribute to GHG emission reduction. Through these measures and progressive enhancement of information disclosure, we are targeting an increase in our corporate value.

Governance

At the MCG Group, we have identified GHG reduction, environmental impact reduction, and circular economy as the climate change-related material issues (▶ Page 58) to be addressed. We have also set metrics and targets to measure progress with these initiatives (▶ Pages 59–61).

Monitoring of progress toward the target values takes place through routine monitoring and the steady implementation of related measures conducted by the Sustainability Committee, which consists of the MCG

president as a chairperson and other members, including MCG corporate executive officers.

Director remuneration

The performance-based remuneration of corporate executive officers is determined and paid based on the degree of achievement of the targets for each fiscal year. In addition to economic efficiency and innovation, the evaluation factors in the KAITEKI Value evaluation, which includes indices relating to improvement in sustainability, and individual performance evaluations. In fiscal 2022, the indices relating to sustainability, which are a part of the evaluation indices for the performance-linked remuneration evaluation, were selected as factors that should receive particular focus by the corporate executive officers from among the KAITEKI Value evaluation, which includes GHG emission reduction. For details, refer to the section titled “Director and Officer Remuneration” under Governance (▶ Page 85).

Strategy and risk management

Climate change-related risk

In accordance with the Company’s stance on scenario analysis, MCG is evaluating the impact of climate change that is expected in the years up to 2030.

We evaluated transition risks based mainly on the SDS scenario of the International Energy Agency (IEA) and other factors. As a result, we recognized risks with a particularly high impact, including an increase in the carbon tax burden and a rise in response to climate change in the stock market.

In addition, reflecting the results of evaluations, physical risk is recognized as an operational loss due to abnormal weather, mainly in accordance with the RCP8.5 scenario promoted by the Intergovernmental Panel on Climate Change (IPCC).

MCG plans to take proper measures to deal with these risks and also continue to grasp their conditions.

Overview of risks based on scenarios (Risks with particularly high impact)

Category	Risk recognized	Outline of risk based on the scenario*1	Impact on MCG	Impact*2	Response to potential risk
Policy/ legal regulation	Rise in carbon prices	Increase in operating costs due to higher carbon prices. 1.5°C–2°C	Rise in operating costs	++	Reduce GHG emissions in line with our basic policy for achieving carbon neutrality
Market	Regulation of the usage of plastic products	Decrease in virgin demand for petrochemicals as plastic recovery rates increase. 1.5°C–2°C	Decreased demand for petrochemical products	+	Focus on businesses that contribute to achieving carbon neutrality
Reputation	Rise of climate action in stock markets	As institutional investors focus on climate change, market capitalization declines due to inadequate responses. 1.5°C–2°C	Decrease in market capitalization	+	Enhance disclosure and engagement on sustainability, including climate change
Physical	Operational losses due to extreme weather	Increased flood risk in Asia will have a greater impact on factory operations. 4°C	Loss of sales and loss of assets such as manufacturing facilities and inventories due to the shutdown of coastal factories due to disaster damage	+	Measures to prepare for major natural disasters to minimize damage and ensure business continuity

*1 See the WEO SDS scenario, etc., for 1.5°C to 2°C and the IPCC RCP8.5 scenario, etc., for 4°C.

The SDS scenario is consistent with the IEA’s Paris Agreement goal of keeping global average temperature increase well below 2°C above pre-industrial levels and pursuing efforts to limit it to 1.5°C.

The RCP8.5 scenario is a scenario by the IPCC in which no additional mitigation measures for climate change are taken and the average global temperature at the end of the 21st century is likely to increase by about 4°C above pre-industrial levels.

*2 Quantitative evaluation results for impact by “Impact on the MCG” are indicated as large: ++ and medium: +.

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Environment

Reporting in Line with the TCFD Recommendations

Transition plan

The MCG Group set a new target for a 29% reduction in GHG emissions by fiscal 2030 compared to fiscal 2019, and a further reduction to net zero in 2050 to achieve carbon neutrality. We plan to reduce GHG emissions in line with the roadmap.

In addition to streamlining the manufacturing process and implementing energy conversion, going forward, our portfolio management will include a carbon-neutral perspective, which will enable us to remain competitive in a society that is in transition to carbon neutrality.

Business opportunities related to climate change

As set out in our new management policy, we will also devote resources to businesses that contribute to realizing carbon neutrality based on portfolio management with a focus on growth, performance, and sustainability.

We will progressively expand the business scale and strengthen the profitability of specific focus businesses that offer climate change-related business opportunities, including lighter mobility materials, vehicle-mounted battery materials, bioplastics, and carbon fiber and composite materials.

In the medium-term management plan, announced in February 2023, we aim to raise the percentage of sales revenue from sustainability-related products, including products that contribute to climate change measures, to 20% by fiscal 2025.

Process of risk identification, evaluation, and management

Portfolio management

As announced in the new management policy, MCG has designated carbon neutrality as a selection criterion for its focus businesses. Incorporating a carbon-neutral perspective, our portfolio management will focus on growth markets where we have a competitive advantage.

Risk management

The MCG Group, based on the “One Company, One Team” concept introduced from fiscal 2022, transitioned to a Group-wide integrated management structure, and in tandem with this, introduced enterprise risk management (ERM) (▶ Page 86), as a risk management scheme for integrated risk management pertaining to MCG Group's business activities. Moving ahead, we plan to implement integrated risk management concerning the Group's business activities related to priority issues from the perspective of materiality to promote the minimization of losses and adequate risk-taking from a Company-wide perspective.

Metrics and targets

Among the management indices (MOS Indices) set to measure progress with material issues, we set a medium-term target for the GHG emission reduction rate, and plan to evaluate the progress made annually.

Scope 1–3 GHG emissions

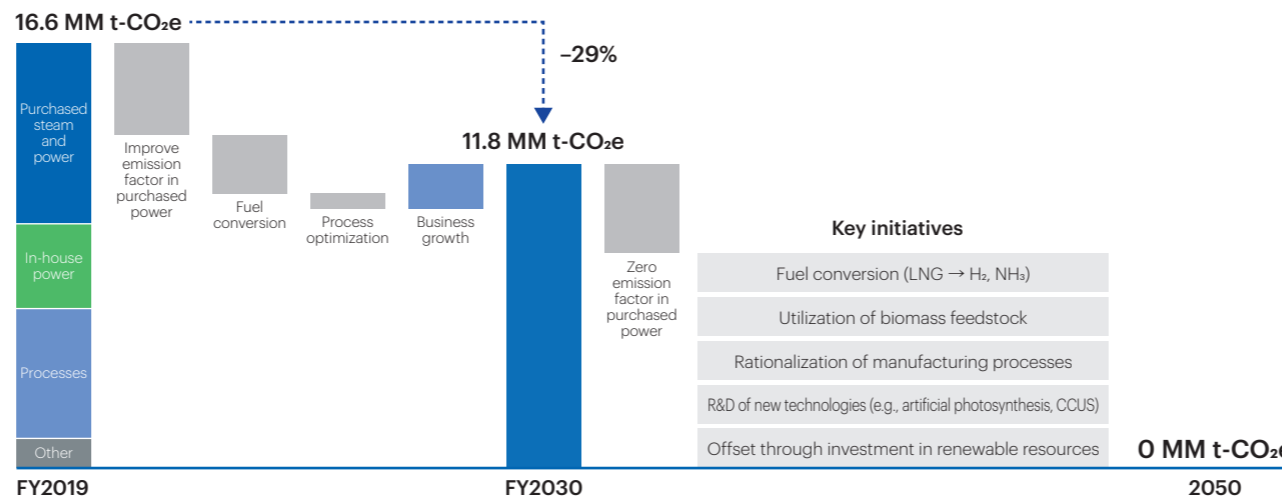
Please see GHG emissions in “Non-Financial Highlights” (▶ Page 99) for the performance in fiscal 2022. We have received independent assurance for GHG emissions, and are working to disclose highly reliable information.

[Report in Line with the Recommendations of the TCFD](#)

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Carbon neutrality by 2050

Our GHG emissions (Scope 1 + Scope 2)



Environment

Progress toward Carbon Neutrality and a Circular Economy

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The Mitsubishi Chemical Group is working toward carbon neutrality in 2050 through initiatives to apply proprietary technologies and renewable energy and step up collaborations with its partners to reduce GHG emissions and contribute to sustainable resource and energy recycling.

In-house initiatives

GHG reductions

In the Performance Polymers division, we have achieved a remarkable 44% reduction in Scope 1 and Scope 2 GHG emissions in Europe in fiscal 2022 compared to fiscal 2019. This was realized through strategic relocation initiatives and the transition to green electricity. We are planning to expand the number of sites that run on renewable electricity even further.

The Engineering Shapes and Solutions (ES&S) division has made notable strides in the use of renewable energy, electrification, and consolidation of key assets. In Europe, eight out of nine sites have successfully transitioned to renewable energy as well as all sites in the Americas. The renewable energy transition contributed to a 50% CO₂e reduction compared to fiscal 2019. Electrification of key processes in the Scranton facility reduced the site carbon footprint by using MCG Group internally developed technology.

For our ALPOLIC brand, we have achieved an impressive 20% reduction in GHG emissions per m² of ALPOLIC composite panels at our Wiesbaden site since 2017. We achieved this through a combination of measures such as increasing the insulation of heating ovens and optimizing temperature control in production stages.

Circular economy

In our Performance Polymers division, we launched recycled and bio-based product grades for slush, PVC and TPE compounds (mass-balance approach) and have obtained ISCC+ certification for our French production sites. Our 3D printing solutions now encompass recycled and bio-based options for FGF and filaments. We are the supplier of bio-based PVC compounds for a soccer ball made only from renewable materials which is available in all French Ligue 1 soccer club shops.

Our SoarnoL EVOH resins (with an ethylene content ≥ 29mol%) can be considered as recycling compatible for PE film recycling. In combination with Soaresin RG500, it can be considered as valuable material for PE film recycling, as confirmed by independent European test laboratory Institute cyclos-HTP GmbH. ES&S launched Statera in fiscal 2022 in the EMEA and Americas Region: a sustainable brand program that drives CE with target markets in Europe, the United States, and Canada. Statera encompasses a sustainable product portfolio, quantified LCA data, regulatory compliance documentation, extensive waste take back programs, and the CORACAL Carbon Footprint calculator tool for customers in Europe and the United States.

ALPOLIC has introduced a special grade (R75) that contains 75% recycled aluminum content, contributing to the circular economy.

MCG Americas has collaborated with Arizona State University and The Global KAITEKI Center in a circular economy project in the mobility market.

Awards and recognitions

We are also delighted to announce the recognition we have received for our sustainability achievements. Our achievements show our commitment to reduce GHG emissions and advance solutions within our industry.

Additional awards and recognitions

Awards and achievements	Business or product recognized
Prestigious Italian Oscar dell'Imballaggio award for Best Packaging	Taghleef Industries, to which we supply packaging solutions
NRG Energy's Excellence in Energy award in the Sustainability category	ES&S business (United States)
Selected as a finalist in the Plastics Recycling Awards Europe 2023	ES&S business (Europe)
Texas Chemistry Council's Sustained Excellence in Caring award	SoarnoL
Third-party certifications for Responsible Care® Management Systems and RC 14001:2015.	ES&S, PC/MMA, SoarnoL, Gelest, and Polyester Film (MFA) divisions in the United States
One of three finalists in the Crystal Cabin Awards in the Sustainable Cabin category	Carbon Fiber "Biopreg" material

Environment

Progress toward Carbon Neutrality and a Circular Economy

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Collaboration with external partners

World Economic Forum's R&D Hub for Plastic Waste Processing

In April 2023, the MCG Group signed an R&D collaboration agreement with TNO, an independent Dutch research organization, as the only Japanese founding member of the R&D Hub for Plastic Waste Processing (R&D Hub).

The R&D Hub is a joint R&D project to investigate plastic recycling that was launched by the Low-Carbon Emitting Technologies (LCET) initiative of the World Economic Forum (WEF). The members of the LCET initiative are TNO and seven global chemical companies: the MCG Group, BASF, Covestro, Dow, SABIC, Solvay, and LyondellBasell.

The LCET initiative and the R&D Hub represent the first attempts worldwide for the chemicals industry to achieve carbon neutrality and realize a circular future through global collaboration and joint development across companies. Our participation in this groundbreaking initiative may allow the MCG Group to acquire technologies to support future circular and low-carbon business. It also demonstrates our commitment to domestic and overseas programs to realize KAITEKI.



After the signing of the agreement with the seven founding members and TNO (April 2023, Antwerp, Belgium)

Joint research to safeguard the global commons

Since April 2021, MCC and the Center for Global Commons (CGC), established by the University of Tokyo, have been engaged in joint research with the aim of formulating sustainable business models for the chemical industry from the perspective of effective use and recycling of resources.

In September 2022, the CGC published a new report, "Planet Positive Chemicals," outlining the results from this joint research project on the role of the chemical industry in safeguarding the global commons (i.e., the global environmental system upon which the sustainable development of humankind is founded). The report explores how the chemical industry can operate within planetary boundaries and aim to achieve sustainable societies and economies by playing an important role in supporting other sectors and consumers, on top of reducing its own environmental impacts.

The report provides a detailed view of the future pathways toward carbon neutrality, taking a system-wide view of the likely demand for chemicals and exploring the industry's GHG emissions along its entire value chain. The MCG Group will share the report's conclusions right across society and work to build wide-ranging partnerships and collaborative relationships to develop a sustainable chemical industry.

[Planet Positive Chemicals Report Released from Joint Research for the Conservation of the Global Commons with the University of Tokyo](#)

Participation in the Decarbonization × Reconstruction Town Development Platform

The MCG Group is participating in the Decarbonization × Reconstruction Town Development Platform established in March 2023, with the Ministry of the Environment as its secretariat. The goal is to both decarbonize and

reconstruct/revitalize communities in 12 municipalities in Fukushima Prefecture that were affected by the Great East Japan Earthquake and the nuclear accident at the Fukushima Daiichi nuclear power plant, and to form a distinctive regional circular and ecological sphere in which the environment, economy, and society thrive while making the most of local resources. The initiative aims to cooperate with private companies inside and outside the region over a long period of time with common goals and shared recognition.

Collaboration with local governments is essential to achieve carbon neutrality. Through its participation in the platform, the MCG Group aims to reduce GHG emissions from plants, branches, and research laboratories and establish resource recycling models for industries such as agriculture, forestry, and livestock, while developing models for collaboration with local governments at the prefectural and city level.

Message from the CHRO



Tomoyo Hiraoka
Senior Vice President
Chief Human Resource Officer

Unleashing potential: Fostering an empowering environment throughout the MCG Group

Human capital strategy aimed at driving Company growth and achieving our Purpose

The Mitsubishi Chemical Group believes that our people are the source of value creation and the driver of Company growth and achieving our Purpose.

Every single employee has limitless potential. My mission is to cultivate an environment within the MCG Group that unlocks this vast potential, inspiring motivated individuals to further their personal and professional development.

In our pursuit of becoming a speciality materials group, as outlined in the MCG Group's "Forging the future" management policy, we recognize the imperative of shifting away from a traditional product-centric focus to a market-oriented organizational approach. A pivotal aspect of our human capital strategy is developing the next generation of leaders who will drive this transformation. These emerging leaders must possess the capacity to take the initiative in identifying problems and make agile decisions, unburdened by conventional thinking. We are actively engaged in implementing programs dedicated to fostering these essential capabilities, while also refining our human resource recruitment processes.

Furthermore, it is imperative that we continually innovate if we are to achieve our Purpose. This imperative extends beyond merely achieving diversity in terms of attributes such as gender and nationality; it also hinges on cultivating a rich diversity of thought within our organization. To realize this vision, we are diligently constructing an organizational framework and fostering a culture that empowers individuals with varying perspectives and capabilities to harness their strengths and confront challenges, irrespective of their background. Moreover, we are creating an environment that optimizes

the utilization of this diverse range of perspectives. As part of our commitment to this goal, we are providing employees with comprehensive training sessions on a variety of human rights topics. These initiatives are designed to nurture a corporate culture deeply rooted in respect for every individual and a profound appreciation for the unique differences that make us all valuable contributors to our shared Purpose.

We are working tirelessly to create a company where every employee has access to these programs, enabling them to unleash their full potential and sustain their high levels of engagement.

Building a strong foundation for total optimization

In our pursuit of the "One Company, One Team" concept and our overarching goal to enhance corporate value across the entire Group, we recognize the necessity of achieving total optimization that transcends individual companies and geographical regions. This same principle extends to our human capital strategy. Aligned with this approach, we are actively fostering a unified foundation throughout the Group, encompassing human resource policies and the standardization of HR systems, methods, and initiatives.


Moreover, we are dedicated to advancing the implementation and adoption of the "One Company, One Team" concept through the lens of human resource capital. Our ongoing efforts include the strengthening of HR governance to ensure the effective operation of our HR policies and methods, thus reinforcing our commitment to achieving total optimization. These endeavors will result in streamlined and consistent high-level HR management, characterized by efficiency and excellence.

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Human Resources Strategy

We need to help our employees reach their full potential and foster active participation among motivated individuals to fulfill the Mitsubishi Chemical Group's Purpose. Within the framework of our "Forging the future" management policy, we are focusing on six strategies to empower our workforce.

 <p>Empowered workforce</p>	<ul style="list-style-type: none"> • Develop next-generation leadership • Promote cultural change and value creation mindset • Incorporate diversity, equity and inclusion (DE&I) into the talent strategy • Build a fulfilling workplace environment • Build a global integrated operational structure to achieve overall optimization • Strengthen human resources governance worldwide
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Development of next-generation leadership

To transform from a product-focused organization to a market-oriented one, it is essential to cultivate individuals who can independently identify issues and guide them to resolution. To accomplish this, we are proactively engaged in developing transformational leaders who can anticipate change, step forward in uncertain situations, and make agile decisions, as well as developing future leaders on a Group and global level.

As part of our initiatives, we have defined the talent requirements for leadership roles and have established and implemented global talent development programs to continuously nurture potential leadership candidates. We have also individually specified the talent requirements for each position and, for critical roles, maintain an ongoing succession plan to strengthen our talent pipeline.

Defining our leadership requirements

Fundamental qualities	<ul style="list-style-type: none"> • Personal attributes (trustworthiness, aspiration, honesty, curiosity, courage) • Embodies Our Way (integrity, respect, bravery, collaboration, persistence) • Cooperative abilities (collaboration, stakeholder relations)
Leadership competencies	<ul style="list-style-type: none"> • Market insight • Strategic thinking • Transformational capability based on a future-oriented approach • Organizational and talent management capabilities (psychological safety, receptivity to diversity, ability to create a vision, resilience) • Results focused
Knowledge and experience	<ul style="list-style-type: none"> • High level of expertise and outstanding strengths in social issues, beyond conventional business boundaries • Diverse experience, including outside the Company • Wide range of knowledge
Results/track record	<ul style="list-style-type: none"> • Business results achieved through bold decision-making based on medium- to long-term perspectives • Outstanding track record of driving transformation

Executive Leadership Development Program

The Executive Leadership Development Program (ELDP) is our top-level program to develop management executives to lead business transformation and growth. The curriculum combines modules from leading business schools that have been upgraded for the MCG Group.

Through interactions with leaders from different regions and industries, the program encourages participants to recognize their own value and competitiveness in their markets. This not only promotes personal growth but also helps them acquire the expertise and leadership skills necessary to excel globally.

Senior Leadership Development Program

The Senior Leadership Development Program (SLDP) is the next level of management executive training after the ELDP. Based on the concept of "innovatorship," including how to create an ideal vision for the future and develop the skills to achieve this vision, this program develops the talents needed to realize a new vision for society and the world and to lead our transformation and business growth.

During the SLDP, participants discuss future challenges for the MCG Group and pitch ideas to management to develop their problem-solving skills.

ACTION

Leadership development at Nippon Sanso Holdings

The European operating companies of the Nippon Sanso Holdings Group have set up the Growing Our Leadership (GOL) II program for ongoing leadership development.

Participants in this program undergo training in leadership skills, participate in actual projects to improve organizational productivity, and receive support from top management to help them reach their project goals. The GOL II program wraps up with an awards event to recognize those projects that have generated major results and to allow project members to learn from each other and develop contact networks.



Interview with the top award-winning project team

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Promote cultural change and value creation mindset

In order to create an environment where our people are inspired to develop further, we are setting up the right conditions and systems to help individual employees drive their own career development.

We are also working to change employee mindsets and help them embrace new challenges and change behavior.

Career events to promote greater autonomy

We run regular seminars and other events to provide support for employee career development. For employees in the middle or later stages of their career who are particularly interested in developing their careers, we help them review their skills and experience, and support concrete career planning by running workshops on future career paths and bringing in outside speakers.

In the future, we aim to broaden the target audiences so that everyone working at the MCG Group can take ownership of their own career plan.

Workshop participation

FY	No. participants / no. sessions
2020	342 people / 15 sessions
2021	357 people / 15 sessions
2022	252 people / 11 sessions

ACTION

Internal job postings support proactive career development

At Mitsubishi Chemical Corporation, people are empowered to make their own career choices in line with the idea that career ownership belongs with the individual. We have overhauled our previous internal recruitment system and introduced a new system whereby internal job postings are used to fill all vacant positions as a way to match the different career aspirations of individual employees with our company strategy and achieve further growth. This system was implemented company-wide across the MCG Group starting from fiscal 2022.

Internal job postings at MCC

The first step for individual departments needing to fill a vacant position or increase staff numbers is to create an internal job posting.

To ensure that the system works well, MCC promotes regular one-on-one communication between supervisors and their direct reports, as well as annual career planning interviews and opportunities to share views on career pathways and job roles.

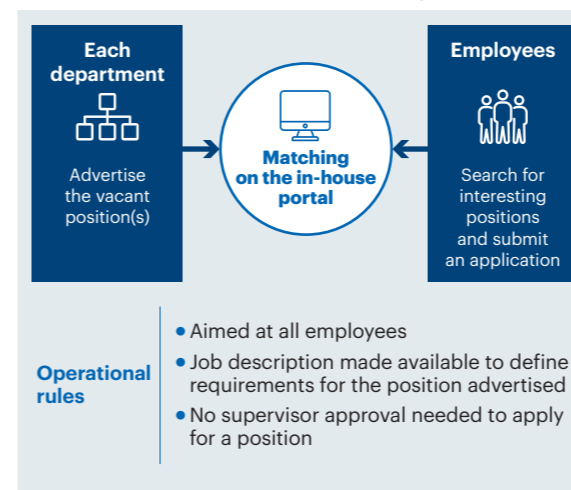
Usage

The system has been in place for over two years and the number of candidates successfully matched to job vacancies has increased over time. We attribute this to greater awareness of career paths and the system being seen as providing opportunities to change positions within the organization. We will promote greater use of this system moving forward.

No. positions advertised and % matches

FY	Number of positions (including duplication)	Matched	% matches made
2021	1,394	491	35.2%
2022	1,192	490	41.1%

Schematic of MCC's internal job posting system



Other transfer measures

We have also expanded other transfer measures on offer, including a scheme to let employees continue working at the same workplace or register for a site where they would like to work, as well as a new career challenge system that allows young employees to be considered for a department of their choice in order to support them in taking on new challenges.

Our goal is to help employees plan their own careers and achieve a good work-life balance.

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Pursuing DE&I as a talent strategy

We are striving to cultivate an organizational culture that empowers employees to take on bold challenges and engage in diverse collaborations. Our aim is to foster an environment where individuals from diverse backgrounds can fulfill their potential. Our goal is for our workplaces to unite a variety of individuals, inspiring innovation through diverse perspectives and facilitating skill development to harness the benefits of diversity to the fullest.

We are working to increase the diversity of our management teams and support active discussions during decision-making by people with a broad range of experience, both inside and outside the Company (▶Page 79). We have also introduced systems to support contributions from people from different backgrounds and with diverse perspectives, including scrapping the seniority-based system (job packages based on role or performance and employment rank or position no longer reflecting age) and raising the retirement age.

Diversity among management

At the MCG Group, we have included diversity among management as part of the Management of Sustainability (MOS) indices (▶Page 59). Previously, our indices for corporate executive officers or vice presidents only looked at the percentage with internationality, gender, or career diversity attributes. In fiscal 2023, we redefined our indices to promote a more global perspective on DE&I.

We have excluded career diversity from our indices due to the increased number of mid-career recruits, which has led to a certain level of diversity in this aspect. Instead, we now prioritize internationality and gender diversity. Additionally, we have extended the inclusion to employees who play pivotal roles in significant business decision-making processes. This expansion of diversity across all decision-making levels aims to bolster our talent pool in pursuit of a more diverse management team.

Diversity among management

FY2022 result	Result as of April 1, 2023	FY2025 target
24%	28%	40%

[Sustainability Indices ▶Page 59](#)

Overseas training program for young employees

We have initiated an overseas training program for young employees with several goals in mind: enhancing global staff exchanges, fostering a deeper appreciation for diversity and various cultures, identifying potential future leaders, and facilitating personal growth through exposure to different cultures.

In fiscal 2023, the first year of this program, we received more than 15 requests for postings under this program at sites in Japan, Germany, Thailand, and the United States. We published the position requirements on the Group portal and invited people to apply. We hope that experience of different countries, cultures, and regions will promote personal growth for our employees, help younger employees take on new challenges, and achieve greater diversity at the workplaces involved in this program.

Program summary

Application requirements

- Registered employee of the MCG Group (excluding the Nippon Sanso Group)
- Work experience including at other companies: Around 3-7 years
- Work experience at the MCG Group: At least one year
- English-language ability: Level B2 or higher on the Common European Framework of Reference for Languages (CEFR)

Examples of postings

- Japan:** R&D division
- Germany:** Auditing division
- Thailand:** HR development division
- United States:** Sales division

Program goals

Applicant benefits

Personal development through experience with different cultures, broader perspectives, upskilling

Host workplace benefits

Increased workplace diversity, sharing of new perspectives that result in operational improvements

DE&I outcomes
Achieve management policy

DE&I initiatives in recruitment

We are also working to expand diversity through the recruitment activities that provide an entry point into the MCG Group.

We see the need to step up recruitment of women. To encourage more female applicants to apply, we think communication during the recruitment process is extremely important so that they have a full picture of their role after joining and any misunderstandings are resolved on the spot. In addition, we are working to hire more diverse talent by developing recruitment methods where the candidate's language background does not adversely affect the selection process.

Percentage of women working at Head Offices

	FY2020	FY2021	FY2022
Total for four operating companies	21.5%	27.6%	28.0%

Note: Total figures for Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute Inc., and Taiyo Nippon Sanso

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Build a fulfilling workplace environment

We are working to create workplace environments where people feel secure, as this provides the foundations for our employees to make the most of their skills.

We are implementing various initiatives to help people make the most of their skills, including support programs tailored to different life stages, assistance in developing life plans, seminars to support caregivers, and initiatives aimed at improving employee health. Additionally, by promoting remote work, utilizing digital tools, improving business processes, and changing office layouts, we are realizing new ways of working that allow people to be self-directed in how they manage their work-life balance.

Workplace mental health initiatives

Psychological energy can have an enormous impact on performance at work. In July 2022, MCG ran an online training program on the subject of mental toughness. Participants learned ways to approach change as a new adventure, switch to a more positive mindset when feeling stressed by change, and improve their mental resilience.

The MCG Group also encourages employees to undergo stress checks and has introduced support programs for those employees diagnosed with high stress levels to prevent mental health issues from developing or provide timely support to improve their

Rate of employees undergoing stress checks

	FY2020		FY2021		FY2022	
	% undergoing checks	% diagnosed with high stress levels	% undergoing checks	% diagnosed with high stress levels	% undergoing checks	% diagnosed with high stress levels
Total for four operating companies	87.8%	7.9%	90.6%	9.3%	92.1%	9.5%

Note: Total figures for Mitsubishi Chemical, Mitsubishi Tanabe Pharma, Life Science Institute, and Taiyo Nippon Sanso. The % diagnosed with high stress levels refers to the percentage of people undergoing the stress check who were determined to have high stress levels, but the criteria on which this diagnosis was based may differ slightly by company.

mental health. For example, we have introduced a program called Pocket Therapist to help ease physical pain and prevent mental health issues, targeting employees under high levels of stress and also suffering from chronic pain (such as lower back pain, shoulder stiffness, or headaches). Pocket Therapist is a three-month online program that provides specialist input on how to reduce and improve pain, which can help improve mental health issues at an early stage.

Build a global integrated operational structure to achieve overall optimization

As we move to a lean and flat organizational structure under the "One Company, One Team" concept, we are building systems that allow more efficient management and overall optimization.

For HR functions, the MCG Group's Global Head Office defines the overall strategy and policy, while the five regions (Japan, Americas, EMEA, China, and Asia Pacific) implement HR measures autonomously. At the same time, heads from each region attend regular global meetings to decide strategies as a global organization and refine HR measures and other matters so that HR is managed consistently around the world. To disseminate the strategies and policies and also promote a stronger sense of working as one team, governance policies are

formulated for HR procedures and channels of communication are opened up between regional HR and the companies within that region.

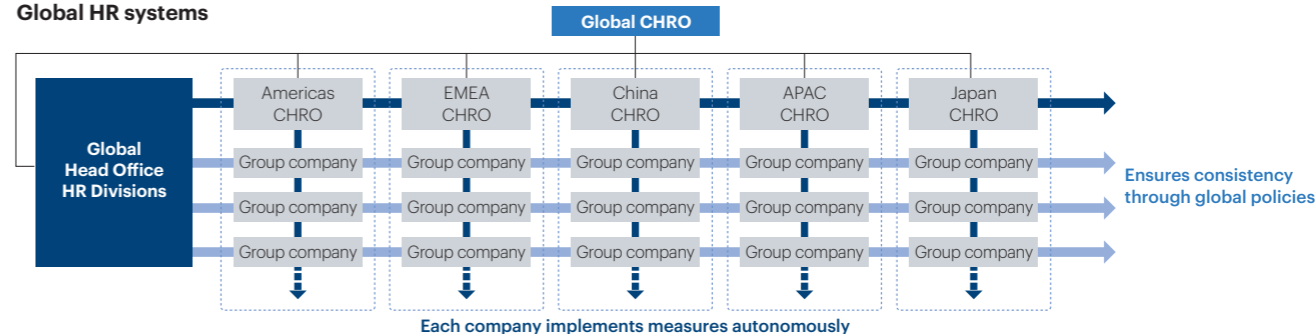
ACTION

Women's health support seminars

Health issues among working women are a social issue and also an important theme for companies. Many employees experience physiological changes and women's health symptoms that impact their performance at work. Ensuring that both male and female colleagues at work have a better understanding of these issues is the first step toward creating a supportive working environment for women. At the MCG Group, we run regular women's health support seminars with specialist physicians invited to speak.

The seminar held in February 2023 covered the topic of menopausal disorders. The session covered not only menopause in women but also male menopause and provided an opportunity to learn the facts about menopausal disorders and how to handle them. The seminar was well attended by employees.

Global HR systems



Society

Human Resources Strategy

Strengthen human resources governance worldwide

We are developing common organizational foundations to better utilize our human capital across the entire Group and maximize their value.

By using technology in our HR processes and sharing HR management and HR programs on a Group-wide basis, we are strengthening our HR governance while boosting the sophistication of our HR management.

Introduction of a global HR platform

Previously, individual companies within the MCG Group each utilized distinct HR management systems to optimize HR functions according to their specific needs. However, we are currently in the process of developing a unified HR platform for the entire Group. This platform aims to centralize and provide a global perspective on our employees, organizations, positions, and job roles, thereby enhancing our talent management capabilities.

By taking a more sophisticated approach to talent management and promoting coordination within the Group, we are accelerating innovation and standardizing operational processes. This, in turn, enables us to implement more advanced and efficient HR procedures and services, ultimately leading to increased business profits and higher levels of employee engagement.

Human rights initiatives

The MCG Group has established the Global Policy on Respecting Human Rights, Employment and Labor as our specific human rights guideline, in tandem with conveying to all Group members our basic approach to human rights in conformity with international norms such as the Universal Declaration of Human Rights, the United Nations (UN) Global Compact, the UN Guiding Principles on Business and Human Rights, and ISO 26000.

Overseas Group companies endeavor to comply with the laws and regulations applicable to each country and best practices concerning human rights, and raise the satisfaction levels of employees, along with conducting appropriate value chain management in the course of expanding their business activities.

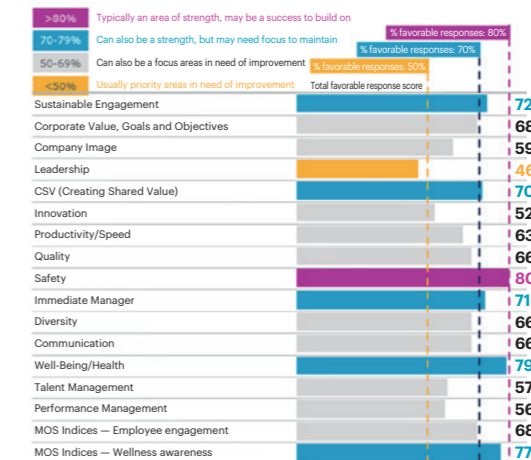
[Respecting Human Rights and the Mitsubishi Chemical Group Global Policy on Respecting Human Rights, Employment and Labor](#)

Employee engagement survey

The MCG Group periodically conducts a global engagement survey to understand how employees perceive their organization's policies, culture, work environment, career opportunities, and more. Survey results are analyzed based on various attributes and are used to inform Company initiatives. Additionally, for employee engagement and wellness awareness, the results are integrated into the MOS Indices, and we are committed to making overall improvements across the Company.

In the fiscal 2022 survey, the results confirmed a particularly high score in the safety category. For communication and for diversity and respect for the individual, some issues remained but the scores had improved. However, the scores were lower in the categories of corporate value, goals, and objectives; leadership; innovation; talent management; and performance management. The analysis made it clear that there is still work to do to disseminate the corporate mission and maximize employee potential. Since receiving this feedback, the management team has decided to enhance communication by introducing initiatives such as town-hall meetings (▶Page 54), where they directly communicate the Company's

Results of the engagement survey*



* Based on a framework from the external contractor running the survey, Willis Towers Watson

policies and background to employees, and by establishing platforms for senior-level managers globally to engage in discussions about management matters face-to-face. We are also working to provide more career support to help employees reach their full potential. By continuing these efforts, we aim to improve our organizational capabilities.

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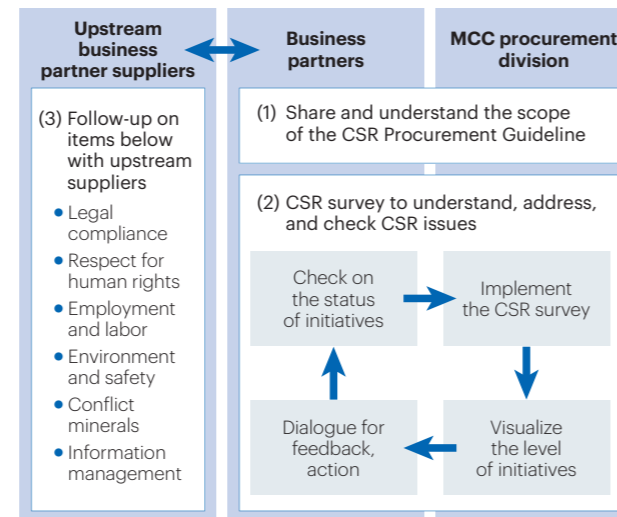
Building Sustainable Supply Chains

We operate all our Group supply chains with our business partners in line with CSR principles, including human rights, as outlined in the Mitsubishi Chemical Group’s Charter of Corporate Behavior and Global Policy on Respecting Human Rights, Employment and Labor. [Charter of Corporate Behavior](#)

Promoting CSR procurement in the Mitsubishi Chemical Corporation supply chain

MCC has created the “Mitsubishi Chemical Corporation and Its Group Companies CSR Procurement Guideline” as a tool to promote CSR procurement by summarizing the company’s approach to its corporate activities and requests for its business partners. MCC has published the guideline online and shares it with business partners to foster a deeper understanding of procurement activities.

CSR procurement at MCC



MCC also asks its raw material suppliers to complete a CSR survey to gain a better understanding of issues relating to compliance and human rights/labor, the environment, and fair business practices in the supply chain. We utilize survey results to provide feedback to business partners and engage in dialogue about making specific improvements.

By doing so, MCC aims to build sound relationships with its business partners and develop sustainable supply chains.

Results from the CSR surveys in fiscal 2021 and 2022

Initiatives	Results
CSR survey sent to main raw material suppliers	Percentage of procurement value accounted for by suppliers targeted: 90%
Visualize the level of initiatives	Percentage of supplier respondents evaluated: 100%
Send a letter on survey results feedback	Percentage of supplier respondents receiving the letter: 100%
Hold a briefing on CSR procurement	Percentage of participation by target companies in fiscal 2021: 100%
Check progress through individual briefings	Percentage of target companies met with in fiscal 2021: 94% Some meetings were not held due to infectious disease protocols.

Responsible mineral procurement

In conflict-affected and high-risk areas of the world, profits from mineral mining and trade are used to finance armed groups and rebel groups. The use of minerals from such areas may contribute to conflict, human rights abuses, and environmental destruction. MCC has formulated the “Mitsubishi Chemical Corporation and Its Group Companies Responsible Mineral Procurement Policy” based on the principle that we will not procure minerals that are known to be involved in conflict or human rights abuses in conflict-affected and high-risk areas.

Internal training programs for employees

MCC believes that human resource development is important for the promotion of procurement that takes into account CSR. We will continue our efforts to provide ongoing training programs in the future.

Training programs run in fiscal 2021 and 2022

Program	Description
Training for new recruits, transferred employees	Target: New recruits and newly transferred employees at the Head Office procurement division • Range of basic training on procurement policy (as needed)
General meeting	Target: Personnel in Procurement & Logistics Division • Overview of compliance, information sharing on other CSR matters (twice a year)

Declaration of Partnership Building

MCC published a Declaration of Partnership Building in April 2021 in agreement with the objectives of the Council on Promoting Partnership Building for Cultivating the Future, which aims for large corporations and SMEs to develop sustainable relationships. By working with business partners in our supply chain and value-creating businesses to foster mutually beneficial relationships, we aim to build new partnerships.

Compliance with the Subcontract Act

To maintain sound relationships with its business partners, MCC has clarified a system for ensuring compliance with the Act against Delay in Payment of Subcontract Proceeds, etc. (the Subcontract Act) and established internal rules, including Subcontract Act Compliance Regulations, which indicate the specific scope of application and compliance requirements of the Subcontract Act.

To ensure that transactions are conducted pursuant to such internal rules, MCC periodically implements internal training and audits related divisions.

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Employee-Led Development of Our Way

In September 2022, we invited Group employees to participate in a project to define Our Way, as part of our rebranding to review what the Mitsubishi Chemical Group strives to be now and in the future and to redefine our Group Concept. A total of 414 employees participated in workshops, on-site discussions, and other sessions to brainstorm and finalize a concept for Our Way that everyone can identify with and that inspires personal development in tandem with company growth.

Employee-led approach to sharing ideas, developing concepts

We decided on a new concept that includes three elements—Purpose, Slogan, and Our Way—based on the results of an employee questionnaire run in May and June 2022 (18,417 responses), as well as briefings with Company officers and employees (100 people from around the world) and analysis of the histories of MCG Group companies, our DNA, and our business strategies.

Our Way is what employees use to guide themselves through their daily work to achieve the Group's Purpose.

We ran two types of discussion sessions when developing the Our Way concept.

(1) Employee workshops

Brainstorming by participants based on ideas for Our Way from the employee questionnaires and other sources. Workshops held online (run by region, around six participants per workshop; 114 employees participated).

Discussion points

- Do the ideas for Our Way include our current unique values and expected future values?
- Do the ideas for Our Way help us make good decisions in our daily work?
- Would we be closer to realizing KAITEKI if these values were put into practice across the Group?

(2) Team and on-site discussions

Outcomes from discussions amongst close colleagues at the team and workplace level collected by questionnaires; 300 employees participated.

Using the views collected from the various regions and teams, we created a final concept that incorporated all the ideas of what employees value, both now and for the future, and what they want to do better in the future. This was developed into Our Way and rolled out globally from February 2023.

Dissemination of the new Group Concept

In April 2023, our Head Office held a ceremony to discuss and promote the new Group Concept. Some 1,000 employees from all around the world joined the hybrid-format ceremony, either in person or online, to learn about the significance of the new Concept and how it fits with MCG's worldview, and to hear the CEO and other members of the global leadership team describe their commitment to achieving our Purpose.

To help employees understand the new Group Concept and implement it globally as part of our "One Company, One Team" system, we are planning various events in Japan and overseas, including workshops and awards.

The story of Our Way

Our Way describes five criteria, each illustrated with three specific behaviors. This story is based on the integrity of each individual and their respect for others and is presented through bravery and diverse collaboration to show persistence to stakeholders.



Group Concept ceremonies at various locations



Tokyo (Head Office)



Leaders describing their commitment to achieving our Purpose

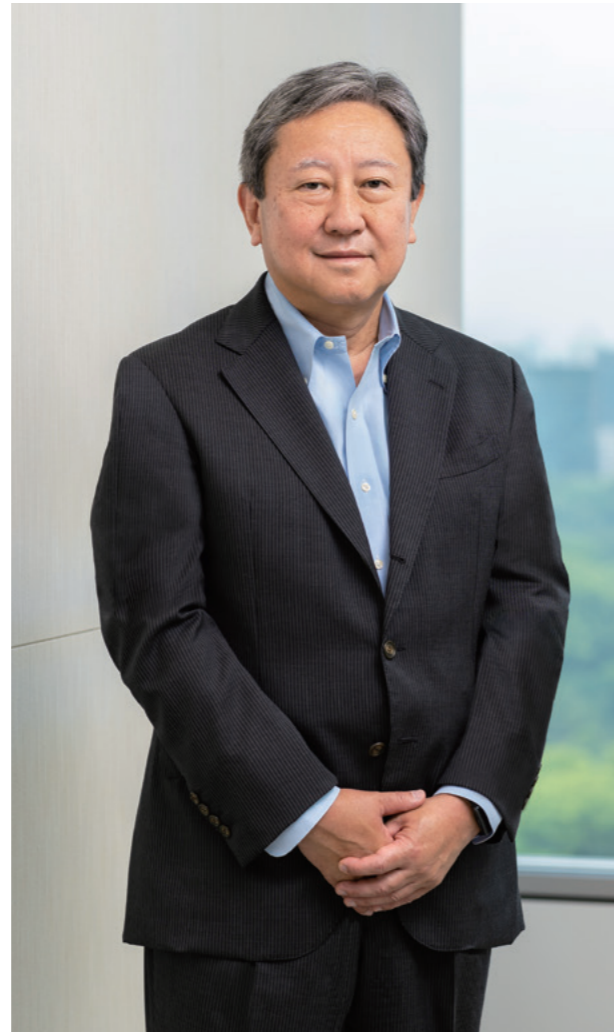


United States



Germany

Message from the Officer Supervising Governance and Legal Affairs



Ken Fujiwara
Executive Vice President
Chief Compliance Officer, General Counsel

Strengthening global governance and driving active discussions on growth

Promoting ERM and global compliance programs through integration of corporate functions

A year has passed since we changed to the new system. During that time, we have established a Corporate Executive Officers Committee where all corporate executive officers meet regularly to discuss the various challenges faced by the Mitsubishi Chemical Group and for decision-making. We have also made good progress at the management level in the transition to the “One Team” concept. Decision-making processes are faster and more efficient and corporate functions more integrated now that we have set up systems for delegation of authority (DOA) and clarified decision-making authority for each corporate executive officer. Our most pressing challenge at present is how to get our employees in all Group companies to understand the significance of these reforms and to embrace our transformation. Continuing on from work done in fiscal 2022, we are utilizing in-house web portals and town-hall meetings as venues for the entire management team to communicate the message for such reform and transformation to employees in their own words (▶Page 54).

To manage a large organization like the MCG Group, we must have global-scale risk management systems. We have introduced an enterprise risk management (ERM) system to support management decision-making, in order to better respond to not only negative risks but also risks inherent in business opportunities that may have positive impacts. For this ERM system, we have developed a Group-wide risk management system based on a three-dimensional matrix by business, function, and region that functions to ensure the MCG Group is a healthy and more competitive business (▶Page 86). At the same time, we have started operating the Global Compliance Promotion Program aimed at standardizing and improving the quality of global compliance activities (▶Page 88). To improve the effectiveness of this program, we will continue to raise

awareness and run training and education activities, and work to foster an organizational culture where everyone can speak up with confidence.

Increasing the effectiveness of the Board through better monitoring

Having evaluated the effectiveness of the Board of Directors in fiscal 2022 (▶Page 80), in my role as chairperson of the Board, I ran discussions on the main roles of Board of Directors in the Corporation with Nominating Committee, Etc., and confirmed that we need to work on making the Board of Directors more effective in terms of monitoring portfolio management and progress versus the medium- and long-term strategies. Discussions also confirmed that the Nominating Committee needs to be more effective with regard to CEO performance and succession planning for management levels. The committee will need to supervise progress and discuss portfolio management in particular as we are going through the execute and accelerate phases of the “Forging the future” strategy. For management succession, the committee is working to set up opportunities for discussions with corporate executive officers and the next generation of leaders.

To allow the Board of Directors to engage in more in-depth debate, it is crucial to set agenda items appropriately, for example, by assigning priorities to the various topics on the agenda. Full information disclosure with the outside directors is also essential to make the right decisions. At Mitsubishi Chemical Group Corporation, we are working through the Outside Director Liaison Committee to promote a better understanding of management policy and measures. This also helps ensure that the outside directors all have access to the same information. Moving forward, we will step up the monitoring function through more active discussion of key issues and will work to make the Board of Directors more effective and boost corporate value.

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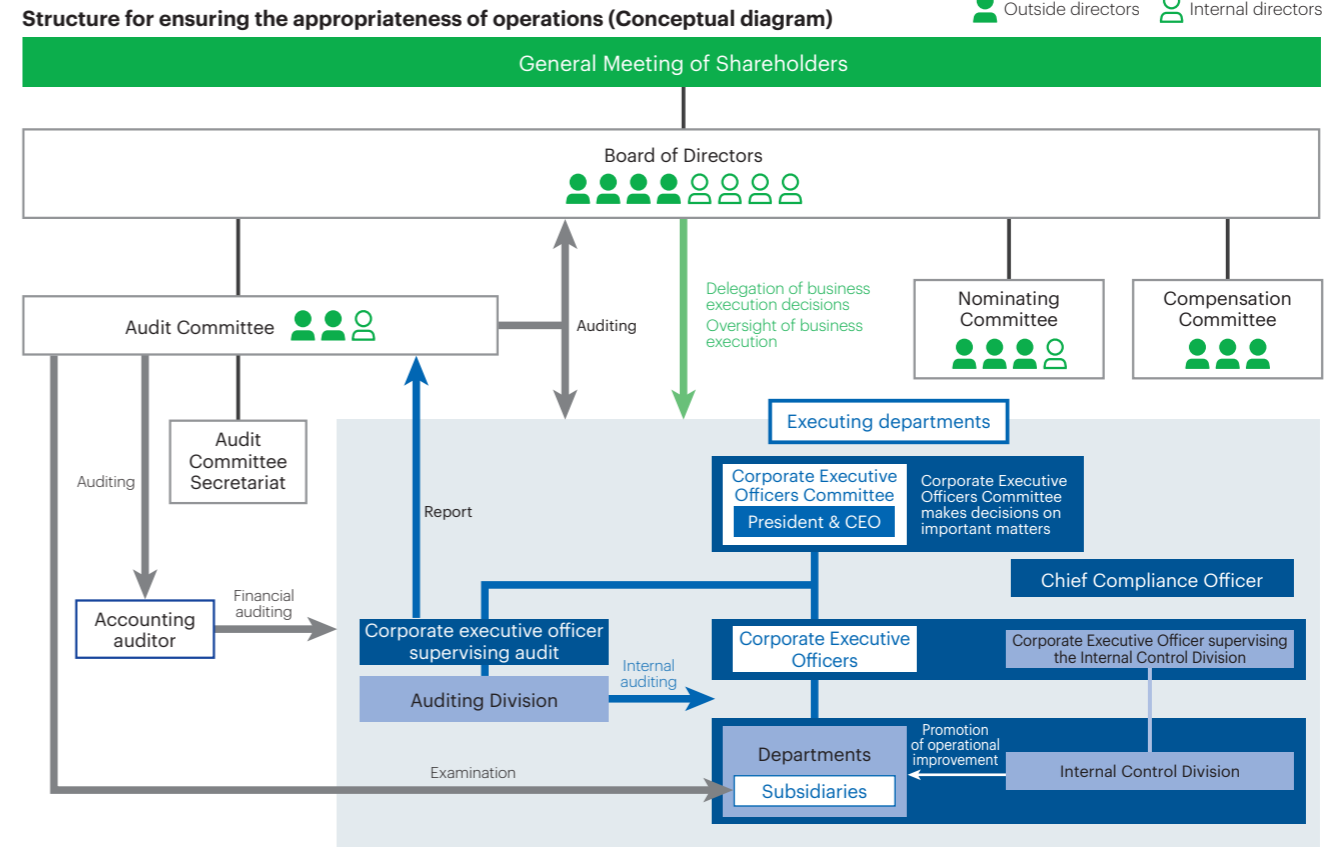
Corporate Governance System

Mitsubishi Chemical Group Corporation has declared its Purpose as “We lead with innovative solutions to achieve KAITEKI, the well-being of people and the planet.” We will drive the realization of KAITEKI through better Science, by providing Value to all stakeholders and contributing to healthy living and the sustainable Life of people and the planet.

Guided by this basic policy for the realization of KAITEKI, we are focusing on establishing a better corporate governance structure by improving management transparency through proper disclosure and dialogue with stakeholders, while enhancing both the soundness and efficiency of management.

Corporate governance structure for sound management and greater efficiency (As of June 27, 2023)

To improve the transparency and fairness of our management, strengthen management supervision functions, and increase management agility through accelerated decision-making, MCG has adopted the structure of a company with a nominating committee, etc. Under this governance system, the Board of Directors and the three committees (Nominating, Audit, and Compensation committees) oversee business management while the corporate executive officers are responsible for making decisions and operating the business.



Corporate Governance

Corporate governance history

Category	June 2013	June 2014	June 2015	June 2016	June 2021
Initiatives	Appointment of an outside director	Appointment of a director of overseas nationality	Appointment of a female director Transition to a company with a nominating committee, etc.	Increase in the number of outside directors	Selection of a lead independent outside director
Medium- to long-term targets (including those already achieved)	Strengthening of management supervision functions	Increased diversity of the Board of Directors	Increased diversity of the Board of Directors Improvement of management transparency and fairness as well as management supervision functions	Strengthening of management supervision functions	Enhancement of the independence of the Board of Directors and strengthening of cooperation between executive and outside directors

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Corporate Governance System

Roles of the Board of Directors

The Board of Directors determines basic management policies, such as medium-term business strategies and annual budgets. As a general rule, corporate executive officers are entrusted with the responsibility of executing operations in accordance with these basic policies, excluding matters that must be legally resolved by the Board of Directors. The Board of Directors primarily supervises the execution of duties by the corporate executive officers.

Composition of the Board of Directors

To enable the MCG Group to formulate basic management policy and supervise management appropriately, we seek to appoint directors based on multifaceted considerations by defining two sets of skills: universally required skills in corporate management, global business, and risk management; and skills required from a medium- to long-term perspective in legal and compliance, finance, industry and related business, and technology, science, and digital.

To strengthen the supervisory function of the Board of Directors, we stipulate that the majority of the directors should not serve concurrently as corporate executive officers.

Name	Skills Matrix						
	General skills*			Specialty skills*			
	Corporate management	Global business	Risk management	Legal/compliance	Finance	Industry and related business	Technology, science, and digital
Jean-Marc Gilson ◆	●	●	●		●	●	
Ken Fujiwara ◆		●	●	●		●	
Glenn H. Fredrickson		●	●			●	●
Nobuo Fukuda		●	●			●	
Takayuki Hashimoto	●	●	●				●
Chikatomo Hodo	●	●	●				●
Kiyomi Kikuchi		●	●	●			
Tatsumi Yamada		●	●		●		

Note: Directors indicated with the symbol (◆) act in an executive function.

* General skills are those universally required of directors, with global business and risk management defined as common skills required of all directors. Specialty skills are those required from a medium- to long-term perspective and are defined as professional skills where each director will have particular strengths.

Main agenda items discussed at the Board of Directors' meeting during fiscal 2022

- New Group Concept
- Medium-term management plan, annual budget, and investment plan
- Effectiveness of internal control system
- Rationale for cross-shareholdings
- Engagement activities with institutional investors
- Results of the employee awareness survey
- Regular reports from each committee and each corporate executive officer

Lead Independent Outside Director

With the aim of enhancing the independence of the Board of Directors and strengthening cooperation between corporate executive officers and outside directors, the outside directors elect a lead independent outside director from among themselves. The lead independent outside director gathers opinions from the outside directors and holds discussions with the chairman of the Board of Directors and the president & CEO, and presides as chairperson over a meeting body composed solely of the outside directors.

Director Liaison Committee and related meetings

As a forum for sharing of important management-related information and for the frank exchange of opinions on management issues, the Director Liaison Committee has been established that includes all directors as members.

Separate from this committee, regular meetings are held exclusively for outside directors, at which they can exchange information and establish a common understanding based on an independent and objective viewpoint.

Main agenda items of the Director Liaison Committee during fiscal 2022

- Capital market expectations and portfolio management
- Growth strategy
- Issues relating to management strategy

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Framework and roles of the committees (As of June 27, 2023)

	Nominating Committee	Audit Committee	Compensation Committee
Chairperson	Outside director	Outside director	Outside director
Composition (including chairperson)	Outside directors—3 Internal director—1	Outside directors—2 Internal director (full-time)—1	Outside directors—3
Purpose	The Nominating Committee nominates candidates for directors and corporate executive officers.	The Audit Committee audits the execution of duties by corporate executive officers and directors and reviews the Group's internal control systems, etc.	The Compensation Committee determines the design of the remuneration system and the amount of remuneration to be paid to individuals.
Fiscal 2022	The committee met a total of 13 times and undertook individual appraisals of the president and CEO and the other corporate executive officers, selection of corporate executive officer candidates, and discussion of the presidential succession plan. The committee also discussed the skills matrix and succession plan for directors and revised the skills matrix.	The committee met a total of 15 times and undertook key point audits of the status of development and operation of governance and the internal control systems, and the status of business execution regarding the management foundation, the business strategy, and other items. These audits focused particularly on the response of the new management system, which was designed to reflect changes in the business environment.	The committee met a total of 11 times and, based on the director remuneration policy, discussed and decided on the appropriate system and level of remuneration for directors and corporate executive officers. With the aim of further raising the level of commitment to a medium- to long-term increase in corporate value and shareholder value, the committee decided to introduce a restricted transfer stock remuneration that is not linked to performance for outside directors from fiscal 2023.

Assessment of the CEO

The Nominating Committee assesses the performance of the CEO from multiple perspectives using indices based on the three axes for the realization of the MCG Group Purpose (MOS, MOT, and MOE), and also discusses the appropriateness of the continuation of duties by the CEO, using metrics such as 360-degree feedback. The Nominating Committee provides feedback on the results of discussions to the individuals involved to improve the quality of management.

Audit system (trilateral audits)

The Audit Committee cooperates with the Internal Auditing Division and the accounting auditor to enhance the trilateral audits (conducted by the Audit Committee, accounting auditor, and the internal audit departments).

The committee holds discussions in advance with the Internal Auditing Division on the internal audit plans made by the office and has regular meetings with the office to exchange opinions and receive information on the results of internal audits and other issues. The committee also cooperates closely with the accounting auditor. It receives reports on the audit process, plans, progress status on audit work and the results of audits, and exchanges information and opinions with the auditor.

Corporate executive officers

The corporate executive officers decide on the operational execution and are in charge of its implementation based on basic management policies developed by the Board. Regarding important matters in the management of the MCG Group, deliberations are made at the Corporate Executive Officers Committee, which is a council formed of corporate executive officers. In addition to determining the division of duties of each corporate executive officer for other matters, appropriate and efficient decision-making is made possible by clarifying the decision-making authority of the corporate executive officer in charge.

Corporate Executive Officers Committee

The Corporate Executive Officers Committee is composed of all corporate executive officers. It deliberates and decides on important matters concerning the management of MCG and the MCG Group, and also monitors the Group's business based on the medium-term management plan, the annual budget, and other relevant factors.

Cross-shareholdings

MCG and major subsidiaries acquire and hold shares of client companies, etc., if the shareholding contributes to medium- to long-term improvement in corporate value. The Board of Directors reviews the grounds for such cross-shareholdings on a regular basis. Taking account of the effect on the market, we make efforts to sell such cross-shareholdings as assessed to be insufficiently justified. On November 8, 2022, the Board of Directors reviewed all Group cross-shareholdings as of the end of March 2022 in terms of the economic rationale as measured by ROIC, their necessity for business, and other considerations. As a result of the review, we found some cross-shareholdings to be insufficiently justified and will proceed with their sale, taking account of the effect on the market.

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Policies on the nomination of director candidates

The Nominating Committee nominates as director candidates persons who fulfill the following criteria:

- Possess deep insight, as well as objective and fair judgment, which are necessary to fulfill the responsibilities of a director of a company with a nominating committee, etc.;
- Possess high ethical standards and a law-abiding spirit;
- Are healthy enough to fulfill the responsibilities of a director.
- For outside directors: Fulfill the standards for independence of outside directors, are able to secure enough time to execute business, and, additionally, are able to contribute to diversity among the outside directors.

Training for directors

Outside directors are constantly briefed on the MCG Group's business and organizations and are regularly given the opportunity to visit the Group's business locations in Japan and abroad and to discuss with the management team. Internal directors are also given opportunities to develop the qualities required of directors through training sessions on compliance and internal control and a range of seminars held by external organizations.

Standards for independence of outside directors

The Company appoints as outside directors persons who do not fall under any of the items listed below and are capable of overseeing the Company's management from a fair and neutral standpoint free of conflict of interest with general shareholders.

1. Related party of the Company

- (1) A person engaged in the execution of MCG Group operations (executive director, corporate executive officer, executive officer, manager, employee, partner, etc. The same shall apply hereafter.)
- (2) A person who has been engaged in the execution of MCG Group operations in the last 10 years

2. Major shareholder

A person who directly or indirectly holds 10% or more of MCG's total voting rights or a person engaged in the execution of operations of a company that directly or indirectly holds 10% or more of MCG's total voting rights

3. Major business partner

- (1) A person engaged in the execution of operations of a company*¹ whose major business partners include MCG or any of its Group operating companies (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Nippon Sanso Holdings Corporation. The same shall apply hereafter.)
- (2) A person engaged in the execution of operations of a major business partner*² of MCG or any of its Group operating companies

4. Accounting auditor

An accounting auditor of the MCG Group or an employee thereof

5. Transaction as an individual

A person who receives money or other financial benefits of ¥10 million or more per year from MCG or any of its Group operating companies

6. Donation

A person who receives a donation or financial assistance of ¥10 million or more per year from MCG or any of its Group operating companies or a person engaged in the execution of operations of a company that receives a donation or financial assistance of ¥10 million or more per year from MCG or any of its Group operating companies

7. Reciprocal assumption of the position of director

A person engaged in the execution of operations of a company that has appointed as director any MCG Group director or employee

8. Close relative, etc.

- (1) A close relative, etc., of a person engaged in the execution of important MCG Group operations (spouse, relative within the second degree of relationship, or any person who shares the same livelihood. The same shall apply hereafter.)
- (2) A close relative, etc., of any person who meets the definition of any of items 3 to 7 above

*1 If the said business partner received from MCG or any of its Group operating companies an amount equivalent to 2% or more of its annual consolidated net sales in the latest fiscal year, it shall be considered as one whose major business partners include MCG.

*2 If MCG or any of its Group operating companies received from the said business partner an amount equivalent to 2% or more of MCG's annual consolidated net sales revenue in the latest fiscal year or the said business partner has lent to the MCG Group an amount equivalent to 2% or more of MCG's total consolidated assets, the business partner shall be considered as a major business partner of MCG.

Note: The party is deemed to fall under one of items 3 to 7 above if the relevant condition has been met at any time in the past three years.

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Outside officers' main activities and attendance at Board of Directors' meetings and committee meetings (FY2022)

Name	Status of activities and summary of duties executed in relation to expected roles	Attendance		
		Meeting	Attendance	Rate
Takayuki Hashimoto	At Board of Directors' meetings, Mr. Hashimoto provided input mainly on global management and portfolio management. As lead independent outside director, he also engaged in dialogue with institutional investors. As chairperson of the Nominating Committee, meanwhile, where the main agenda items during the fiscal year under review were the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer, he fulfilled his duties by playing a leading role in highly impartial and transparent decision-making. Furthermore, as a member of the Compensation Committee, he executed his duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the consideration of performance-linked remuneration for corporate executive officers and the remuneration system for outside directors.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Compensation Committee meeting	10/11	91%
Chikatomo Hodo	At Board of Directors' meetings, Mr. Hodo provided input mainly on global management, portfolio management, and corporate value enhancement from the perspective of ESG. Furthermore, as a member of the Nominating Committee, he executed his duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer. As chairperson of the Compensation Committee, where the main agenda items of the fiscal year under review were the consideration of performance-linked remuneration for corporate executive officers and the remuneration system for outside directors, he fulfilled his duties by playing a leading role in highly impartial and transparent decision-making.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Compensation Committee meeting	11/11	100%
Kiyomi Kikuchi	At Board of Directors' meetings, Ms. Kikuchi provided input on such matters as the functions and responsibilities of the Board of Directors, assessment of legal risk, and global governance, drawing on her experience and profound insight as a lawyer. Furthermore, as a member of the Nominating Committee, she executed her duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer. She also appropriately fulfilled her duties as an outside member of the Audit Committee, where the main agenda items of the fiscal year under review were the development and operation of the internal control system in line with the audit plan, the strengthening of the management foundation and progress with the business strategy as set out in the management policy, "Forging the future," and other matters relating to business execution.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Audit Committee meeting	15/15	100%
Tatsumi Yamada	At Board of Directors' meetings, Mr. Yamada provided input on such matters as finance and accounting, disclosure, and market valuation, drawing on his experience and profound insight as a certified public accountant and an international accounting expert. Meanwhile, as chairperson of the Audit Committee, where the main agenda items of the fiscal year under review were the development and operation of the internal control system in line with the audit plan, the strengthening of the management foundation and progress with the business strategy as set out in the management policy, "Forging the future," and other matters relating to business execution, he fulfilled his duties by playing a leading role in ensuring the impartiality and transparency of audit activities. Furthermore, as a member of the Compensation Committee, he executed his duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the consideration of performance-linked remuneration for corporate executive officers and the remuneration system for outside directors.	Board of Directors' meeting	7/7	100%
		Audit Committee meeting	15/15	100%
		Compensation Committee meeting	11/11	100%
Takako Masai	At Board of Directors' meetings, Ms. Masai provided input on such matters as finance and market risk management, drawing on her experience and profound insight in the areas of analysis of financial and economic conditions and the administration of monetary policy. Furthermore, as a member of the Nominating Committee, she executed her duties by providing appropriate input on the major agenda items of the fiscal year under review, such as the composition of the Board of Directors, succession plans, and the nomination of candidates for the positions of director and corporate executive officer. She also appropriately fulfilled her duties as an outside member of the Audit Committee, where the main agenda items of the fiscal year under review were the development and operation of the internal control system in line with the audit plan, the strengthening of the management foundation and progress with the business strategy as set out in the management policy, "Forging the future," and other matters relating to business execution.	Board of Directors' meeting	7/7	100%
		Nominating Committee meeting	13/13	100%
		Audit Committee meeting	15/15	100%

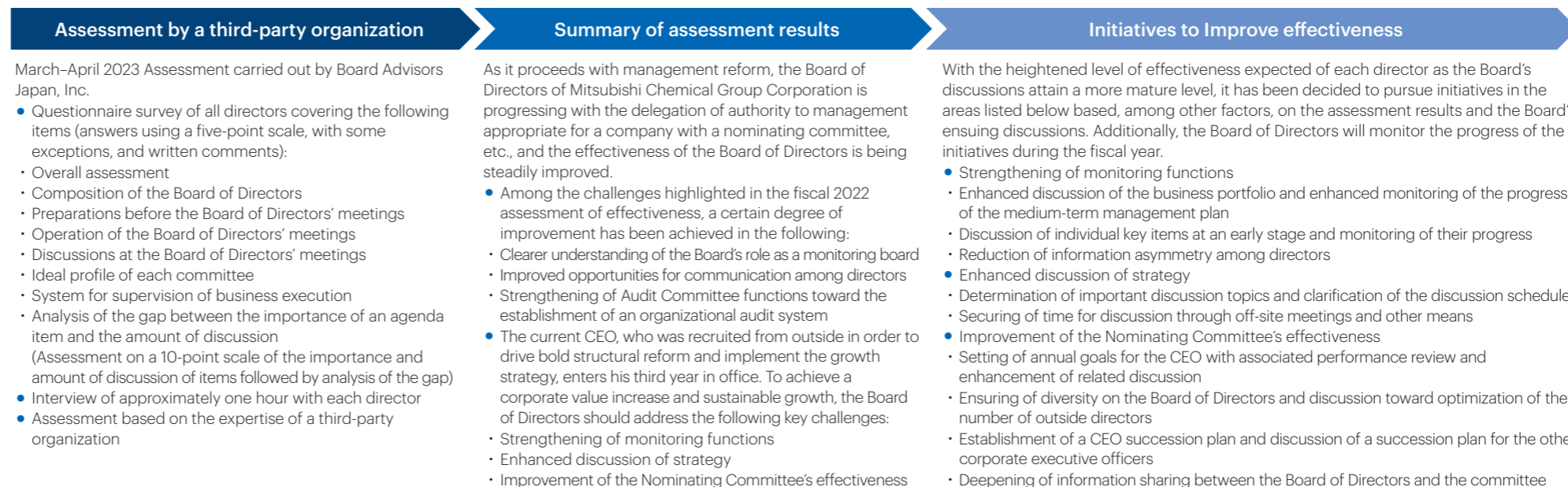
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Governance

Assessment of Effectiveness

Fiscal 2022 assessment of the Board's effectiveness

From March to April 2023, an assessment of the effectiveness of the Board of Directors was carried out by a third-party organization. Based on the assessment results, the Board discussed and decided on initiatives to improve effectiveness going forward. The Mitsubishi Chemical Group will continue working to improve the effectiveness of the Board of Directors, taking due account of the assessment results and the various proposals made by the directors.



Efforts promoted based on the previous effectiveness assessment

Based on the findings from the effectiveness assessment conducted and directors' suggestions provided in fiscal 2021, MCG implemented the following measures:

- Further redefining the supervisory function of the Board of Directors and setting the agenda to realize such function.
 - Expanded reporting of the status of business execution by corporate executive officers to the Board of Directors
 - Revision of the director skills matrix in June 2022 following discussion by the Nominating Committee of the composition of the Board of Directors including consideration of the medium- to long-term perspective
- Promoting communication and fostering mutual trust between corporate executive officers and outside directors to deepen the understanding of outside directors toward the Group.
 - Resumption of visits to business sites and laboratories by outside directors and enhancement of dialogue and other contacts with employees engaged in manufacturing and research
 - Increased opportunities for direct discussion with directors through presentations to corporate executive officers at the Director Liaison Committee and the Outside Director Liaison Committee
- Further strengthening cooperation between the Board of Directors and each committee (e.g., expanding reports to the Board of Directors, etc.).
 - Increased opportunities for information sharing and discussion at Board of Directors' meetings by making reports from each committee a regular agenda item
- Centralizing the Group's Internal Auditing Division in the Company and conducting appropriate and more efficient organizational audits based on the expansion of the Audit Committee secretariat function.
 - Strengthening of the audit function through measures including continued hearings with executive divisions by members of the Audit Committee as part of the consolidation of the organizational audit system in cooperation with the Internal Auditing Division
 - Partial revision of the operation of the Audit Committee to promote appropriate and effective organizational auditing

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Governance

Director and Officer Remuneration

Director and officer remuneration policy

Method for deciding the director and officer remuneration policy

The policy for determining the individual remuneration of directors and officers is decided in each fiscal year by the Compensation Committee following a discussion within the committee of the appropriateness of the policy. In addition to taking account of changes in the business environment, the opinions of shareholders and investors, and other factors, the discussions of the Compensation Committee are supported by the provision of necessary information and other assistance from the external remuneration consultant Wills Towers Watson, which has a wealth of global experience and knowledge.

Changes to the director and officer remuneration policy from fiscal 2023

To drive a further sustainable increase in corporate value and shareholder value, it has been decided to make an allocation of restricted transfer stock (RS) to outside directors from fiscal 2023. The additional amount of RS to be allocated will be decided with reference to the role expected of the outside director and trends among other companies, but with fiscal 2023 RS to be no greater than 10% of the basic remuneration. There were no other significant changes to the director remuneration policy in fiscal 2023.

Principle of remuneration

The systems for directors and for corporate executive officers are separate, and remuneration is determined by the Compensation Committee based on the concepts outlined below.

■ Basic policy for deciding remuneration, etc., for directors

- Given their role of overseeing and auditing the management of the Company from an independent and objective standpoint, remuneration for directors shall chiefly be the basic remuneration (fixed

remuneration). To promote an increase in corporate value and shareholder value, the outside directors, who are expected to supervise and assist management from the shareholder and investor perspective, shall receive stock-based remuneration that is not linked to performance in addition to the basic remuneration.

- In order to secure personnel suitable for executing the responsibilities of a director of a company with a nominating committee, etc., the level of remuneration shall be determined by considering the levels set by other companies, the expected role and function, the hours required to complete the duties, and other factors.

■ Basic policy for deciding the remuneration, etc., for corporate executive officers

- The remuneration system shall be such as to promote in corporate executive officers an awareness of the integrated practice of the three axes for the realization of the MCG Group Purpose (MOS, MOT, and MOE).
- The remuneration plan shall be designed to function effectively as an incentive to enhancing short-term and medium- and long-term performance and improving sustainable corporate value and shareholder value.
- Remuneration shall be set at a level competitive enough to attract and retain high-quality management personnel to lead the sustainable growth of the MCG Group.
- Remuneration shall be determined through a fair and reasonable decision-making process that fulfills the duty of accountability to all stakeholders including shareholders, customers, and employees.

■ Basic policy for deciding the remuneration, etc., of officers recruited from outside

- The remuneration, etc., of officers recruited from outside shall be determined in accordance with the basic policies outlined above, but with consideration given on a case-by-case basis to the remuneration levels and practices thought to prevail in the place or country of origin or residence of the officer recruited and other relevant factors.

Remuneration system

■ Directors

The remuneration of internal directors shall be basic remuneration (fixed remuneration) only. When a director serves concurrently as a corporate executive officer, the remuneration system for corporate executive officers shall apply.

The remuneration of outside directors shall consist of the basic remuneration (fixed remuneration) and stock-based remuneration (RS).

■ Corporate executive officers

The composition of the remuneration of corporate executive officers shall be as set out below.

Type of remuneration		Description
Fixed	Basic remuneration	<ul style="list-style-type: none"> Basic remuneration paid for the execution of responsibilities and duties Determined by the role and degree of responsibility of each corporate executive officer
		<ul style="list-style-type: none"> Monetary remuneration in line with the results for each fiscal year of the Company-wide performance evaluation (progress toward realizing the Group Purpose based on the three axes) and the individual appraisal (degree of achievement of initiative targets under the medium-term management plan, leadership quality, etc.)
Variable	Short-term / Cash	Annual bonus
	Long-term / Stock	<ul style="list-style-type: none"> Performance share unit (PSU) Restricted transfer stock (RS)
		<ul style="list-style-type: none"> Stock allocation based on Company share price growth* over a three-year period * Relative to JPX-Nikkei Index 400 and peer group (domestic and overseas chemical/healthcare companies with global operational presence) Restricted transfer stock is allocated each fiscal year in an amount depending on the office title. The transfer restriction is removed on the officer's retirement.

Note: For corporate executive officers of non-Japanese nationality, fringe benefits and severance pay may be paid in addition to the above, to the extent appropriate, based on consideration of the remuneration levels and practices believed to prevail in the place or country of origin or residence of the officer recruited.

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Method of setting the levels/percentage of remuneration

■ Directors

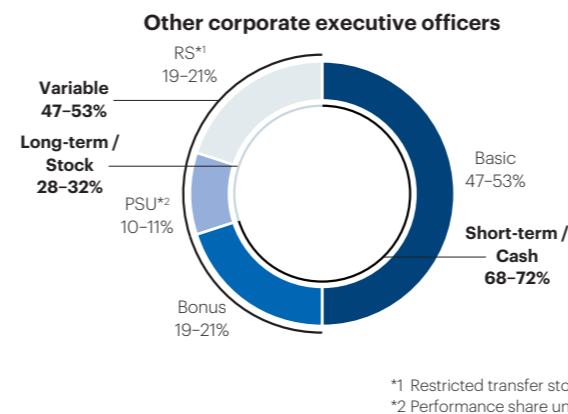
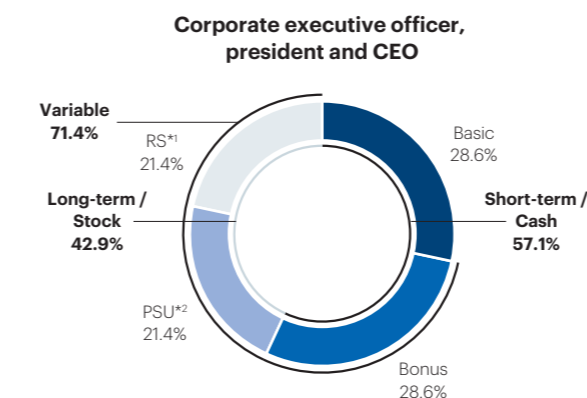
The remuneration level for directors shall be determined by considering the remuneration level for non-executive directors and outside directors at other companies of similar size in terms of domestic sales, market capitalization and other indicators, the role and functions of the director (e.g., lead independent outside director, member/chairperson of Nominating/Compensation/Audit Committee), and the hours required to complete the duties (full-time/part-time distinction).

The proportion of stock-based remuneration in the remuneration of outside directors shall be set with reference to the role of the outside director and trends at other companies. The proportion of stock-based remuneration for fiscal 2023 shall be no greater than 10% of the basic remuneration.

■ Corporate executive officers

The remuneration, etc., of corporate executive officers shall be of a level that is competitive, in terms of the amount of remuneration and the degree of performance linkage, based on comparison with the remuneration level and degree of performance linkage set by other companies of similar size in terms of market capitalization and domestic sales (for officers of non-Japanese nationality, however, of similar size in terms of market capitalization and sales in the officer's place or country of origin or residence or in another region relevant when considering recruitment of talent).

Fiscal 2023 composition of standard remuneration for corporate executive officers (Example)



Note: The ratio of basic remuneration to bonus to stock-based remuneration for fiscal 2023 is set at 1:1:1.5 for the corporate executive officer, president and CEO, and at 1:0.35-0.45:0.53-0.68 for the other corporate executive officers, with the ratio of variable remuneration increasing with seniority of position.

Annual bonus

The amount of individual bonus for corporate executive officers is determined in line with the results of the Company-wide performance evaluation (achievement of targets for each fiscal year based on the three axes for realizing the Group Purpose) and the individual appraisal (achievement of initiative targets set individually under the medium-term management plan, leadership quality, etc.).

$$\text{Individual bonus amount} = \text{Base amount for office title} \times \left(\begin{array}{c} \text{Result of} \\ \text{Company-wide} \\ \text{performance} \\ \text{evaluation} \\ + \\ \text{Result of individual} \\ \text{appraisal} \\ \text{(0-200\%)} \end{array} \right) \times \text{Final adjusting assessment (80-120\%)}$$

■ Company-wide performance evaluation

The management indicators of each of the three axes for the realization of the MCG Group Purpose (MOS, MOT, and MOE) are used as direct metrics for determining the bonus. The specific metrics for each fiscal year are selected primarily from the items below.

Three axes for realizing the Group Purpose	Major management indicators of each axis = Company-wide performance evaluation metrics	% weight in assessment
MOS	Indicators associated with preventive and other measures against safety incidents and lost-time injuries, reduction of GHG emissions, and improvement of employee engagement	20%
MOT	Indicators associated with R&D, intellectual property activities, DX, and other initiatives to fulfill the management plan	10%
MOE	Indicators associated with core operating income, ROE, ROIC, free cash flow, etc.	70%

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Director and Officer Remuneration

Individual appraisal

For the corporate executive officer, president and CEO, targets declared by the corporate executive officer, president and CEO at the beginning of the fiscal year are reviewed and assessed by the Compensation Committee and Nominating Committee. For assessment, a self-assessment is reviewed and assessed at the end of the fiscal year by the Compensation Committee and the Nominating Committee.

Regarding targets and assessment for the other corporate executive officers, these are determined through an interview between the individual officer and the corporate executive officer, president and CEO, then reviewed and approved by the Compensation Committee. In cooperation with the Nominating Committee, the Compensation Committee verifies the fairness and reasonableness of the targets and assessments for each corporate executive officer.

Final adjusting assessment

Where a notable success has been achieved or a serious loss incurred that were not foreseeable at the beginning of the fiscal year, and only in such cases, the Compensation Committee and the Nominating Committee examine the details, assess the need to take account thereof, and adjust the final assessment accordingly.

Performance share unit (PSU)

In fiscal 2021, the Company discontinued the stock-based remuneration plan using the Board Incentive Plan (BIP) trust and introduced a PSU-based system. Under this system, which is intended to promote awareness of sustainable improvement in corporate value and shareholder value, common stock of the Company is allocated, in principle annually, in an amount calculated in proportion to the Company's share price growth (total shareholder return [TSR]) over a three-year period. The method of calculating the number of individual shares allocated is as shown in the table above right.

TSR assessment period allocation

The amount for fiscal 2023 will be based on assessment of the period from fiscal 2023 to fiscal 2025.

	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028
FY2023 PSU	TSR assessment period allocation			Stock allocation		
FY2024 PSU		TSR assessment period allocation			Stock allocation	
FY2025 PSU			TSR assessment period allocation			Stock allocation

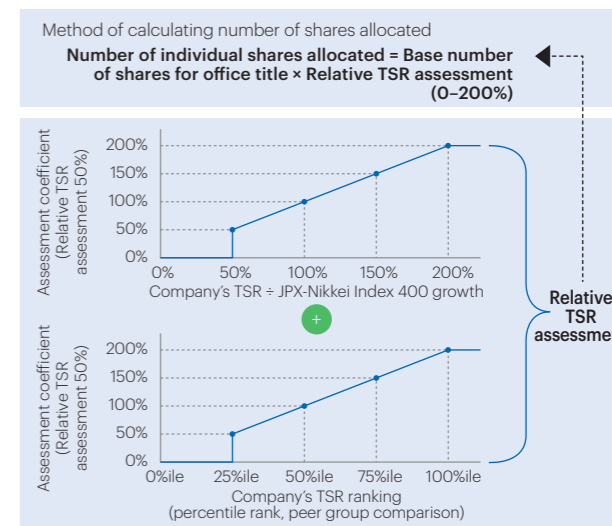
TSR assessment category

The Company's TSR is assessed by comparison with the index growth rate and the peer group TSR.

Assessment category	% weight in assessment	Assessment method
Comparison of index growth	50%	Determination of assessment coefficient reflecting performance of the Company's TSR relative to growth of the JPX-Nikkei Index 400 (incl. dividends)
Comparison with peer group TSR	50%	Determination of assessment coefficient based on ranking of the Company's TSR relative to the peer group (other domestic and overseas chemical/healthcare companies of similar size in terms of sales revenue, market capitalization, etc.)

Stock-based remuneration with restricted transfer stock (RS)

Each year, directors and corporate executive officers shall receive an allocation of shares of the Company's common stock equivalent to the base amount determined separately by position or office title in accordance with the Share Delivery Rules on RS. In order to share shareholder value and achieve growth in share price in the medium to long term, the period of transfer



restriction shall be from the date of allocation to the date of retirement as a director or corporate executive officer of the Company.

Remuneration clawback and other important matters

The Company may apply other special remuneration and benefits, where necessary, after a case-by-case review by the Compensation Committee. In addition, if a director or corporate executive officer is found to have committed misconduct or other infringement, the Company may, subject to a review by the Compensation Committee, make a claim against the director or corporate executive officer to withdraw the right to receive remuneration ("malus clause") or to reclaim the remuneration ("clawback clause").

Governance

Director and Officer Remuneration

Aggregate amount of remuneration of Company officers

Aggregate amount of remuneration of officers for fiscal 2022

Category of officer	Aggregate amount of consolidated remuneration, etc. (millions of yen)				Total	Number of officers
	Basic remuneration, etc.	Performance-linked remuneration		Restricted transfer stock		
		Annual bonus	Stock-based remuneration			
Directors (internal)	102 (99)	—	—	—	102 (99)	5
Directors (outside)	91	—	—	—	91	5
Corporate executive officers	603 (603)	383 (324)	153 (110)	313 (313)	1,451 (1,349)	13
Total	795 (792)	383 (324)	153 (110)	313 (313)	1,643 (1,539)	23

Notes: 1. The aggregate amount of remuneration, etc., above is stated as consolidated remuneration, etc. (the sum of remuneration paid or to be paid, or expenses, etc., borne by the Company and its subsidiaries). For directors (internal) and corporate executive officers, the amounts in brackets are the sum of remuneration, etc., paid by the Company. For outside directors, the aggregate amount of consolidated remuneration, etc., is paid fully by the Company.
2. MCG directors who serve concurrently as corporate executive officers are remunerated as corporate executive officers.
3. The amounts shown above for basic remuneration, etc., and annual bonus are the total of the remuneration, etc., paid during fiscal 2022 (total monetary remuneration).
4. The amount shown for basic remuneration, etc., includes fringe benefits for corporate executive officers of overseas nationality (covering costs for short home country visits, children's education, increase in gross fringe benefits, etc.). Furthermore, in the case of such officers, the Company bears expenses of ¥36 million for housing, medical insurance, etc., as fringe benefits, i.e., non-monetary remuneration, in addition to the above remuneration.
5. The amounts shown for annual bonuses for corporate executive officers include amounts paid in June 2022 to corporate executive officers who retired at the end of March 2022. Meanwhile, for corporate executive officers who served concurrently as directors, the amounts of basic remuneration paid in the period from the end of March 2022, when they retired as corporate executive officers, up to June 2022, when they retired as directors, are classified as remuneration, etc., for (internal) directors.
6. The amount stated above for stock-based remuneration is the sum of relevant expenses recorded for fiscal 2022 (expenses for the PSU system (▶Page 83) introduced in fiscal 2021 and expenses for stock-based remuneration under the BIP trust system applied by subsidiaries).
7. The amount stated above for RS is the sum of relevant expenses recorded for fiscal 2022 (sum of expenses for allocation of RS at the base value for the office title whose transfer restriction is removed on the officer's retirement and expenses for RS allocation to the corporate executive officer, president and CEO as a sign-on bonus).

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Director and Officer Remuneration

Method of calculating performance-linked remuneration paid during fiscal 2022 and results of evaluation

The amount of the annual bonus paid to each corporate executive officer in fiscal 2022 was determined, within the range of 137.5%–150% of the base amount, in proportion to the results of the KAITEKI Value evaluation (achievement of annual targets under the MCG Group's three key axes: Management of Sustainability [MOS], Management of Technology [MOT], and Management of Economics [MOE]) and individual appraisal (achievement of initiative targets set individually under the medium-term management plan, leadership quality, etc.).

$$\text{Individual bonus amount} = \text{Base amount for office title} \times \frac{\text{[KAITEKI Value evaluation + Individual appraisal]}}{(0-200\%)} \times \frac{\text{Final evaluation adjustment}}{(80-120\%)}$$

The major indicators used in the fiscal 2021 KAITEKI Value evaluation, the reason for their adoption, and the result of the evaluation are as set out below.

	Major indicators	Reason for adoption	% of evaluation
MOS	Safety-related indicators	To ensure the safety of employees and other stakeholders	20%
	Indicators related to environmental impact reduction	To realize carbon neutrality	
	Indicators related to employee engagement	To promote a healthy work environment and society where diverse human resources can participate actively	
MOT	Degree of contribution of new products and services	To measure the ability to create business through innovation	10%
	Patent competitiveness	To measure technological superiority	
	Digital development level	To promote DX	
MOE	Core operating income	To boost core business earning power	70%
	ROE	To promote a sustainable increase in corporate value	
	ROIC	To increase efficiency with the aim of improving core business profits relative to invested capital	

Result of fiscal 2021 KAITEKI Value evaluation (payout rate): S (150%)

Note: KAITEKI Value evaluation: Performance is rated on a five-level scale with "A" (100%) as the base value, "SS" (200%) when the target is surpassed by a significant margin, "S" (150%) when the target is surpassed, "B" (50%) when the target is missed, and "C" (0%) when the target is missed by a significant margin (figures in parentheses: Percentage payout).

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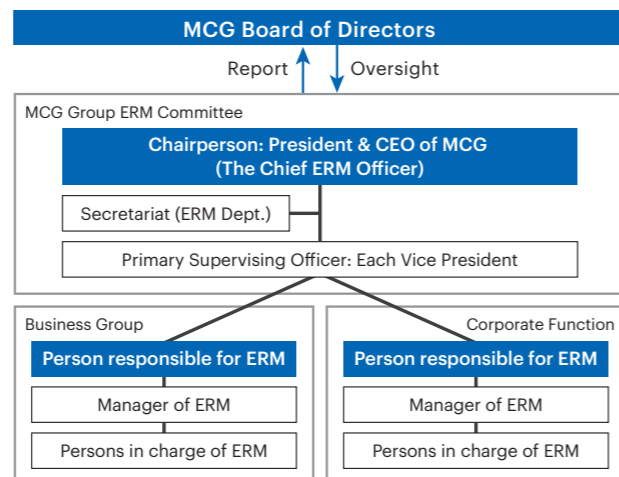
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Risk Management

Recent years have seen great changes in the corporate business environment. With new infectious diseases appearing, transnational conflicts intensifying, and extreme weather events recurring, the last few years have brought frequent and significant changes on society and the environment. In turn, the choices we need to make as we look to the future are increasing in number. In line with this widening range of choices, risk is diversifying and becoming more complex, and risk management needs to become more sophisticated to achieve its goals.

Against this background, the Mitsubishi Chemical Group concluded that a new future-focused approach to risk management was needed and introduced enterprise risk management (ERM) starting in fiscal 2022. The introduction of ERM has enabled the MCG Group to overview and visualize the risk in its environment. This in turn allows management to optimize healthy risk-taking and risk response on a Company-wide basis, thereby promoting activities that contribute to maximization of corporate value.

ERM promotion system conceptual diagram (As of April 2023)



Risk management system

The MCG Group has established a risk management system based on an organizational management system that emphasizes the “One Company, One Team” management line.

The MCG Group ERM Committee is chaired by the MCG President & CEO, who is the Chief ERM Officer based on the ERM Basic Regulations, and is composed of the Primary Supervising Officers (Vice Presidents) in charge of their respective risk category areas. The ERM Committee deliberates and decides on the status of management of material risks and risk management policies that affect the entire MCG Group, and reports the details of these decisions as appropriate to the Board of Directors. The ERM Committee is held twice a year in principle and is also held on an as-needed basis.

To promote ERM in each organization associated with the ERM Committee, a person responsible for ERM, a manager of ERM, and persons in charge of ERM are appointed in each business Group and function.

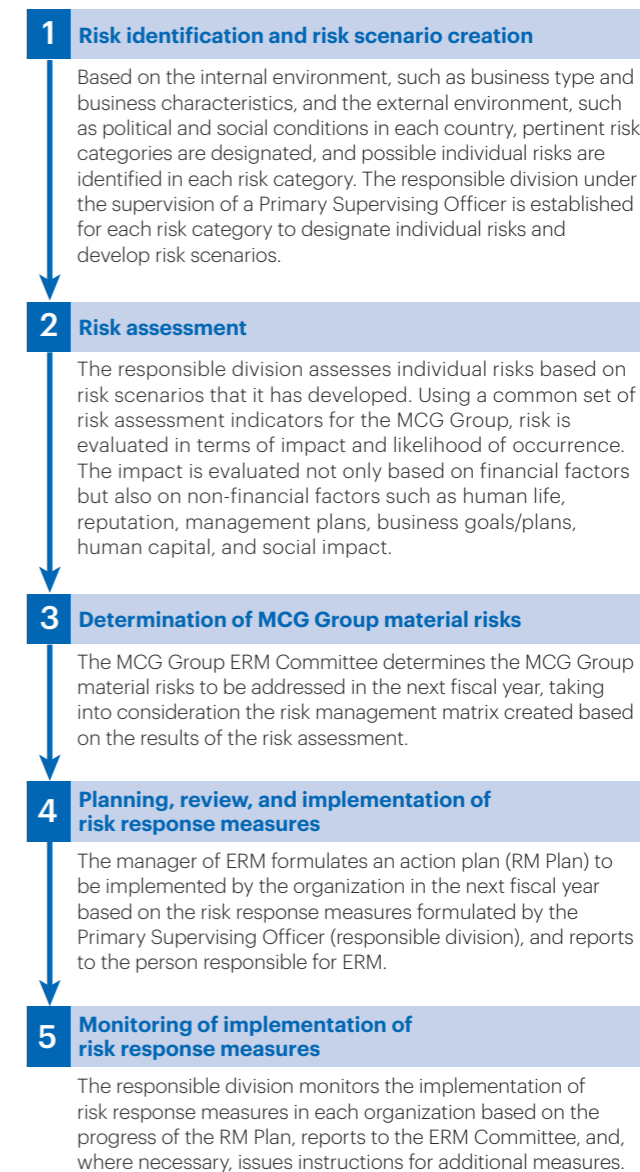
Measures against material risks

For each fiscal year, the MCG Group ERM Committee designates risk to be prioritized by the Group and implements the response. In fiscal 2023, nine categories of risk were designated as material risk, including supply chain risk and information security risk, and with a focus placed on geopolitical risk.

Since these risks are interrelated, each Primary Supervising Officer (responsible division) works together to address these MCG Group material risks and reports the status of the response to the ERM Committee.

The ERM Committee regularly evaluates the effectiveness of these risk response measures and, where necessary, issues instructions for additional measures.

ERM Promotion Process (As of April 2023)



Governance

Risk Management

Measures against future risks

The MCG Group is also addressing future risks by planning a medium- to long-term strategy.

Risks related to climate change

While the chemical industry is an industry with high GHG emissions, it can also contribute to the reduction of GHGs through its products. There is a risk that future earnings may be affected if we are unable to meet demand for lower GHG emissions from customers who pay close attention to environmental standards and energy efficiency in products. Therefore, the MCG Group has set a quantitative target of “sales revenue from sustainability-related products (products that contribute to sustainability, particularly those relating to climate change, circular economy, and food supply),” and is progressing with the development of relevant products.

Risk due to changing market needs

The MCG Group, with its core business in chemicals, needs to achieve constant advances in quality and performance, particularly in the field of specialty materials, and to develop and deliver in a timely manner products that meet market needs. In addition to these requirements, in recent times businesses have been expected to respond to other issues. For example, due to concern over the impact of waste plastic on the marine environment, a shift to plastic substitutes has been recommended.

In response to such changes in market needs, we are keeping a close watch on regulatory trends in the use of plastic products and changes in customer requirements based on such trends. However, if such trends change significantly beyond our expectations, our competitiveness may be adversely affected.

Therefore, we have positioned achieving a circular

economy as an important strategy and are pushing forward with green transformation to develop and provide products that meet market needs for reducing environmental impact in a timely manner, based on key technologies such as plastic recycling and biodegradable plastics. We also participate in domestic and international initiatives such as CLOMA*1 and AEPW*2 to implement comprehensive efforts to solve the plastic waste problem.

*1 Japan Clean Ocean Material Alliance *2 Alliance to End Plastic Waste

[Progress toward Carbon Neutrality and a Circular Economy ▶Page 64](#)

Risk associated with changes in international situations

The MCG Group has a wide range of global operations, including exports of products and local production. The situation in Russia and Ukraine has become protracted, and its effects are not only spreading to other regions and businesses but also affecting economic activities due to destabilization of raw fuel prices and rising transportation costs among other factors, and these may spread even further.

In addition, there is a possibility of supply chain fragmentation due to changes in the international situation regarding economic security. We consider this as a highly significant risk that may affect the business performance of the MCG Group and will establish a Company-wide and cross-sectional response organization to strengthen our supply chain.

Risk due to change in the human resource recruitment environment

■ Securing human resources

With the rise of the millennial generation and the growing diversity of values, failure to clearly present the value of working for the MCG Group may prevent us from securing the appropriate human resources, posing the risk of delay in the realization of our management strategy and in the progress of our management plan.

In order to improve recruiting competitiveness and strengthen retention, we will enhance the value of working for the MCG Group and employee engagement by strengthening talent management, providing career development support to employees, creating an environment for growth, improving the workplace environment, and enhancing recruitment branding.

[Human Resources Strategy ▶Page 67](#)

■ Diversity Equity & Inclusion (DE&I)

While innovation is essential for corporate growth, a lack of diversity, which is the source of innovation, can hinder corporate growth and reduce resilience.

In order to foster an organizational culture that embraces and leverages diversity, we will maintain and improve diversity by continuously raising employees' awareness, instilling our Group Concept (Purpose, Slogan, and Our Way) for leveraging diversity, abolishing personnel management based on attributes, and promoting measures that are appropriate to the situation of each segment.

[Incorporate DE&I into the talent strategy ▶Page 69](#)

Risk related to digital technology

As digital technologies such as AI and the IoT develop rapidly, there is a risk that delays in promoting DX and business process innovation will impair the MCG Group's competitiveness, which could have a negative impact on business performance.

To address this risk, we will continue to strengthen our digital strategy promotion system, leveraging new digital technologies and the expansion of our project promotion system to achieve a business transformation designed to raise productivity and establish and maintain business competitiveness. We will additionally work to raise employee digital literacy and promote the adoption of DX (citizen development) within each business group and function.

[Digital Strategy ▶Page 49](#)

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Compliance

For the Mitsubishi Chemical Group, the word *compliance* has a broad meaning encompassing not just basic adherence to the law but also observance of corporate ethics and general social norms. We engage in a range of initiatives to foster a corporate culture of compliance.

Group Concept and Charter of Corporate Behavior

Mitsubishi Chemical Group Corporation regards compliance as one of its most important management issues, and the Group Concept (Purpose, Slogan, and Our Way) also shows our commitment to it. Meanwhile, the MCG Group Charter of Corporate Behavior declares explicitly our commitment to applying sound ethics and good common sense to every aspect of our corporate activities. It also outlines fundamental principles of conduct for achieving sustainable development in harmony with society and explains our approach to the main issues affecting our contribution to realizing KAITEKI.

[Charter of Corporate Behavior](#)

Global compliance promotion structure

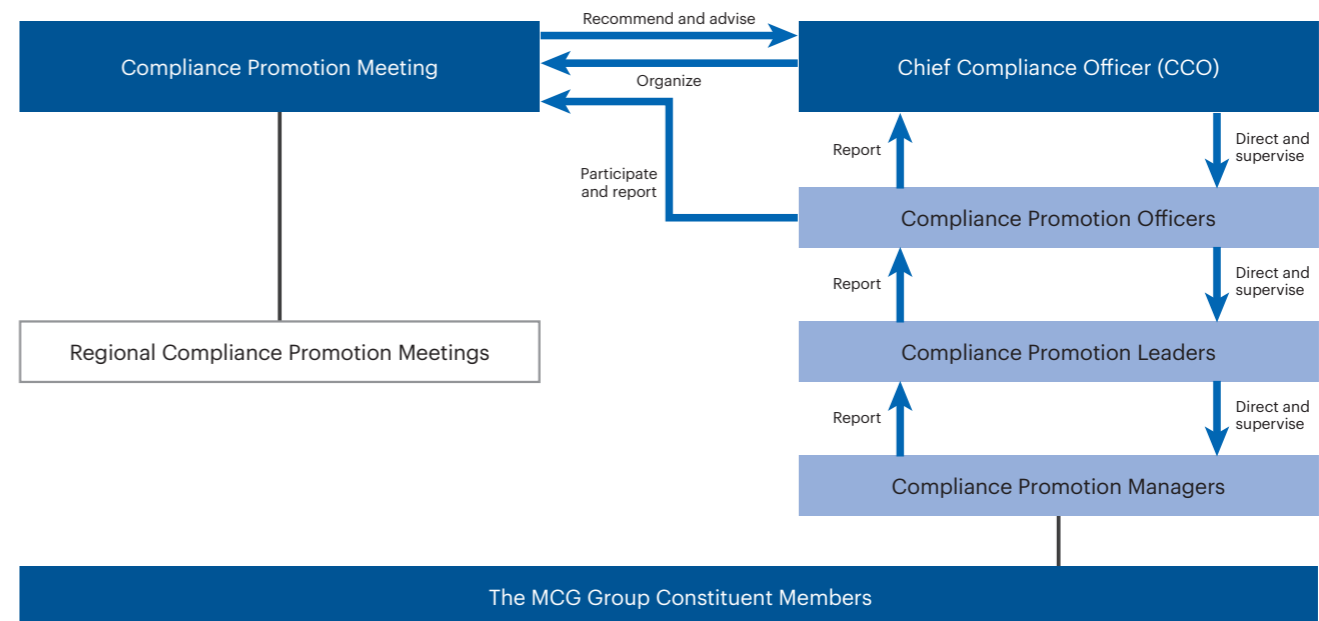
The Chief Compliance Officer (CCO), who is appointed by the MCG Board of Directors, is responsible for implementing compliance and is supported by the Internal Control Division, the department responsible for promoting compliance.

In fiscal 2022, we established a new set of regulations (Global Compliance Promotion Regulations) to manage compliance promotion globally. We also initiated the Global Compliance Promotion Program with the aim of standardizing compliance promotion activity and enhancing its content across all regions: Japan/South

Korea, Americas, EMEA, Asia Pacific, and China. Based on this program, we are rolling out shared initiatives such as training and surveys across the regions, while conducting activities adapted to the specific culture and characteristics of each region. We reinforce the PDCA cycle for compliance promotion by reviewing the content of each activity conducted and making improvements.

The content and state of progress of this compliance promotion activity are reported and discussed, first at the relevant Regional Compliance Promotion Meeting, and then at the Compliance Promotion Meeting attended by the corporate executive officers.

Compliance promotion structure

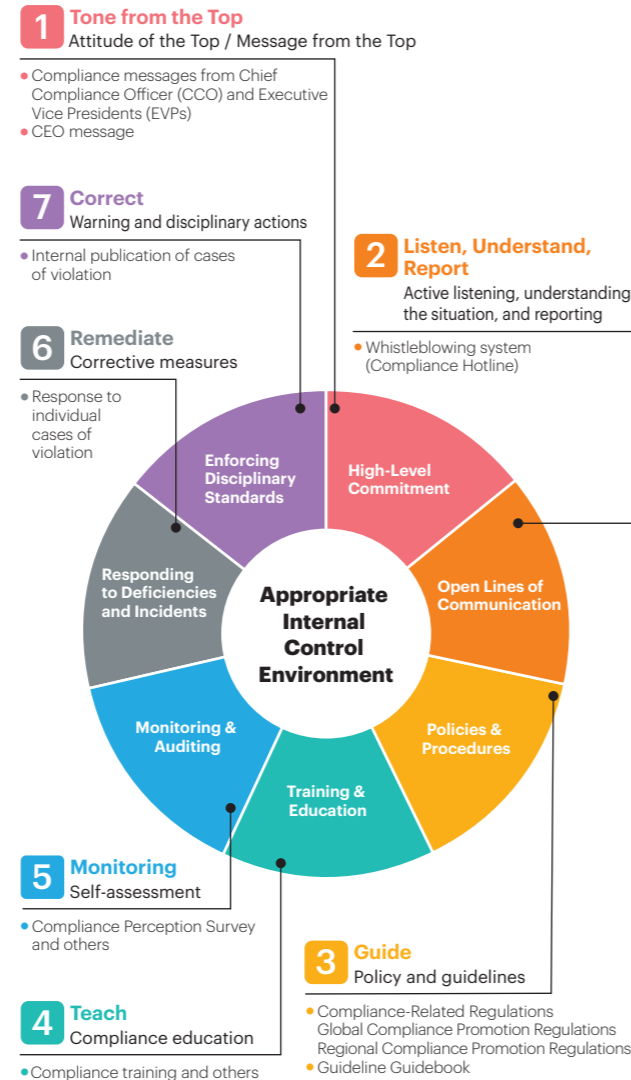


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Compliance

Global Compliance Promotion Program



Hotline systems

In each region—Japan/South Korea, Americas, EMEA, Asia Pacific, and China—we have put in place a hotline system using as a contact point the department responsible for compliance promotion or external lawyers and specialist institutions. Information gathered through the system is processed by the department responsible for compliance promotion. When an issue is identified, the department reports it to the CCO and then works to ensure an early response and corrective measures, drawing on the expertise of other departments.

Status of initiatives in fiscal 2022

In fiscal 2022, in line with the Global Compliance Promotion Program, we issued compliance messages from top management, established hotlines in regions not yet covered, and put in place a comprehensive global reporting structure. Additionally, we introduced a uniform online training platform covering all regions.

We also carry out an annual Compliance Perception Survey to gauge employees' awareness of compliance. With the Americas and EMEA included from fiscal 2022, we conducted globally comprehensive surveys covering approximately 70,000 employees.

The effectiveness and outcome of each of these initiatives was verified as feedback for improving the content and quality of activities from next fiscal year.

ACTION

Coordination with ERM (priority compliance risks)

MCG regards compliance as one of the pillars of corporate risk management. In line with this approach, we position compliance as a “material issue for existence” among other material issues. In coordination with the system of Company-wide risk management activity, or Enterprise Risk Management (ERM), which we introduced in fiscal 2022, we took the new step of designating a set of priority compliance risks.

Priority compliance risks are determined at the Compliance Promotion Meeting based on considerations including MCG's compliance-related issues and the potential impact on management in the case of the risk being actualized. The opinions of external experts are also sought. For risks designated as priority compliance risks, the measures planned and implemented by the relevant department are subject to regular monitoring, including at the Compliance Promotion Meeting. The relevant risk content is also covered in training and various other compliance promotion activities.

At the Compliance Promotion Meeting, the corporate executive officers discuss, identify, and monitor priority compliance risks from a Company-wide perspective with the aim of further strengthening the management structure in a way that will reduce risk.

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Directors (As of July 1, 2023)



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Directors (As of July 1, 2023)

Director

President & CEO

① Jean-Marc Gilson

Aug. 1989	Joined Dow Corning Corp.
Jun. 2005	Corporate Vice President & General Manager of Specialty Chemicals Business, President Asian Area of Dow Corning Corp. (until Jun. 2009) Shareholder Representative Director of Dow Corning Toray Co., Ltd. (until Jun. 2009)
Jun. 2009	Executive Vice President & General Manager of Specialty Chemicals Business of Dow Corning Toray Co., Ltd. (until Dec. 2010)
Feb. 2011	Chief Executive Officer of Avantor Performance Materials, Inc. (until Dec. 2011)
Feb. 2012	Vice Chairman & Chief Operating Officer of NuSil Technology LLC (until Jun. 2014)
Sep. 2014	Chief Executive Officer of Roquette Frères S.A. (until Dec. 2020)
Feb. 2021	Executive Advisor of MCHC (now MCG)
Apr. 2021	Corporate Executive Officer, President & CEO of MCHC (now MCG)
Jun. 2021	Director of the Board, Corporate Executive Officer, President & CEO of MCHC (now MCG) (to present)

Outside Director

⑤ Takayuki Hashimoto

Lead Independent Outside Director	Chairperson of the Nominating Committee	Member of the Compensation Committee
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Apr. 1978	Joined IBM Japan, Ltd.
Apr. 2000	Director of the Board of IBM Japan, Ltd.
Apr. 2003	Managing Executive Officer of IBM Japan, Ltd.
Jan. 2007	Senior Managing Executive Officer of IBM Japan, Ltd.
Apr. 2008	Director of the Board, Senior Managing Officer of IBM Japan, Ltd.
Jan. 2009	Director of the Board, President of IBM Japan, Ltd.
May 2012	Director of the Board, Chairperson of IBM Japan, Ltd.
Apr. 2014	Chairperson of IBM Japan, Ltd.
Jan. 2015	Vice Chairperson of IBM Japan, Ltd.
Jun. 2016	Outside Director of MCHC (now MCG) (to present)
May 2017	Honorary Executive Advisor of IBM Japan, Ltd. (to present)

Outside Director

⑥ Chikatomo Hodo

Independent Director	Chairperson of the Compensation Committee	Member of the Nominating Committee
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Sep. 1982	Joined Accenture Japan Ltd
Sep. 2005	Representative Director of Accenture Japan Ltd
Apr. 2006	Representative Director and President of Accenture Japan Ltd
Sep. 2015	Director and Chairperson of Accenture Japan Ltd
Sep. 2017	Director and Senior Corporate Advisor of Accenture Japan Ltd
Jul. 2018	Senior Corporate Advisor of Accenture Japan Ltd (until Aug. 2021)
Jun. 2019	Outside Director of the Board of MCHC (now MCG) (to present)

Director

Executive Vice President

② Ken Fujiwara

Member of the Nominating Committee

Apr. 1984	Joined Mitsubishi Chemical Industries Limited
Apr. 2015	Executive Officer of MCHC (now MCG)
Apr. 2017	Executive Officer of MCC (until Mar. 2018)
Apr. 2018	Managing Corporate Executive Officer of MCHC (now MCG)
Jun. 2018	Director of the Board, Managing Corporate Executive Officer of MCHC (now MCG)
Jun. 2020	Director of the Board of MTPC (to present)
Apr. 2022	Director of the Board, Executive Vice President of MCHC (now MCG) (to present) Director of the Board of MCC (to present)

Outside Director

⑦ Kiyomi Kikuchi

Independent Director	Member of the Nominating Committee	Member of the Audit Committee
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Apr. 1986	Joined The Dai-Ichi Kangyo Bank, Ltd. (now Mizuho Bank, Ltd.) (until Dec. 1990)
Apr. 1999	Registered as a lawyer at Asahi Law Offices
Sep. 2002	Allen & Overy LLP (London)
May 2003	Admitted to the bar of the State of New York
Oct. 2003	Asahi Law Offices
Sep. 2004	Taiyo Law Office (now Paul Hastings LLP/Gaikokuho Kyodo Jigyō)
Sep. 2006	JPMorgan Securities Japan Co., Ltd.
Apr. 2008	TMI Associates (to present)
Jun. 2019	Outside Director of the Board of MCHC (now MCG) (to present)

Director

③ Glenn H. Fredrickson

Jan. 1990	Associate Professor, Departments of Chemical Engineering and Materials, University of California, Santa Barbara (UCSB)
Jul. 1991	Distinguished Professor, Departments of Chemical Engineering and Materials, UCSB (to present)
May 1998	Chairperson, Department of Chemical Engineering, UCSB (until Jul. 2001)
Mar. 2001	Director of Mitsubishi Chemical Center for Advanced Materials at UCSB (to present)
Apr. 2014	Managing Executive Officer of MCHC (now MCG)
Jun. 2014	Director of the Board, Managing Executive Officer of MCHC (now MCG)
Jun. 2015	Director of the Board, Managing Corporate Executive Officer of MCHC (now MCG)
Apr. 2017	Director of the Board of MCHC (now MCG) (to present)

Outside Director

⑧ Tatsumi Yamada

Independent Director	Chairperson of the Audit Committee	Member of the Compensation Committee
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Apr. 1976	Joined Sumitomo Corporation (until Jun. 1993)
Mar. 1980	Registered as a Certified Public Accountant
Jul. 1993	Chuo Audit Corporation (until Mar. 2001)
Apr. 2001	Board Member of the International Accounting Standards Board (until Jun. 2011)
Sep. 2011	KPMG AZSA LLC (until Jun. 2018)
Jan. 2012	Board Member of KPMG AZSA LLC (until Jun. 2015)
Feb. 2014	Founding member of International Integrated Reporting Council (now IFRS Foundation) (until Jun. 2022)
Oct. 2014	Trustee of International Valuation Standards Council (until Oct. 2020)
Sep. 2015	Specially Appointed Professor of Faculty of Commerce, Chuo University (to present)
Apr. 2016	Member of the Certified Public Accountants and Auditing Oversight Board for the Financial Services Agency (until Mar. 2022)
Jun. 2020	Outside Director of the Board of MCHC (now MCG) (to present)

MCG: Mitsubishi Chemical Group Corporation
MCHC: Mitsubishi Chemical Holdings Corporation*
MCC: Mitsubishi Chemical Corporation

* Effective July 1, 2022, Mitsubishi Chemical Holdings Corporation (MCHC) changed its company name to Mitsubishi Chemical Group Corporation (MCG).

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Outside Directors' Discussion Meeting



Chikatomo Hodo
Outside Director
Chairperson of
the Compensation Committee

Kiyomi Kikuchi
Outside Director

Takayuki Hashimoto
Lead Independent
Outside Director
Chairperson of
the Nominating Committee

Tatsumi Yamada
Outside Director
Chairperson of
the Audit Committee

Strengthening supervisory functions further to take the leap and become a truly global company

We are now in the third year since the “Forging the future” management policy was announced. Now that we have laid the groundwork and are moving into the execution phase to grow into a truly global company, the independent outside directors have engaged in some frank discussions on the role the Board of Directors should play.

Fulfilling our monitoring functions and evolving into a world-leading company

Hashimoto: Looking back over the time since Jean-Marc Gilson was appointed by the Nominating Committee and took up the reins, the first year was devoted to visualizing the current situation and announcing the new “Forging the future” management policy. During the second year, he

focused on creating a global management concept called “One Company, One Team” in order to execute the management policy. Fiscal 2023 is the third year and we are at the start of the execution phase for future growth. As such, I think that monitoring will be even more important going forward.

Kikuchi: I firmly believe as well that we need to strengthen the monitoring function. However, as a part-time

independent outside director, I am also aware of how difficult this may be, because we do not have access to the same information as the executive officers. Business conditions have changed significantly over the past two years, and the Company has had to execute rapid business reforms, but I feel we were not fully sufficient in fulfilling our monitoring role at each step of the way. Reflecting on this, I think we are approaching a crucial stage where outside directors need to be more rigorous in our supervisory and oversight role.

Yamada: As the chairperson of the Audit Committee, I know that the audit process generates a huge volume of information, and it is my job to share as many of the findings as possible with the Board of Directors so that we can engage in higher-level discussions on the way forward for the Company.

Hodo: The external environment has changed a lot over the past year or two. For monitoring that takes such environmental change into account, I feel we need to focus on fine-tuning things in a pragmatic way, looking at realistic competitive rivalries or economic conditions for example, rather than trying to generate a eureka moment of sudden insight.

I also think that the skill levels of the corporate executive officers determine whether the vision developed is feasible or not. From a range of perspectives, including that of the Audit Committee, we need to look at how the skill levels of corporate executive officers translate into specific measures and whether the measures lead to sustainable and reproducible capabilities. For that, I think the people responsible should join the meetings, including with the Board of Directors, for further wide-ranging discussions.

Hashimoto: The skill level of corporate executive officers is a very important point, I agree. I have recently been thinking that we should ask corporate executive officers to attend Director Liaison Committee meetings and Board

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meetings as much as possible. I think being able to speak directly with the individuals involved would help us get a better understanding of what they are doing and what type of people they are. Often, some things are not totally understandable when they are reported by someone besides the person in charge.

Now that the pandemic has wound down, I think another useful approach is to visit overseas operating companies for discussions. My experience is that people overseas tend to be straight talkers, so information from these types of discussions might also be useful for monitoring purposes. It can be difficult to get a full understanding when you are handed a report during the meeting itself, so I would prefer to go one step further and delve deeper.

Yamada: In addition to the skill level of corporate executive officers, an important element is making sure the employees are convinced. Now that we are in the execution phase of the management policy, I think that the employees will be more motivated to engage if they all fully understand the need for these reforms and are convinced to take on the challenge. The CEO is currently running regular town-hall meetings, and I wonder whether the messages

from these meetings might be spread even more effectively if there were some way of keeping the channels of communication with employees open.

Kikuchi: I think it is also important to show concrete measures to achieve the strategy so that the employees can fully understand and empathize with the management. As a monitoring board, I feel that we need to monitor with a heightened tension and a sense of impending crisis on this point.

On a separate note, I am currently the only female Board member, so from a diversity perspective I want to create more opportunities during fiscal 2023 to talk with female managerial staff.

Hashimoto: The four points the Nominating Committee asked for him as fiscal 2023 targets are clear as monitoring indicators.

The first point is management with a focus on our shareholders. This is also relevant to the remuneration system, where long-term incentives factor in the share price. This results in a performance evaluation system that is sensitive to the share price, even within a single fiscal year. The second point is optimization of global management, generating profits through cost cuts or exiting from businesses that are not profitable. The third point is realizing the growth strategy. One aspect is portfolio management to shift to specialty materials. Another aspect is innovation for the future based on R&D.

The fourth point is to become an internationally recognized role model with a focus on green transformation and carbon neutrality. For example, we aim to clarify where we stand versus well-known benchmarks such as the Dow Jones Sustainability Indices (DJSI), and are focusing on how we will structure our organization and what investment will be made each year to achieve this position. For this point in particular, we have set fairly detailed KPIs.

I think that we can use the issues outlined here as the basis for monitoring by the Board.

Yamada: I think that in the future we will also need to monitor reporting on sustainability. In Europe, the Corporate Sustainability Reporting Directive (CSRD) has strengthened the rules on sustainability disclosures. The International Sustainability Standards Board (ISSB) also issued its first standards in June 2023: IFRS S1 covers the general requirements for disclosure of sustainability-related financial information and IFRS S2 sets out specific climate-related disclosures. There is global pressure for companies to report on how they are dealing with various sustainability requirements. I would like to encourage Mitsubishi Chemical Group Corporation respond to these requirements in the right way.

Establishing a succession plan as a global company that also reflects the specific conditions in Japan

Hashimoto: What does everyone think about succession planning, which is so important for the future? Who would take over the reins if something unexpected happened to the current CEO? Or, from a longer-term perspective, what potential candidates do we have for top management in three or five years' time, what capabilities do they have



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right now, and what type of development plan do we need moving forward? I feel that we have started to make progress in visualizing these issues. In terms of actual initiatives, we have set up job assignments and educational programs, for example. Of course, succession planning is relevant to all CXO roles, not just the CEO.

Hodo: Listed companies have started to take a much more serious approach to leadership training and succession. Some of the biggest changes involve the development of transparent systems to ensure decisions are made equitably, rather than based on personal contacts and connections, and organizational planning is premised on the creation of the strongest teams. However, I understand many companies are still making some subjective decisions. In comparison, MCG is run at the practical level with fair systems and defined targets and has, in my view, built world-class systems.

Over the next few years, we need to develop a broader pool of candidates who have the potential to become the next generations of high-level executives such as the CEO and to start developing this talent. At many global organizations like the one where Mr. Hashimoto and I worked, there are development programs in place that



monitor employees from their 30s for potential leadership qualities. I think that MCG is starting to set up systems so that it can develop the human resources needed for future generations of leaders.

Kikuchi: Since joining MCG as an outside director, my interactions with the corporate executive officers and employees have made me realize that the Company hires extremely bright and intelligent people. However, up until now, the organization has lacked systems to fully utilize these talented human resources across the Group. As the Company is working on this issue as its human resources strategy, I also think it important to create systems to train employees while they are still young and to develop future generations for CEO and CXO roles. Because the goal is to become a global company, I think it useful to post employees overseas as early as possible while they are still young, so that they can experience other cultures, develop their skills, and bring this experience back to contribute to the organization.

Hashimoto: I think you are right about how human resources have been managed thus far. I spoke with people in HR about how things got this way. In the past, when candidates were identified as having leadership potential, the operational divisions tried to keep a tight hold on them. Apparently now there is a much greater understanding across the Company of the need to develop human resources for the future of the business, so even the operational divisions have changed their views. Increasingly, people with leadership potential are being assigned to different parts of the business or transferred overseas. I hope to see more progress along these lines in the future.

Yamada: The Group companies have really started to work together as a single organization under the "One Company, One Team" concept. If the goal is to become a truly global company, I think there may need to be a greater focus on overseas sites. For example, the Group has global manufacturing operations that include overseas sites,



but R&D sites are concentrated in Japan. The leadership that such a company seeks, in terms of the roles and expertise, may differ from other global, non-Japanese companies. What do you think, Mr. Hashimoto?

Hashimoto: I think you are right. Even though we say "global company," the fact is that the MCG Group operations are mostly concentrated in Japan. Many of the overseas sites are companies that have been acquired. In this type of environment, I think it is difficult for the Company to quickly develop top leadership capable of constantly taking a global view and rapidly making and executing decisions. If the MCG Group aims to become a truly global company, I think we need to define exactly what the organization needs at the top and then develop the future leaders accordingly.

For example, while it is difficult to quickly develop global leaders, I think appointing people to positions at regional headquarters to build up their experience could be an important step for the future. I think human resource development needs to create programs designed to take a higher perspective and be broad in scope. I would like to help set up training systems like this to make sure we develop the next generation of CXOs, so that the MCG Group becomes a truly global company.

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