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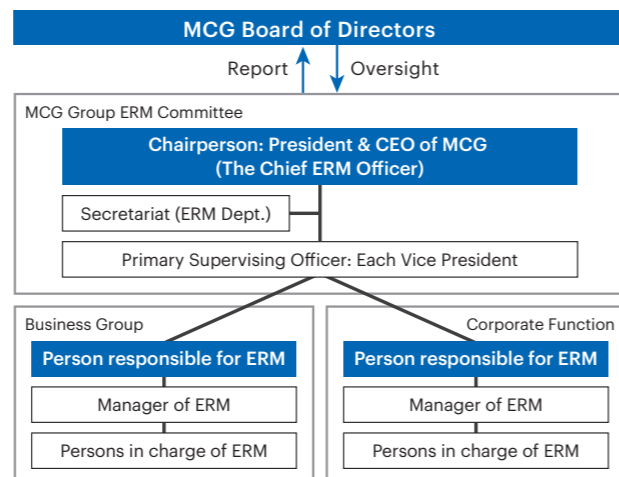
Governance

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.

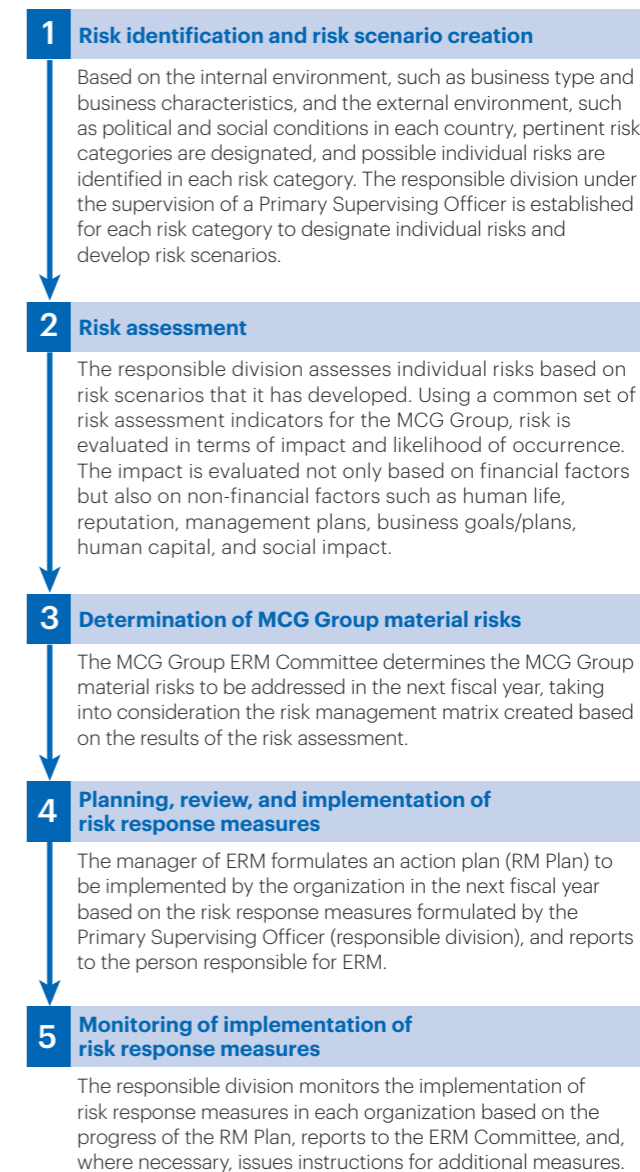
Measures against material risks

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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