

Corporate Governance Report

Last Update: June 23, 2023

Mitsubishi Materials Corporation

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<https://www.mmc.co.jp/corporate/en/>

The corporate governance of Mitsubishi Materials Corporation (the "Company") is described below.

I. Basic Approach to Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Approach

We have, based on the corporate philosophy of the Group, vision, values, code of conduct, mission and the Basic Policy on Corporate Governance (*) established by the Board of Directors, developed trust with all stakeholders related to the Company and its subsidiaries (hereinafter, the "Group"), such as shareholders and investors as well as employees, customers, client or supplier companies, creditors and local communities, and also develop our corporate governance.

Among the governance systems under the Companies Act, we have chosen to be a Company with a Nomination Committee, and by separating supervision and execution, will strengthen the Board of Directors' management supervisory functions, improve the transparency and fairness of management and accelerate business execution and decision making.

We acknowledge the enhancement of corporate governance to be one of the most important management issues, and continuously make efforts to improve our corporate governance.

(*) We have prepared the "Basic Policy on Corporate Governance," which is disclosed on the Company's website, as a compilation of the basic approach to and framework of corporate governance.

<https://www.mmc.co.jp/corporate/en/csr/view/governance.html>

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

We have implemented all provisions of each principle of the corporate governance code.

* This Report is written based on the Corporate Governance Code revised in June 2021 (including each principle of the Code for the Prime Market applicable from April 2022 and onward).

[Disclosure Based on the Principles of the Corporate Governance Code] **Updated**

[Principle 1-4: Strategic share holdings]

The Company's basic policy on shares acquired for purposes other than pure investment (hereinafter, "Shares in the Form of Strategic Share Holdings") shall be as follows:

- The Company shall not acquire or hold Shares in the Form of Strategic Share Holdings unless

doing so is necessary for the purpose of its business strategy.

- With regard to the Shares in the Form of Strategic Share Holdings, the appropriateness of such holdings shall be specifically reviewed and examined at a meeting of the Board of Directors on an annual basis. As a result of such reviews and examinations, the Company will reduce any Shares in the Form of Strategic Share Holdings if it is not deemed to be necessary to hold such shares.
- In exercising the voting rights attached to any Shares in the Form of Strategic Share Holdings, the Company will examine relevant proposals and decide whether to vote for or against it from the perspective of improving the corporate value of the Company and issuing company over the medium- to long-term viewpoint.

<Status of Sales in FY2023>

In FY2023, out of all of the Strategic Share Holdings (listed shares held by the Company at the beginning of the fiscal year: shares issued by 12 issuing companies (excluding shares issued by 18 issuing companies that were transferred to Mitsubishi UBE Cement Corporation as of April 1, 2022)), we sold all or part of the shares issued by 8 issuing companies. The sales price was approximately 23.7 billion yen (at market value) in total.

The status of reducing Strategic Share Holdings before FY2023 is disclosed in the Integrated Report.

<https://www.mmc.co.jp/corporate/en/ir/library/annual.html>

[Principle 1-7: Transactions between related parties]

With respect to competitive transactions between the Company and Directors/Executive Officers and conflict-of-interest transactions between the Company and Directors/Executive Officers, the Company will conduct advance deliberations and make reports on the actual results of approved transactions (if any) at the Board of Directors Meetings, in accordance with the provisions of laws and internal rules such as the Board of Directors Rules. Further, any transaction between the Company and any major shareholder over a certain amount shall be deliberated at the Board of Directors Meeting in advance, in accordance with the provisions of the Board of Directors Rules.

(Article 32 of the Basic Policy on Corporate Governance)

[Supplementary Principle 2-4-1: Ensuring Diversity within the Company]

1. Approach to ensuring diversity

(Article 10 of the Basic Policy on Corporate Governance)

Based on the belief that employees are the source of new values and the Group's sustainable growth, we aim to maximize organizational performance by creating workplace environments in which team members with diversity in every respect, including race, religion, gender, sexual orientation and gender identity, age, disability, nationality, national origin, social origin, and professional background, can coexist, mutually recognize one another, and actively demonstrate their individual abilities at their very best.

<https://www.mmc.co.jp/corporate/en/company/governance.html>

(Article 3 of Sustainability Policy)

We will actively drive Diversity and Inclusion in order to embrace and respect diverse personalities,

as well as to create new values, that are the sources of sustainable growth for the Group.

<https://www.mmc.co.jp/corporate/en/sustainability/>

(Article 8 of the Human Rights Policy)

We aim to build workplaces where team members with diverse attributes, values, and experiences can coexist and mutually respect one another, and where individuals can work confidently with a sense of growth and fulfillment as they elevate each other and demonstrate their capabilities to the full.

<https://www.mmc.co.jp/corporate/en/sustainability/humanrightspolicy.html>

(Guidelines for Supporting Women's Development and Advancement)

- 1) Actively promoting Diversity and Inclusion to embrace and respect diverse personalities, as well as to create new values, that are the sources of sustainable growth for the Group. Such promotion is one of our management strategies, and active participation of female talents is indispensable.
- 2) Aiming to be a place where all female talents with diverse personalities can demonstrate her individual abilities at their very best at all workplaces, occupation fields and positions, while experiencing growth and self-realization.
- 3) Fostering culture where every female talent can independently and autonomously build and realize their careers by improving the work environment, expanding the work area and support that respect viewpoints of work.

<https://www.mmc.co.jp/corporate/ja/sustainability/diversity/promote.html>

2. Voluntary and measurable goals and status for ensuring diversity

We believe the sustainable growth of the Group requires creating innovation free from the existing frameworks. To this end, it is essential to secure and develop diverse human resources and to cultivate awareness and culture for creating new values from different opinions by recognizing each other's diverse personalities. Based on this, in 2021, we clarified our policy on Diversity and Inclusion, and set a target of increasing the percentage of the Company's management level employees with diverse attributes (female employees, foreign nationals, mid-career employees, people with disabilities) from 16% in FY2021 to 30% by FY2031 (compared with 22% in FY2023). In particular, with regard to initiatives for ensuring diversity of members of the decision-making level, which affects sustainable growth of the Company, we have established indicators and targets for each of these attributes. For each target and circumstances, please refer to the Securities Report and the Integrated Report.

<https://www.mmc.co.jp/corporate/ja/ir/library/sr.html>

<https://www.mmc.co.jp/corporate/en/ir/library/annual.html>

3. Policy on human resource development and internal environment development for ensuring diversity of core human resources, and the implementation status

In order for each employee with diverse attributes, values, and experience to actively demonstrate their individual abilities, we plan and manage development programs and support measures corresponding to the attributes of female, foreign nationals, and mid-career employees. As

initiatives common to all employees, we are working on education aimed at fostering a culture that accepts diversity, promoting flexible working styles including the introduction of a telecommuting system, and striving to establish and utilize an HR system that enables people to balance work with childcare, nursing care, illness and various other life events.

[Principle 2-6: Fulfillment of function as corporate pension funds owner]

The Company has been developing the asset mix of pension funds based on the risk and return at different times, in order to ensure the payment of pensions in the future. Pension Committee, comprised of the Executive Officer who oversees finance & accounting matters and the Executive Officer who oversees divisions in charge of corporate pension operations or the Strategic Management Committee members as well as the personnel with knowledge and experience of fund management and corporate pension operations, conduct periodic monitoring as to the investment status of the pension funds, and consider the review of the asset mix, and then the Strategic Management Committee determines the same after deliberation. In order to perform appropriate fund management, we conduct comprehensive evaluation and monitoring as to the institution entrusted with the investment by means of the combination of a quantitative evaluation and qualitative evaluation.

[Principle 3-1: Fulfillment of information disclosure]

(1) Management philosophy, management strategy and management plan

(a) Management philosophy

1) Corporate philosophy, etc.

Based on its corporate philosophy of “For People, Society and the Earth,” the Group has set the vision of “Circulating resources for a sustainable future”, and the Group’s mission is “Create a sustainable future (a prosperous, recycling-oriented and decarbonized society)”.

In order to realize such Corporate Philosophy, Vision, and Mission, the Group believes that “Values” should be respected and the “Code of Conduct” should be complied with as a rule, both of which are established.

For details, please refer to our website.

<https://www.mmc.co.jp/corporate/en/company/policy.html>

2) Our Commitment

The group has set out “Our Commitment” of “For people, society and the earth, circulating resources for a sustainable future”. The Group will further enhance a recycling system of metal resources based on our strengths and realize growth throughout the value chain by expanding the scope, regions, and scale of our operations.

(b) Management strategy and management plan

1) Strategic roadmap

In Medium-Term Management Strategy FY2031 will be divided into two phases, Phase 1 from FY2024 to FY2026 and from FY2027 to FY2031, and we will strive to achieve Our Commitment. In Phase 1, we will promote improving profit growth and profitability by strengthening cost competitiveness mainly in product-based businesses, and investing in medium- to long-term

growth areas centered on resource recycling. In Phase 2, we will expand business scale through regional development including overseas, in addition to expansion of target business areas.

2) Efforts to improve the Group's corporate value

In February 2023, we established a new Medium-Term Management Strategy FY2031 covering the period from FY2024 to FY2031, and established the efforts to improve the Group's corporate value as follows:

- Business portfolio management
- Investment allocation and profit contribution
- Strengthening cost competitiveness

For details, please refer to our website.

<https://www.mmc.co.jp/corporate/en/company/strategy.html>

(2) Basic approach to and policy on corporate governance

Please refer to "I.1. Basic Approach" in this Report.

(3) Remuneration for Directors and Executive Officers

Please refer to "Remuneration System for Directors and Executive Officers" attached at the end of this Report.

(4) Nomination of Candidates for Director and the Election and Dismissal of Executive Officers

(a) Policy for Nomination of Candidates for Director

Our basic approach to the structure of the Board of Directors, which fulfills the roles of determining the direction of management and exercising supervision over the progress of business execution, is to ensure that it comprises a diverse range of human resources with different expert knowledge, experience, and other qualities. In particular, the Nomination Committee will consider candidates for Outside Director to ensure that they comprise individuals who possess experience and knowledge in corporate management (business similar to or different from the Group's business, etc.) and organizational management, and individuals who possess broad and advanced expert knowledge and extensive experience in relation to finance and accounting, legal affairs, production engineering, research and development, sales and marketing, or international relations, etc.

In light of the basic policy on the structure mentioned above, the Nomination Committee will nominate and select individuals who satisfy the following requirements as candidates for Director, regardless of individual attributes concerning gender, nationality and race, etc.:

- An individual of exceptional insight and character;
- An individual with a strong sense of ethics and a law-abiding spirit; and
- An individual who can properly fulfill his or her duties concerning the exercise of supervision over the management of the Company and the determination of the direction of management.

Further, with respect to candidates for Independent Outside Director, the Nomination Committee will nominate and select individuals who satisfy the following requirement in addition to the above requirements:

- An individual who has no material interest in the Group and who can remain independent.

The specific selection of personnel shall be decided after deliberation by the Nomination Committee.

(Exhibit 1 of the Basic Policy on Corporate Governance)

(b) Policy for Election and Dismissal of Executive Officers

In electing Executive Officers responsible for the execution of business tasks, the Nomination Committee will elect individuals who satisfy the following requirements, regardless of individual attributes concerning gender, nationality and race, etc.:

- An individual of exceptional insight and character;
- An individual with a strong sense of ethics and a law-abiding spirit; and
- An individual well-versed in management and the business activities of the Group.

In relation to the election process, the Chief Executive Officer will first draft a proposal for the election of Executive Officers after consulting with relevant officers as necessary. The Chief Executive Officer will then submit a proposal for the election of Executive Officers to the Board of Directors based on the deliberations and responses to inquiries at a Nomination Committee meeting, and Executive Officers will be elected by resolution of the Board of Directors based on a comprehensive review of the candidates' personal history, achievements, specialist knowledge, and other capabilities.

In addition, if any event occurs that makes an Executive Officer highly ineligible in light of these standards, the Executive Officer shall be dismissed by resolution of the Board of Directors following a review by the Nomination Committee.

(Exhibit 3 of the Basic Policy on Corporate Governance)

(5) Explanations of individual nomination, election and dismissal

In case of the nomination of candidates for Directors and the election or dismissal of Executive Officers, the reason for each nomination, election or dismissal is disclosed on the Company's website.

<https://www.mmc.co.jp/corporate/ja/company/governance.html>

Further, the reason for the nomination of each of the candidates for Directors is described in the Notice of the General Meeting of Shareholders as well.

[Supplementary Principle 3-1-3: Initiatives for sustainability]

1. Sustainability Management System

The Company recognizes addressing sustainability issues is essential in order to improve the corporate value of the Group from a medium- to long-term viewpoint. We aim to simultaneously ensure our contribution to the creation of a sustainable society and the improvement of corporate value from a medium- to long-term viewpoint by actively working to resolve social issues through means such as promoting the recycling of waste and resources and energy conservation in our global business activities.

The Group will address sustainability issues in an appropriate manner, based on Sustainability Policy established on December 1, 2021.

(Article 3 of the Basic Policy on Corporate Governance)

Sustainability Committee

The Sustainability Committee was established under the Board of Directors on June 28, 2022 in

order for the Board of Directors to not only monitor the Company's sustainability efforts but also to proactively consider the direction of the sustainability efforts from different perspectives and present them within the Company.

For an overview of the Sustainability Committee, please refer to "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Governance System)" in this Report.

Sustainability Policy

The Basic Policy on Sustainability, which provides a summary on views and policies addressing sustainability issues, was established on December 1, 2021.

For details, please refer to the Company website.

<https://www.mmc.co.jp/corporate/en/sustainability/>

<Renewal of the Sustainability Management System>

The Company plans to renew its sustainability management system on July 1, 2023. In Medium-term Management Strategy FY2031 that started in April 2023, we have newly set out Our Commitment of "For people, society and the earth, circulating resources for a sustainable future." Then, we are working to build a recycling system of metal resources based on our strengths and realize growth throughout the value chain by expanding the scope, regions, and scale of our operations. In line with Medium-term Management Strategy FY2031, we have decided to renew our sustainability management system with the aim of pursuing a more strategic perspective on sustainability issues that contribute to the environment and society, such as "promoting resource recycling," "addressing global environmental issues," and "strengthening human capital management."

For details, please refer to the Company's press release dated June 8, 2023, and the diagram of "Sustainability Management System" attached at the end of this report.

(Press Release) <https://www.mmc.co.jp/corporate/en/news/2023/news20230608.html>

2. Response to global environmental issues

Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), we established and analyzed scenarios to grasp the impact of climate-related risks and opportunities on our business and financial affairs, and to review measures to reduce risks and capture opportunities. The results have been disclosed.

For details, please refer to the Company website.

<https://mmc.disclosure.site/en/themes/93>

3. Investment in human capital

At the Group, we have set out Our Commitment of "For people, society and the earth, circulating resources for a sustainable future." We believe that it is our people who promote this commitment through our business activities and that "employees are the source of new values and the Group's sustainable growth."

Viewing human resources as "capital" rather than resources or costs, we are working to grow human resources through investment, such as accelerating human resource development, promoting

career autonomy, and visualizing human resource information with the introduction of a Talent Management System, through Human Resource Transformation (HRX) as the most recent example. While continuously deepening our HRX initiatives, we will continue to invest in human capital to help individuals and companies grow together and improve the Group's corporate value together through our human resource strategy: "Maximizing the value of human resources and creating an organization dedicated to winning" and "Building a foundation for co-creation and growth."

(Examples of past initiatives)

- The Human Resources Committee, consisting of Executive Officers and HR personnel, was established. Discussed various major HR measures including recruitment, development, transfer and allocation of human resources, as well as Diversity and Inclusion, examined the effectiveness, and considered improvements
- Introduced a "Job-Based Human Resources System" to management levels in order to evaluate, reward, and allocate them in response to their roles and responsibilities
- Introduced a 1-on-1 meeting system, invigorated the internal job posting system, improved employee education programs and enhanced online learning to support proactive career development
- Introduced a talent management system in order to visualize and utilize personnel information
- Promoted health and productivity management aimed at giving top priority to health of employees under a promotion system headed by the Chief Executive Officer
- Established opportunities for dialogue between Executive Officers and employees

For details, please refer to the securities report.

<https://www.mmc.co.jp/corporate/ja/ir/library/sr.html>

4. Resource Circulation

Regarding resource recycling, the Resource Circulation Strategy Meeting, which will be established with renewing the sustainability management system on July 1, 2023, will study the concept of resource circulation for our product lines from the perspective of long-term, company-wide optimization.

5. Investment in intellectual property

The Group appropriately protects and enhances its own rights while respecting third-party intellectual property rights. Analytical tools that utilize big data on patent information in business and development strategies have been introduced. Based on the information analyzed, business strategies and strategic intellectual property formation activities are conducted, and in the latter we proceed to apply for and acquire rights in line with research and development strategies supporting business strategies.

In addition, business units and IP Strategy Dept. promote strategic dialogue to ascertain and analyze intellectual property rights, while reviewing business models and strategy development.

To carry out these as a Group-wide activity, we established the Intellectual Property Policy of Mitsubishi Materials Group in May 2022 and the Intellectual Property Regulations of Mitsubishi Materials Group in February 2023.

Further, as governance activities related to intellectual property, we regularly deliberate on

intellectual property at the Monozukuri and R&D Strategy Meeting, and also report at the Board of Directors for supervision.

The current status of investments and initiatives for the Company's intellectual property rights at present are disclosed on the Company website.

<https://www.mmc.co.jp/corporate/en/business/ip/>

6. Others

Details of the Company's sustainability initiatives are disclosed in Integrated Reports and ESG Reports, at the Sustainability IR Meeting, and on the Company's website, etc.

[Supplementary Principle 4-1-1: Matters to be resolved at the meetings of the Board of Directors, Etc.]

The Board of Directors shall determine matters which may have a serious impact on our management, such as the management policy and managerial reform - pursuant to the provisions of laws and regulations, the Articles of Incorporation and the Board of Directors Rules - in order to improve the medium- to long-term corporate value of Mitsubishi Materials Group, and the standards for such determination are clearly set forth in the Board of Directors Rules. The determination and execution of matters for the Company's operations, etc. not determined by the Board of Directors are entrusted to the Executive Officers. They are determined by the Strategic Management Committee and other important meetings or General Managers of related departments, etc., in accordance with the Company's internal regulations concerning decision-making authority. Further, the execution of the Company's important operations, etc. determined by the Strategic Management Committee, etc. shall be reported to and supervised by the Board of Directors.

[Principle 4-9: Standards for determining independence and qualifications of Independent Outside Directors]

The Company has set its own standards for the independence of Outside Directors and registers with the Tokyo Stock Exchange, Inc. as Independent Outside Directors those Outside Directors who fulfill the standards for independence of Outside Directors.

For the standards for the independence of Independent Outside Directors, please refer to "Matters relating to Independent Directors" of "II.1. Independent Directors" of this Report.

(Article 24 and Exhibit 2 of the Basic Policy on Corporate Governance)

[Supplementary Principle 4-11-1: Perspective on the balance, diversity and scale of knowledge, experience and ability of the Board of Directors as a whole]

The Board of Directors shall consist of an appropriate number of Directors (but not more than 12 Directors, as provided for in the Articles of Incorporation) to enable the Board of Directors to fulfill its functions most effectively and efficiently. In addition, a majority of the Directors on the Board of Directors shall be Independent Outside Directors.

The Board of Directors shall consist of diverse Directors with a high degree of expertise and insight into management, finance and accounting, sales and marketing, production engineering, research and development, legal affairs, internationality and other aspects to ensure a well-balanced combination of knowledge, experience and ability necessary to fulfill their functions and duties

effectively as a whole.

Meanwhile, in the notice of the Ordinary General Meeting of Shareholders, disclosed on the Company website, a Skill Matrix listing the expertise and experience of Directors, and other data has been presented.

<https://www.mmc.co.jp/corporate/en/news/ir/>

(Article 16 of the Basic Policy on Corporate Governance)

[Supplementary Principle 4-11-2: Status of concurrent post of Directors at other listed companies]

In order to secure the time necessary to properly fulfill their functions and duties, Directors shall not concurrently serve as directors, corporate auditors, executive officers or representatives of more than three (3) listed companies or legal entities, etc. other than the Company.

The important positions of other organizations concurrently assumed by each Director are disclosed in the Business Report and the Notice of the General Meeting of Shareholders every year.

(Article 22 of the Basic Policy on Corporate Governance)

[Supplementary Principle 4-11-3: Analysis and evaluation of the effectiveness of the Board of Directors]

The Company analyzes and evaluates the effectiveness of the Board of Directors based on the evaluation by each Director on an annual basis. In FY2022, the evaluation was conducted using a third-party organization for the first time (In the future, a third-party evaluation shall be conducted once every three years).

In FY2023, the Company evaluated the effectiveness of the Board of Directors by way of a questionnaire-based self-evaluation.

The evaluation method and a summary of the results are outlined below.

1. Method of analysis/evaluation

(1) Evaluation process

- October 2022

At the Board, Directors discussed the evaluation implementation policy for the current fiscal year and following years in the future. As a result, the Board confirmed that a self-evaluation shall be conducted in FY2023, and a third-party evaluation shall be conducted once every three years.

- From December 2022
to January 2023

Under the leadership of the Chairperson of the Board of Directors, a questionnaire was distributed to all ten Directors and responses were retrieved.

- February 2023

The Directors discussed the effectiveness of the Board of Directors based on an analysis of the questionnaire results.

- March 2023

Following the discussions in February, the Board of Directors passed a resolution on the effectiveness of the Board of Directors for FY2023.

(2) Questionnaire items

The questionnaire uses a five-grade evaluation for the questions below (1. Strongly agree, 2. Agree,

3. Neither agree nor disagree, 4. Disagree, 5. Totally disagree) and provides a free comment space where needed.

- Scale and composition of the Board of Directors
- Status of operations of the Board of Directors
- Composition, roles and status of operations of each of the Nomination Committee, Audit Committee, Remuneration Committee, and Sustainability Committee
- Support system for Outside Directors
- Relationship with investors and shareholders
- Other matters concerning the Board of Directors in general, etc.

2. Evaluation of the status of initiatives concerning the issues for FY2023 based on the FY2022 evaluation

There was an evaluation of initiatives concerning the following matters taken by the Board of Directors in FY2023, based on the results of evaluating the effectiveness of the Board of Directors for FY2022. It was confirmed that “certain measures were taken and improvements have been made” in general, though “measures were not taken sufficiently” on certain matters.

(1) Matters pertaining to the operation of the Nomination Committee, Audit Committee and Remuneration Committee

- In the evaluation process, it was pointed that while the details of in-depth discussions by each committee need to be shared more with the Board of Directors as a whole, for matters discussed by the Nomination Committee and the Remuneration Committee in particular, the presence of stakeholders (mainly internal Directors) at meetings of the Board of Directors also needs to be taken into account. Accordingly, the frequency of Outside Directors’ informal meetings, where discussions take place only among Outside Directors, was increased.
- While certain measures have been taken as mentioned above, the evaluation regarding a question whether communication between the Nomination Committee Members and Directors who are not Committee Members is sufficient suggested that there was not enough communication. On the other hand, there was also an opinion, “Excessive requests for sufficient communication may step into a discussion at the Nomination Committee, which must be avoided from the perspective of independence of the Committee.”

(2) Matters pertaining to supervision of growth strategies by the Board of Directors

- When formulating the next Medium-Term Management Strategy, the details of measures including growth strategies, such as the next Medium-term Management Strategy, Group-wide strategy, individual business strategy, R&D and intellectual property strategy, business restructuring, and investment, were explained by the execution side at briefing for Directors, and discussed from a multilateral perspective.
- There were opinions concerning operational issues of briefings for Directors stating, “Since materials are distributed right before the meeting, it is impossible to secure time to review them,” and “I hope there is an opportunity for discussion, based on input from a briefing for Directors.” However, the evaluation of the responses themselves was favorable in general.

(3) Matters pertaining to the establishment of the Sustainability Committee

- The Sustainability Committee was established under the Board of Directors on June 28, 2022. The Committee considers monitoring methods and issues related to sustainability management and others as matters at the request of the Board of Directors for advice.
- The evaluation of the Committee's role and the direction of discussion, etc. was favorable in general. However, the number and composition of the Committee was evaluated to be not necessarily appropriate, as seen in opinions stating, "The Committee should be downsized as a level of other Committees" and "The Committee seems to be slightly oversized." The composition of each Committee was determined by a resolution of the Board of Directors held on June 23, 2023, and the Sustainability Committee was downsized to the level of other Committees, thus this issue was resolved.

3. Summary of FY2023 evaluation results

As a result of deliberations by the Board of Directors, it was confirmed that the effectiveness of the Board of Directors was secured in FY2023. The results of the questionnaire and a summary of Board of Directors' deliberations on the issues identified as challenges based of the result of the evaluation, are as follows.

(1) Matters pertaining to the medium- to long-term competitive advantage of the Company

- According to the questionnaire respondents, discussion at the Board of Directors on "Developments of technology and innovation, and medium- to long-term competitive advantage" and "Establishment of competitive advantage with the use of data and digital technology" was evaluated to be not necessarily sufficient. The evaluation also suggested that the Company's long-term competitive advantage (e.g., in business strategies, qualification of management, and corporate governance system) is not fully conveyed to the capital market.
- In the discussion by Directors, there were opinions stating, "Explanation by the executive side must be provided with an awareness of where the Company is positioned relative to where competitors are," and "What the executive side explains is too technical for us to understand what desired effects are and where the Company is headed."

(2) Matters pertaining to sharing of information between the Nomination Committee and other Directors

- A summary of the questionnaire results is described in 2. (1) Matters pertaining to the operation of the Nomination Committee, Audit Committee and Remuneration Committee.
- In the discussion by Directors, there was an opinion stating, "On the matters that require an approval by the Board of Directors finally, including an agenda for the election and responsibilities of Executive Officers, it is necessary to improve the sharing of information to other Directors, and deepen a discussion at the Nomination Committee."

(3) Matters pertaining to the supervision of human resources strategy by the Board of Directors

- According to the questionnaire respondents, "Discussion at the Board of Directors on the promotion of internal diversity" and "Discussion at the Nomination Committee on the succession plan for Executive Offices" were evaluated to be insufficient.

- In the discussion by Directors, there were opinions stating, "Development of global human resources must also be regarded as a matter to be addressed," and "It is difficult to see the progress of diversity promotion of individual business divisions, and the Corporate division seems to have no authority to manage and supervise it."

(4) Others

- According to the questionnaire result, the evaluation of "Sufficient time and information to prepare for a discussion at the Board of Directors" was low. We have worked to improve this matter continuously and will keep making continuous efforts toward future.
- According to the questionnaire results, many Outside Directors expressed hope for on-site visits. In light of the pandemic of COVID-19, we organized on-site visits mainly by newly appointed Outside Directors in FY2023. In FY2024, we are restarting on-site visits by all Outside Directors.

4. FY2024 Initiatives to further improve effectiveness

The following are the Company's measures to improve effectiveness in FY2024 based on the results of evaluating the effectiveness of the Board of Directors in FY2023.

(1) Response to opinions on the medium- to long-term competitive advantage of the Company

- Explanatory materials for Directors from the execution side need to be prepared in a simpler, easier-to-understand manner with clearer directions, keeping in mind "Focus on important management matters that Directors should know and discuss," "Items that are progressing as scheduled should be described as concisely as possible," and "Describe the background and history of changes in the external environment including trends of competitors, and the current situation surrounding the Group." At the same time, regarding the provision of information on the Company's business, which is a prerequisite for management decisions, an explanation needs to be provided in briefings for Directors in order to eliminate information asymmetry between the Company and Outside Directors.
- Appeal to the capital market by communicating and disseminating the new Medium-term Management Strategy FY2031, which was formulated based on the Company's medium- to long-term advantages. Specifically, hold strategy briefings for each business to deepen investors' and analysts' understanding of Medium-term Management Strategy FY2031. In addition, in order to promote understanding of the Company's existing businesses and the initiatives of Medium-term Management Strategy FY2031, conduct tours for securities analysts and institutional investors in both domestic and overseas sites.

(2) Response to opinions on sharing of information between the Nomination Committee and other Directors

- On the matters that require an approval by the Board of Directors (items to be reported from the Nomination Committee to the Board of Directors; they mainly cover information related to the election of Executive Officers, the selection of senior Executive Officers and the division of duties among Executive Officers), deepen discussions at the Nomination Committee and share information with Directors other than Committee members. Specifically, share and discuss the status of consideration regarding the election of Executive Officers more broadly in advance within the Nomination Committee, and share the specific process of considering the candidate selection

method with Directors other than Committee members. In addition, regarding materials submitted to the Board of Directors in connection with the election of Executive Officers, enhance the description of reasons so that the background of the election, etc. can be better understood.

- Furthermore, share information on other general matters discussed by the Nomination Committee (such as the process of nominating candidates for Directors) by enhancing reports at the Board of Directors meetings.

(3) Response to opinions on the supervision of human resource strategy by the Board of Directors

- Regarding matters related to the promotion of diversity, explain the status of the promotion and issues in the Company at briefings for Directors.

- Regarding the succession plan for Executive Officers, deepen discussions at the Nomination Committee as with “(2) Matters pertaining to sharing of information between the Nomination Committee and other Directors” above.

The Board of Directors will keep making efforts to improve the effectiveness toward future.

(Article 17 of Basic Policy on Corporate Governance)

[Supplementary Principle 4-14-2: Policy on training for Directors]

We will provide Directors with the opportunity for training by outside experts, etc. as necessary so that they can acquire the knowledge to carry out their functions and duties (including legal responsibilities) at the time of and after their assumption of office. We will provide Outside Directors with the opportunity to obtain a deeper understanding of Mitsubishi Materials Group's business, finance, organization, etc. Any costs and expenses for the foregoing shall be borne by the Company.

(Article 27 of the Basic Policy on Corporate Governance)

[Principle 5-1: Policy on constructive communication with shareholders]

(1) Policy on communication; framework for promotion

The Company shall engage in constructive communication with shareholders and investors as follows:

- The Chief Executive Officer and the Chief Financial Officer shall supervise communication with shareholders and investors in general and endeavor to realize constructive communication.
- The members of management, as well as the Corporate Communications Dept. and other internal relevant departments, shall cooperate to deal with matters concerning communication with shareholders and investors, based on appointment by the Chief Executive Officer and the Chief Financial Officer.
- With the aim of enhancing communication with shareholders and investors, the Company shall hold a variety of briefings on its management strategy, business content, products, regional strategies, and performance, etc., in addition to the General Meeting of Shareholders and individual discussions. Also the Company shall collect and analyze opinions, etc. of shareholders and investors obtained through communication, and provide feedback to the Board of Directors and the members of management.

(2) Status of dialogue with shareholders, etc.

In order to achieve the continuous improvement of corporate value over the medium- to long-term through constructive communication with shareholders and investors, the Company readily responds to requests from domestic and foreign institutional investors for individual meetings, and also promotes various approaches through discussions, etc. by the members of the management, including the Chief Executive Officer.

The concrete contents of our approaches through dialogue by the members of the management, including the Chief Executive Officer, are as follows:

- A. Investor conference for analysts and institutional investors (Chief Executive Officer, Chief Financial Officer, etc.)
- B. Overseas individual IR (Chief Executive Officer, etc.)
- C. Attending investment conferences for foreign institutional investors (Chief Financial Officer, etc.)
- D. Business explanatory meetings (Executive Officers, etc.)
- E. Sustainability IR meetings for analysts and institutional investors (Chief Executive Officer, Chief Financial Officer, etc.)
- F. Small meetings with domestic institutional investors (Chief Executive Officer, Chief Financial Officer, Outside Directors, etc.)
- G. Individual meetings with domestic institutional investors (Chief Financial Officer, etc.)
- H. Factory tour for domestic institutional investors (Person responsible of each business location, etc.)
- I. Explanatory meetings for individual investors (Chief Financial Officer, General Manager of Corporate Communications Dept., etc.)

Through the initiatives above, we regularly exchange opinions with domestic and overseas shareholders and institutional investors (analysts, ESG analysts, persons who exercise voting rights, etc. may participate depending on the initiative) regarding the Group's financial results, management strategy, business content, business strategy, the status of sustainability initiatives, and the exercise of voting rights.

Summaries of opinions and other information obtained from shareholders and institutional investors are reported to the Board of Directors as appropriate and to the members of the management every month from the Corporate Communications Dept.

In addition, we are working to enhance the content of our initiatives based on the opinions obtained.

(3) Handling of Corporate Information, etc.

- The Company shall disclose its corporate information in a timely and appropriate manner in accordance with the Companies Act, the Financial Instruments and Exchange Act and other applicable laws and regulations as well as the rules established by the relevant financial instruments exchange, etc. In addition, the Company shall give due consideration to other voluntary disclosures so that such disclosures will be conducted appropriately.

- The Company shall establish regulations for the management of insider information, and appropriately manage insider information. In addition, the Company shall prevent insider trading by calling the attention of the Group's employees to insider trading on a periodic basis and also, for example, providing in-house education as necessary.

(Article 9 of the Basic Policy on Corporate Governance)

[Measures for ensuring management is aware of capital costs and stock prices]

In formulating Medium-term Management Strategy FY2031, the Company analyzed the current state at the Board of Directors and the Strategic Management Committee to understand the Company's capital costs and capital profitability. Based on these, Medium-term Management Strategy FY2031 presents weighted average cost of capital (WACC) for the entire Company and for each business segment, and sets a return on invested capital (ROIC) target of making the ROIC spread, which is the difference between ROIC and WACC for each business segment, positive in all businesses toward FY2031. In addition, we aim to increase corporate value by introducing economic profit (ROIC spread × invested capital) as a management indicator to measure the amount of corporate value created.

We also aim to achieve a stable and continuous ROE of around 10% throughout the period of Medium-term Management Strategy FY2031.

For details of Medium-term Management Strategy FY2031, please refer to the Company's website.

<https://www.mmc.co.jp/corporate/en/company/strategy.html>

2. Capital Structure

Percentage of Foreign Shareholders	30% or more
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[Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
THE MASTER TRUST BANK OF JAPAN, Ltd. (TRUST ACCOUNT)	20,990,200	16.04
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	10,044,300	7.68
CUSTODY BANK OF JAPAN, LTD. (TRUST ACCOUNT)	9,908,100	7.57
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	4,250,400	3.25
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	3,314,000	2.53
MEIJI YASUDA LIFE INSURANCE COMPANY	3,101,893	2.37
BBH FOR GLOBAL X COPPER MINERS ETF	2,874,308	2.20
NORTHERN TRUST GLOBAL SERVICES SE, LUXEMBOURG RE LUDU RE: UCITS CLIENTS 15. 315 PCT NON TREATY ACCOUNT	2,417,800	1.85
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	2,376,000	1.82
STATE STREET BANK AND TRUST COMPANY 505103	1,926,319	1.47

Controlling Shareholder (except for Parent Company)	_____
Parent Company	None

Supplementary Explanation **Updated**

The status of major shareholders is based on the information as of March 31, 2023.

The above-mentioned “Percentage” was calculated after deducting treasury shares (622,424 shares).

While the Large Shareholding Report (including Change Report) was made available for public inspection as shown below, as the number of shares substantially held by each of such holders as of March 31, 2023, has not been confirmed by the Company, the above “Status of Major Shareholders” is based on the number of shares held by each shareholder as recorded in the shareholders’ register:

- (1) Submitted by BlackRock Japan Co., Ltd. and five other persons
Effective Date of Reporting Obligation: November 30, 2020
Date Submitted: December 4, 2020
Number of Shares Owned: 4,488,731 shares
Ratio of Shares Held to Total Number of Issued and Outstanding Shares: 3.41%
- (2) Submitted by MUFG Bank, Ltd. and two other persons
Effective Date of Reporting Obligation: January 10, 2022
Date Submitted: January 17, 2022
Number of Shares Owned: 6,397,508 shares
Ratio of Shares Held to Total Number of Issued and Outstanding Shares: 4.87%
- (3) Submitted by Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other person
Effective Date of Reporting Obligation: April 15, 2022
Date Submitted: April 21, 2022
Number of Shares Owned 7,772,000 shares
Ratio of Shares Held to Total Number of Issued and Outstanding Shares: 5.91%
- (4) Submitted by Silchester International Investors LLP
Effective Date of Reporting Obligation: May 23, 2022
Date Submitted: May 24, 2022
Number of Shares Owned: 19,446,300 shares
Ratio of Shares Held to Total Number of Issued and Outstanding Shares: 14.79%
- (5) Submitted by Nomura Securities Co., Ltd. and one other person
Effective Date of Reporting Obligation: June 30, 2022
Date Submitted: July 7, 2022
Number of Shares Owned: 5,165,653
Ratio of Shares Held to Total Number of Issued and Outstanding Shares: 3.93%

3. Corporate Attributes

Listed Stock Market and Market Section	Prime Market, Tokyo Stock Exchange
Fiscal Year-End	March
Type of Business	Nonferrous Metals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Net sales (consolidated) as of the End of the Previous Fiscal Year	More than \1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with a Nomination Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12 persons
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	Chairman (except for the case where the person concurrently serves as Chief Executive Officer)
Number of Directors Updated	11 persons

[Outside Directors]

Number of Outside Directors	7 persons
Number of Independent Directors	7 persons

Outside Directors' Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Mariko Tokuno	From another company											
Hiroshi Watanabe	From another company											
Hikaru Sugi	From another company								△			

Tatsuo Wakabayashi	From another company								○			
Koji Igarashi	From another company											
Kazuhiko Takeda	From another company								△			
Rikako Beppu	Lawyer											

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive Director or executive of the parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a Director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which and the Company Outside Directors are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Remuneration	Audit			
Mariko Tokuno	○	○		○	<p><Status of important concurrent post></p> <p>Outside Director, Yamato Holdings Co., Ltd.</p> <p>Outside Director Shiseido Co., Ltd.</p> <p>Ms. Tokuno is designated as Independent Director of the Company.</p>	<p>She has insight into corporate strategy and general aspects of management from a global perspective gained through her extensive experience as a manager of the Japanese operations of leading international firms. Based on her insight, she has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid to long-term corporate value of the Group and has supervised the execution of duties by Executive Officers, etc., from an independent position. Additionally, as Chairperson of the Nomination Committee and a member of the Remuneration Committee and the Sustainability Committee, she has been involved in</p>

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Remuneration	Audit			
						<p>selecting candidates for Directors and Executive Officers, deciding on the remuneration of Directors and Executive Officers, etc. of the Company and discussing themes regarding sustainability of the Company from an objective and neutral position.</p> <p>As explained above, she has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that she will help strengthen the appropriate supervisory and decision-making functions of the Board of Directors, and therefore is appropriate for the position of Outside Director.</p> <p>The Company designated her as Independent Director because she does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and the independency standards separately established by the Company, and we considered that she had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.</p>
Hiroshi Watanabe	○	○		○	<p><Status of important concurrent post> President, Institute for International Monetary Affairs Outside Director, ORIX Corporation</p> <p>Hiroshi Watanabe is designated as Independent Director of the Company.</p>	<p>He has knowledge of domestic and overseas finance and economics, and general aspects of management gained through his experience in key positions at the MOF and in management positions in government-affiliated financial institutions. Based on his insight, he has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid to long-term corporate value of the Group and has supervised the execution of duties by Executive Officers, etc., from an independent position. Additionally, as a member of the Nomination Committee and the Sustainability Committee, he has been</p>

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Remuneration	Audit			
						<p>involved in selecting candidates for Directors and Executive Officers of the Company and discussing themes regarding sustainability of the Company from an objective and neutral position. Also, as a member of the Audit Committee, he has been engaged mainly in auditing the execution of duties by Executive Officers, etc. from an objective and neutral position.</p> <p>As explained above, he has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that he will help strengthen the appropriate supervisory and decision-making functions of the Board of Directors, and therefore is appropriate for the position of Outside Director.</p> <p>The Company designated him as Independent Director because he does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and the independency standards separately established by the Company, and we considered that he had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.</p>
Hikaru Sugi	○	○		○	<p>He came from DENSO CORPORATION (he resigned from the office of Executive Vice President of such company in June 2014) and the Company has a business relationship with Denso Corporation related to such activities as the</p>	<p>He has extensive technical knowledge in development, design and manufacturing processes, and he also has insight into corporate strategy from a global perspective and general aspects of management gained through his experience as a management of a manufacturer that develops its business all over the world. Based on his insight, he has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid to long-term corporate value of the Group and has supervised the</p>

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Remuneration	Audit			
					<p>sale of copper cathodes. However, the value of the transactions amounts to less than 1% of the respective consolidated net sales of the Company and DENSO.</p> <p>Hikaru Sugi is designated as Independent Director of the Company.</p>	<p>execution of duties by Executive Officers, etc., from an independent position. Additionally, as a member of the Nomination Committee and Chairperson of the Remuneration Committee and a member of the Sustainability Committee, he has been involved in selecting candidates for Directors and Executive Officers, deciding on the remuneration of Directors and Executive Officers, etc. of the Company and discussing themes regarding sustainability of the Company from an objective and neutral position.</p> <p>As explained above, he has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that he will help strengthen the appropriate supervisory and decision-making functions of the Board of Directors, and therefore is appropriate for the position of Outside Director.</p> <p>The Company designated him as Independent Director because he does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and the independency standards separately established by the Company, and we considered that he had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.</p>
Tatsuo Wakabayashi	○	○	○	○	<p><Status of important concurrent post></p> <p>Senior Adviser, Mitsubishi UFJ Trust and Banking Corporation</p> <p>Outside Director, Mitsubishi Logistics Corporation</p>	<p>He has insight into finance, accounting and general aspects of management gained through his extensive experience as a management having served as President and Chairman at financial institutions. Based on his insight, he has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid to long-term corporate value of the Group</p>

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Remuneration	Audit			
					<p>He is Senior Advisor of Mitsubishi UFJ Trust and Banking Corporation (MUTB) (resigned from the office of Chairman in April 2020). The Company has a business relationship with MUTB in relation to activities such as custody services, etc. However, the value of the transactions amounts to less than 1% of the respective consolidated net sales of the Company and MUTB. Moreover, the Company has no borrower-lender relationship with MUTB.</p> <p>Tatsuo Wakabayashi is designated as Independent Director of the Company.</p>	<p>and has supervised the execution of duties by Executive Officers, etc., from an independent position. Additionally, as a member of the Nomination Committee and the Sustainability Committee, he has been involved in selecting candidates for Directors and Executive Officers of the Company and discussing themes regarding sustainability of the Company from an objective and neutral position. Also, as Chairperson of the Audit Committee, he has been engaged mainly in auditing the execution of duties by Executive Officers, etc. from an objective and neutral position. Furthermore, as a member of the Nomination Committee, he is involved in selecting candidates for Director and Executive Officer of the Company from an objective and neutral position.</p> <p>As explained above, he has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that he will help strengthen the appropriate supervisory and decision-making functions of the Board of Directors, and therefore is appropriate for the position of Outside Director.</p> <p>The Company designated him as Independent Director because he does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and the independency standards separately established by the Company, and we considered that he had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.</p>
Koji Igarashi	○		○	○	Koji Igarashi is designated as	He has extensive technical knowledge in technological development and manufacturing as well as insight into

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Remuneration	Audit			
					Independent Director of the Company.	<p>general aspects of management, such as business globalization, business reform and creation, and promotion of digitalization through his experience as a management of a food manufacturer that develops its business all over the world. Based on his insight, he has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid to long-term corporate value of the Group and has supervised the execution of duties by Executive Officers, etc., from an independent position. Additionally, as a member of the Remuneration Committee and Chairperson of the Sustainability Committee, he has been involved in deciding on the remuneration of Directors and Executive Officers, etc. of the Company and discussing themes regarding sustainability of the Company from an objective and neutral position. Also, as a member of the Audit Committee, he has been engaged mainly in auditing the execution of duties by Executive Officers, etc. from an objective and neutral position.</p> <p>As explained above, he has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that he will help strengthen the appropriate supervisory and decision-making functions of the Board of Directors, and therefore is appropriate for the position of Outside Director.</p> <p>The Company designated him as Independent Director because he does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and the independency standards separately established by the Company, and we considered that he had sufficient</p>

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Remuneration	Audit			
						independence and therefore was unlikely to have conflicts of interest with general shareholders.
Kazuhiko Takeda			○	○	<p>He came from Sony Corporation (currently Sony Group Corporation) (resigned from the office of Senior Vice President in June 2021). The Company has a business relationship, including sales of products, with Sony Global Manufacturing & Operations Corporation, which is a specified subsidiary of Sony Group Corporation. However, the value of the transactions amounts to less than 1% of the respective consolidated net sales of the Company and such companies. The Company has no business relationship with Sony Group Corporation.</p> <p>Kazuhiko Takeda is designated as Independent Director of the Company.</p>	<p>He has extensive knowledge in the fields of corporate management, business operations and administration, accounting and finance, and information technology through his management experience as a senior executive of a conglomerate that develops a wide range of businesses all over the world and as the manager of its major subsidiaries. He also has insight into corporate strategy and overall management from a global perspective based on his many years of experience working in Europe and the United States. Based on his insight, he has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid- to long-term corporate value of the Group and has supervised the execution of duties by Executive Officers, etc. from an independent position. Also, as a member of the Audit Committee, he has been engaged mainly in auditing the execution of duties by Executive Officers, etc. from an objective and neutral position. Additionally, as a member of the Sustainability Committee, he has been involved in discussing themes regarding sustainability of the Company from an objective and neutral position.</p> <p>As explained above, he has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that he will help strengthen the appropriate supervisory and decision-making functions of the Board of Directors, and therefore is appropriate for the position of Outside Director.</p> <p>The Company designated him as</p>

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Remuneration	Audit			
						Independent Director because he does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and the independency standards separately established by the Company, and we considered that he had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.
Rikako Beppu		○	○	○	<p><Status of important concurrent post> Partner, Squire Patton Boggs Tokyo (Foreign Law Joint Enterprise)</p> <p>Rikako Beppu is designated as Independent Director of the Company.</p>	<p>She has in-depth insights based on her advanced legal knowledge through her many years of experience as an attorney at law in Japan and abroad, as well as specialized knowledge in corporate legal affairs, particularly in the areas of global business development and business restructuring. Based on her insight, she has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid- to long-term corporate value of the Group and has supervised the execution of duties by Executive Officers, etc. from an independent position. Additionally, as a member of the Remuneration Committee and the Sustainability Committee, she has been involved in deciding on the remuneration of Directors and Executive Officers, etc. of the Company and discussing themes regarding sustainability of the Company from an objective and neutral position.</p> <p>As explained above, she has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that she will help strengthen the appropriate supervisory and decision-making functions of the Board of Directors. Therefore, although she has no direct experience of being involved in corporate management, she is appropriate</p>

Name	Membership of Committees			Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
	Nomination	Remuneration	Audit			
						for the position of Outside Director. The Company designated her as Independent Director because she does not violate any of the independency standards established by Tokyo Stock Exchange, Inc. and the independency standards separately established by the Company, and we considered that she had sufficient independence and therefore was unlikely to have conflicts of interest with general shareholders.

[Committees]

Committee's Composition and Attributes of Chairperson **Updated**

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	5	0	0	5	Outside Director
Remuneration Committee	5	0	0	5	Outside Director
Audit Committee	5	1	1	4	Outside Director

[Executive Officers]

Number of Executive Officers	9 persons
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Status of Additional Duties **Updated**

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Remuneration Committee Member	
Naoki Ono	Yes	Yes	No	No	No
Tetsuya Tanaka	No	No	No	No	No
Nobuhiro Takayanagi	No	Yes	No	No	No
Makiko Nogawa	No	No	No	No	No
Makoto Shibata	Yes	Yes	No	No	No
Jun Nagano	No	No	No	No	No
Katsuyoshi Isaji	No	No	No	No	No
Toshinori Ishii	No	No	No	No	No
Kazuo Ohara	No	No	No	No	No

[Auditing Structure]

Appointment of Directors and/or Employees to Support the Audit Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Employees from Executive Officers

- The Company establishes the Audit Committee Office as an organization dedicated to assisting with the operations of the Audit Committee. The Company assigns employees in the Audit Committee Office to assist with the operations of the Audit Committee and carry out the operations according to the instructions of the Committee.
- As to personnel changes in employees who belong to the Audit Committee Office, the Executive Officer in charge of the Audit Department of the Strategic Headquarters shall obtain prior consent from the Audit Committee (if the Audit Committee nominates a specific Audit Committee Member, such Audit Committee Member) in order to secure independence from Executive Officers. In addition, the Audit Committee (if the Audit Committee nominates a specific Audit Committee Member, such Audit Committee Member) conducts the performance evaluation of such employees.
- The Audit Committee may give instructions to the department in charge of internal audits if doing so is required to carry out its job description. The department in charge of internal audits shall give preference to the instructions of the Audit Committee if there is a conflict between the instructions given by the Audit Committee and those given by Executive Officers.

Cooperation among Audit Committee, Accounting Auditor and Internal Audit Department

The Audit Committee engages in audits in close cooperation with the department responsible for internal audits, receiving reports from the said department on audit results on a regular basis, sharing this information, and receiving reports on the status of the execution of duties from the department responsible for internal control, etc.

Further, the Audit Committee regularly receives reports from Accounting Auditor on audit results, shares this information, and engages in audits in close cooperation with said Accounting Auditor after conferring on the audit plans for both with Accounting Auditor.

[Independent Directors]

Number of Independent Directors	7 persons
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Matters relating to Independent Directors

The Company designates all of the Outside Directors who satisfy the requirements for Independent Directors as Independent Directors.

Provided that the Company considers that an Outside Director is not independent if he or she falls under any of the conditions listed below in addition to meeting the standards for independence established by Tokyo Stock Exchange, Inc.

1. An individual who falls under or has fallen under any of items (1) or (2) below, either presently or in the past:
 - (1) An executive or non-executive Director of the Company; or
 - (2) An executive or non-executive Director of the Company's subsidiary.

2. An individual who falls under any of items (1) through (5) below:
 - (1) An executive of a client or supplier company of the Company, whose value of transactions amounted to 2% or more of the consolidated net sales of the Company or the client or supplier company as of the end of the previous fiscal year;
 - (2) A person who received, as a professional or consultant, etc., consideration of not less than 10 million yen from the Company in the previous fiscal year, excluding his/her consideration as a Director;
 - (3) An executive of an organization that received a donation of not less than 10 million yen from the Company in the previous fiscal year;
 - (4) A shareholder who directly or indirectly holds at least 10% of the total number of voting rights of the Company or an executive of such shareholder; or
 - (5) The Company's Accounting Auditor or its employee, etc.
 3. An individual who has fallen under any of items (1) to (5) of 2 above at any time in the past three (3) years:
 4. A close relative of any of the persons listed in item (1) or (2) of 1 above, items (1) to (5) of 2 above, or 3 above (excluding unimportant persons); or
 5. A person who has served as the Company's Outside Director for a period of more than eight (8) years.
- (Article 24 and Exhibit 2 of the Basic Policy on Corporate Governance)

[Incentives]

Incentive Policies for Directors and/or Executive Officers	Performance-linked Remuneration
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Supplementary Explanation

As remuneration linked to corporate performance, a stock compensation plan utilizing a trust has been adopted, in addition to payment of bonuses. For details, please refer to "Remuneration System for Directors and Executive Officers" attached at the end of this Report.

Recipients of Stock Options	
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Supplementary Explanation

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[Remuneration for Directors and Executive Officers]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
Disclosure of Individual Executive Officers' Remuneration	Only part of information is individually disclosed

Supplementary Explanation **Updated**

1. The breakdown of remuneration for Directors (excluding Outside Directors and Directors who

concurrently serve as Executive Officers) and Outside Directors for FY2023 is as follows. (*1 and *2)

Directors(excluding Outside Directors , and Directors who concurrently serve as Executive Officers) Fixed remuneration: 97 million yen (Eligible recipients: 2)

Outside Directors Fixed remuneration: 122 million yen (Eligible recipients: 8)

The breakdown of remuneration for Executive Officers for FY2023 is as follows. (*1 and *2)

Fixed remuneration: 354 million yen (Eligible recipients: 10)

Bonus (performance-linked remuneration): 273 million yen (Eligible recipients: 10)

Stock-based compensation: 112 million yen (Eligible recipients: 10) (*3)

(*1) The total amount of remuneration, etc. paid to Directors who concurrently serve as Executive Officers and the number of persons covered by such remuneration, etc. are shown in the column for Executive Officers.

(*2) As of the end of FY2023, the Company had 10 Directors and 10 Executive Officers. The number of Directors includes 2 Executive Officers (including 1 Outside Director) who retired during FY2023.

(*3) The Company has introduced stock-based compensation based on a trust scheme, and the above amount of stock-based compensation represents the amount recorded as expenses for FY2023.

2. The breakdown of remuneration for Directors and Executive Officers who was awarded remuneration, etc. of 100 million yen or more in total is as follows.

Executive Officer Naoki Ono

Fixed remuneration: 63 million yen (*1)

Bonus (performance-linked remuneration): 55 million yen

Stock-based compensation: 25 million yen (*2)

(*1) Naoki Ono currently serves as both a Director and an Executive Officer. However, since he is included in the classification “Executive Officer” in 1. above, he is also classified as an “Executive Officer” in this section.

(*2) The Company has introduced stock-based compensation based on a trust scheme, and the above amount of stock-based compensation represents the amount recorded as expenses for FY2023.

Policy on Determining Remuneration
Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

For the policy on determining remuneration, please refer to “Remuneration System for Directors and Executive Officers” attached at the end of this Report.

[Supporting System for Outside Directors]

The Company shall develop the following systems to ensure that the collection of information by Directors, including Outside Directors, is facilitated and that the provision of necessary information to Directors is implemented properly:

- (1) Establish a secretariat that supports activities necessary for supervision over business execution and activities necessary for the appropriate operation of the Board of Directors, the Nomination Committee, the Audit Committee, the Remuneration Committee, the Sustainability Committee, and Outside Directors' informal meetings, etc. under the instructions of the Board of Directors;
- (2) Develop a system that enables each Director to access, to a reasonable extent, materials and data related to important committees pertaining to management, such as the Strategic Management Committee, in order to appropriately supervise business execution;
- (3) Develop a system in which Executive Officers directly report the progress of the execution of their duties to the Board of Directors on a periodic basis or in a timely manner at the request of Directors; and
- (4) Develop a system that enables the Board of Directors to obtain the assistance of outside experts, such as lawyers and certified public accountants, as necessary, and bear the necessary costs and expenses.

In addition to the foregoing, the Company takes measures and provides support to Outside Directors as in order to contribute to appropriate opinions and decisions:

- When a meeting of the Board of Directors is held, materials concerning matters to be discussed at a meeting of the Board of Directors are distributed in advance and time to consider proposals in advance is secured. In addition, prior explanations on the content of proposals are given as necessary.
- Dedicated computers and tablet devices are provided to Outside Directors to provide them with an environment to access necessary information, including materials for the Board of Directors, from outside the Company in a timely manner.
- The Company regularly holds informal meetings participated only by Outside Directors, in order to allow them to exchange information and share awareness from an independent and objective perspective. Discussions of the meetings cover a wide range of topics including the Company's management issues.
- The Company holds briefings for Directors in order to deepen their understanding of the Group's business and help them to exchange opinions with the executive side to improve the corporate value. At the briefings, the executive side explains about important measures for Medium-term Management Strategy and the summary of individual business and projects, etc., on which participants exchange opinions.
- Business site tours by Outside Directors are made in order to deepen their understanding of the Group's businesses.

(Article 26 of the Basic Policy on Corporate Governance)

[Retired Representative Director Presidents holding advisory positions]

Information on retired Representative Director Presidents holding advisory positions

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without remuneration, etc.)	Date when former role as President ended	Term
Yumi Akimoto	Honorary Executive Councilor	External activities as officers, etc. of industry organization	Part-time Without remuneration	June 29, 2000	Undetermined
Akira Nishikawa	Honorary Executive Councilor	External activities as officers, etc. of public institution	Part-time Without remuneration	June 29, 2004	Undetermined
Hiroshi Yao	Honorary Executive Councilor	External activities as officers, etc. of industry organization/ public institution	Part-time Without remuneration	March 31, 2015	Undetermined

Number of retired Presidents holding advisory positions

3 persons

Others

1. Neither Honorary Executive Councilor nor Executive Advisor is involved in the decision making of the Company.
2. In the above column "Date when former role as President ended," the date on which he resigned from the office of President of the Company is stated.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) **Updated**

- Overview of Corporate Governance

(Board of Directors)

The functions and duties of the Board of Directors shall be as follows:

- Upon delegation by shareholders, the Board of Directors shall indicate the direction of its management and make an effort to enhance the Group's medium- to long-term corporate value by, for example, engaging in freewheeling and constructive discussion on management policies and management reforms;
- The Board of Directors shall determine matters that may have a serious impact on management, such as management policies and management reforms, in accordance with the provisions of laws, the Articles of Incorporation and the Board of Directors Rules;
- The Board of Directors shall accelerate decision-making in business execution by delegating the authority over business execution to an appropriate extent to Executive Officers in accordance with the provisions of the Board of Directors Rules, etc. so that Executive Officers may assume the responsibility and authority to make decisions and execute business in response to changes in the business environment; and

- The state of Group governance and the progress of the execution of duties, including the progress of the management strategy, shall be reported by Executive Officers to and supervised by the Board of Directors on a periodic basis.

The Board of Directors is comprised of 11 Directors (including seven (7) Outside Directors), and the Chairperson of the Board of Directors is performed by the Akira Takeuchi (Chairman of the Company).

In FY2023, meetings were held 19 times (Directors' rate of attendance: Akira Takeuchi 100%; Naoki Ono 100%; Nobuhiro Takayanagi 100%; Mariko Tokuno 100%; Hiroshi Watanabe 100%; Hikaru Sugi 100%; Tatsuo Wakabayashi 100%; Koji Igarashi 100%; Kazuhiko Takeda 100%; Rikako Beppu 100% (For Kazuhiko Takeda and Rikako Beppu, the status of attendance after assuming the Director position in June 2022 is stated)).

(Article 15 of the Basic Policy on Corporate Governance)

(Nomination Committee)

The Nomination Committee determines the policy for the nomination of candidates for Director, the content of proposals, etc. concerning the election and dismissal of Directors to be submitted to General Meetings of Shareholders. In addition to this, the Nomination Committee reviews and responds to inquiries from the Board of Directors concerning the election and dismissal, etc. of Executive Officers. Furthermore, in order to develop human resources who will lead the next generation of management, the Nomination Committee deliberates on successor candidates for the Chief Executive Officer together with the development plans, and supervises to ensure the development of successor candidates is performed appropriately.

Majority of the Nomination Committee members shall be Independent Outside Directors, and the Chairperson shall be performed by an Independent Outside Director. The Nomination Committee is comprised of five (5) Directors (All are Outside Directors), and the Chairperson is Mariko Tokuno (Independent Outside Director).

(The Chief Executive Officer had served as a Nomination Committee member in the past. In order to strengthen the independence and objectivity of the Committee, we revised the composition of the Committee so that all five members are Outside Directors. For the purpose of ensuring the effectiveness of the Committee, Executive Officers are required to attend Committee meetings where necessary to hear their explanations and opinions.)

In FY2023, the meetings were held 15 times (Members' rate of attendance: Mariko Tokuno 100%; Hiroshi Watanabe 100%; Hikaru Sugi 100%; Tatsuo Wakabayashi 100%; Naoki Ono 100% (For Hiroshi Watanabe, the status of attendance after assuming the position in June 2022 is stated)).

(Article 30 and 33 of the Basic Policy on Corporate Governance)

(Audit Committee)

The Audit Committee audits the legality and validity of duties performed by Directors and Executive Officers, via audits either using internal control systems or directly by the Audit Committee member selected by the Audit committee.

Majority of the Audit Committee members shall be Independent Outside Directors, and the Chairperson shall be performed by an Independent Outside Director.

The Audit Committee also elects one (1) full time Member of the Audit Committee in order to improve

the effectiveness of audits conducted by the Audit Committee. The Audit Committee is comprised of five (5) Directors (including four (4) Outside Directors), and the Chairperson is Kazuhiko Takeda (Independent Outside Director).

In FY2023, the meetings were held 16 times (Members' rate of attendance: Tatsuo Wakabayashi 100%; Hiroshi Watanabe 100%; Koji Igarashi 100%; Kazuhiko Takeda 100%; Akira Takeuchi 100% (For Tatsuo Wakabayashi and Kazuhiko Takeda, the status of attendance after assuming the position in June 2022 is stated)).

(Article 34 of the Basic Policy on Corporate Governance)

(Remuneration Committee)

The Remuneration Committee establishes policies for determining individual remuneration for Directors and Executive Officers, and determines the individual remuneration to be received by Directors and Executive Officers based on such policies.

Majority of the Remuneration Committee members shall be Independent Outside Directors, and the Chairperson shall be performed by an Independent Outside Director. The Remuneration Committee is comprised of five (5) Directors (All are Outside Directors), and the Chairperson is Hikaru Sugi (Independent Outside Director).

(In order to strengthen the independence and objectivity of the Committee, we revised the composition of the Committee so that all five members are Outside Directors. For the purpose of ensuring the effectiveness of the Committee, Executive Officers are required to attend Committee meetings where necessary to hear their explanations and opinions.)

In FY2023, the meetings were held 11 times (Members' rate of attendance: Hikaru Sugi 100%; Mariko Tokuno 100%; Koji Igarashi 100%; Rikako Beppu 100%; Akira Takeuchi 100%

(For Koji Igarashi and Rikako Beppu, the status of attendance after assuming the position in June 2022 is stated)).

(Article 35 of the Basic Policy on Corporate Governance)

(Sustainability Committee)

The Sustainability Committee was established under the Board of Directors on June 28, 2022 in order for the Board of Directors to not only monitor the Company's sustainability efforts but also to proactively consider the direction of the sustainability efforts from different perspectives and present them within the Company. Through this, the Company will improve the quality of its sustainability initiatives and enhance the Group's medium- to long-term corporate value.

The Sustainability Committee shall review policies on sustainability issues and others after being consulted by the Board of Directors, and submit the details to the Board.

Majority of the Sustainability Committee members shall be Independent Outside Directors, and the Chairperson shall be performed by an Independent Outside Director. Currently, the Sustainability Committee is comprised of five (5) Directors (including four (4) Outside Directors), and the Chairperson is Koji Igarashi (Independent Outside Director).

(The Sustainability Committee had eight members in the past. In order to further increase the level of discussions within the Committee, we revised the composition of the Committee so that the number of members are five, as with other Committees.

In FY2023, the meetings were held 9 times (Members' rate of attendance: Koji Igarashi 100%;

Mariko Tokuno 100%; Hiroshi Watanabe 100%; Hikaru Sugi 100%; Tatsuo Wakabayashi 100%; Kazuhiko Takeda 100%; Rikako Beppu 100%; Akira Takeuchi 100%).

(Article 36 of the Basic Policy on Corporate Governance).

(Executive Officer)

Executive Officers execute business in accordance with the prescribed segregation of duties, based on the delegation of authority from the Board of Directors.

The Company has 9 Executive Officers, of which the Chief Executive Officer Naoki Ono, and Managing Executive Officer Makoto Shibata, are elected as Representative Executive Officers upon the decision of the Board of Directors.

(Article 28 of the Basic Policy on Corporate Governance)

(Strategic Management Committee)

Following the delegation of authority from the Board of Directors, the Strategic Management Committee reviews and determines important matters concerning the management of the entire Group. The Strategic Management Committee consists of the Chief Executive Officer and the Executive Officers in charge of each department of the Strategic Headquarters. The Chief Executive Officer serves as the chairperson of the committee.

- Status of audits, internal audits and accounting audits by the Audit Committee

(Status of audits performed by the Audit Committee)

In addition to attending meetings of the Strategic Management Committee and other important meetings, by making use of a method via the internet at the same time, members of the Audit Committee conduct interviews with Directors, Executive Officers, departments in charge of internal audits, and other departments in charge of internal control concerning progress on the execution of their duties, and view important approval documentation, etc. Selected members of the Audit Committee investigate the state of business and assets at the Company headquarters and important business sites according to the audit standards and audit plans, etc. of the Audit Committee as established by the Audit Committee. They also conduct onsite audits of subsidiaries, etc. as needed, while forming a framework for conducting audits on the state of the execution of duties by Directors and Executive Officers.

In addition, the Audit Committee holds regular meetings with major subsidiaries' Auditors as part of efforts to strengthen coordination in order to enhance the effectiveness of the Group's audit systems. The Audit Committee Office has been set up directly under the Audit Committee to assist the Committee's audit duties.

Kazuhiko Takeda, Chairperson of the Audit Committee, has extensive knowledge of finance and accounting through his experience as CFO at major subsidiaries of listed companies.

Also Tatsuo Wakabayashi, a Member of the Audit Committee, has extensive knowledge of finance and accounting, having successively served as president and chairman of financial institutions.

The Audit Committee examines the status of the development and operation of the internal control system, the status of the development and operation of the internal control system for financial reporting, the status of risks and countermeasures in implementing the Medium-term Management Strategy, the status of measures for work place safety, the status of the implementation of measures

to comply with the Antimonopoly Act, the appropriateness of auditing methods and the results of audits by Accounting Auditors, as well as other matters.

To enhance the effectiveness of the entire three-pillar audit system, the Audit Committee, the Internal Audit Department, and Accounting Auditor discuss to enhance the cooperation with each other.

Full-time Members of the Audit Committee attend important meetings such as the Strategic Management Committee, the Group's Management Committee, Budget Deliberation, Monozukuri and R&D Strategy Meetings and the Meeting for Sharing Governance Information, and make comments or suggestions on matters of concern. Regular meetings are also held with the Chief Executive Officer, as well as individual discussions with Executive Officers, to exchange opinions. In addition, they receive reports from each division of the Strategic Headquarters and professional CoE division on a regular or timely basis and make suggestions or recommendations. Details thereof are shared with the Audit Committee in a timely manner.

(Status of internal audits)

As of June 23, 2023, the Audit Dept. of the Strategic Headquarters and the Audit Dept. of in-house companies, which are departments in charge of internal audits, consist of 32 persons, including each General Manager of each Audit Dept. Each Audit Dept. is responsible for conducting internal audit work on the instructions of the responsible Executive Officers in cooperation with the Audit Committee to investigate the effectiveness and efficiency of company operations across the Group, the credibility of financial reports, the state of asset preservation and use, the risk management status, and the state of compliance with laws and regulations, and internal rules and standards, based on the internal audit plans approved by the responsible Executive Officers and the Audit Committee. They also share information with and work closely with the Accounting Auditor to conduct audits. The Audit Dept. of the Strategic Headquarters regularly reports the results of Group-wide audits to the responsible Executive Officer and the Audit Committee, and the responsible Executive Officer regularly reports the results of Group-wide audits to the Board of Directors.

(Status of accounting audits)

The Status of accounting audits for FY2023 is as follows:

(1) Name of Audit Corporation

KPMG AZSA LLC

(2) Continuous Audit Period

Since 1975 (for 48 years)

The above-mentioned period was counted from the establishment of Shinwa Audit Corporation, one of the predecessors of KPMG AZSA LLC. If the continuous audit period includes a period when the audits were conducted by a private firm, a predecessor of Shinwa Audit Corporation, it is for 58 years since 1965.

(3) Certified Public Accountants Who Performed Audit Work

Takuji Kanai, Designated Limited Liability Partner, Engagement Partner

Hiroshi Tani, Designated Limited Liability Partner, Engagement Partner

(4) Composition of assistants for audit work

The assistant team for audit work for the Company consisted of 12 Certified Public Accountants and 14 other persons.

(5) Policy on appointment, dismissal and non-reappointment

The Audit Committee appoints the Accounting Auditor based on the following criteria: (1) expertise, independence, timeliness and appropriateness, quality control and governance systems, (2) ability to respond to the Company's multi-industry and global business developments, (3) efficiency improvement of accounting audit operations, (4) communication with the Audit Committee, management, etc., (5) any applicability to dismissal requirements based on statutory grounds, and (6) continuous audit period. The Audit Committee's policy is to dismiss or not reappoint if a problem is found in these criteria.

(6) Evaluation of the Accounting Auditor by the Audit Committee

Based on the standards for evaluation and selection of Accounting Auditor established by the Audit Committee, it comprehensively evaluates these criteria of Accounting Auditor after obtaining materials from Executive Officers, related departments in the Company and Accounting Auditor and receiving reports necessary for determination.

(*) Following a resolution at the Ordinary General Meeting of Shareholders held on June 23, 2023, Deloitte Touche Tohmatsu LLC was appointed as the new Accounting Auditor. For details, please refer to the notice of the 98th ordinary general meeting of shareholders and the notice of resolutions.

https://ssl4.eir-parts.net/doc/5711/ir_material3/208603/00.pdf

https://ssl4.eir-parts.net/doc/5711/ir_material3/209228/00.pdf

- Content and outline of the Limited Liability Agreement with Outside Directors

Provisions of the Articles of Incorporation allow the Company to execute with Directors (excluding those who are Executive Directors, etc.) agreements limiting liability for damages in accordance with Article 427, Paragraph 1 of the Companies Act. In accordance with the provisions, the Company has concluded Limited Liability Agreements with all of the Non-executive Directors. The outline of the agreements is as follows:

With respect to liability as described in Article 423, Paragraph 1 of the Companies Act, if Directors (excluding those who are Executive Directors, etc.) perform their duties in good faith and without gross negligence, the Directors shall be liable to the Company for damages only to the extent of minimum liability as set out in Article 425, Paragraph 1 of the Companies Act. The Company shall indemnify the Directors for damages in excess of the amount of the liability.

3. Reasons for Adoption of Current Corporate Governance System

Among the governance systems under the Companies Act, we have chosen to be a Company with a Nomination Committee, and by separating supervision and execution, will strengthen the Board of Directors' management supervisory functions, improve the transparency and fairness of

management and accelerate business execution and decision making.

As the Group is an integrated business entity supplying basic materials and elements indispensable to the world, and is involved in recycling business and renewable energy business, we adopted an in-house company system so as to facilitate and appropriately execute business operations.

Further, Outside Directors play a role in supervising the appropriateness of Directors and Executive Officers in the execution of their duties from an objective standpoint and in providing a diverse range of values regarding the management of the Company based on expert knowledge and through experience that differs from that of officers who advanced internally, so that the Board of Directors' management supervisory functions would be further strengthened.

(Articles 2 and 23 of the Basic Policy on Corporate Governance)

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights **Updated**

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	The Company discloses convocation notices of General Meetings of Shareholders earlier than the deadline designated by law, and makes effort to send them out as early as possible. As for the convocation notice of the 98th Ordinary General Meeting of Shareholders held on June 23, 2023, it was disclosed on the Company's website on May 25, 2023, and sent on June 1, 2023.
Scheduling General Meeting of Shareholders Avoiding the Peak Day	A General Meeting of Shareholders was held on June 23, 2023.
Allowing Electronic Exercise of Voting Rights	Since the 80th Ordinary General Meeting of Shareholders held on June 29, 2005, the Company has had in place a system to exercise voting rights by electromagnetic means (Internet). Further, since the 82nd Ordinary General Meeting of Shareholders held on June 28, 2007, the Company has been participating in the Electronic Voting Platform for Institutional Investors operated by ICJ, Inc.
Participation in Electronic Voting Platform	Since the 82nd Ordinary General Meeting of Shareholders held on June 28, 2007, the Company has been participating in the Electronic Voting Platform for Institutional Investors operated by ICJ, Inc.
Providing Convocation Notice in English	We are endeavoring to make disclosure to overseas/foreign investors by placing information on our English website, the Timely Disclosure network (TDnet) operated by Tokyo Stock Exchange, Inc. or the Electronic Voting Platform for Institutional Investors operated by ICJ, Inc.
Other	To improve shareholder convenience, a hybrid participation-type General Meeting of Shareholders (live streaming) has been conducted from the 96th Ordinary General Meeting of Shareholders held on June

	24, 2021. The streamed video of the General Meeting of Shareholders will also be posted on the Company' s website for a certain period of time.
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2. IR Activities

	Supplementary Explanations	Whether or not any explanation was provided by the representative
Preparation and Publication of Disclosure Policy	Our IR policy is posted on our website: https://www.mmc.co.jp/corporate/en/ir/irpolicy.html	
Regular Explanatory Meetings for Individual Investors	The Company holds company information sessions for individual investors on a periodic basis with the Chief Financial Officer, General Manager of the Corporate Communications Dept., etc. as explainers.	No
Regular Investor Conferences for Analysts and Institutional Investors	The Company holds an investor conference and IR conference for analysts and institutional investors with the Chief Executive Officer, the Chief Financial Officer, etc. as explainers, after the full-year financial results and the 2nd quarter financial results and holds an investor conference with the Chief Financial Officer, etc. as explainers after the 1st and the 3rd quarter financial results. Further, the Company holds IR Day and explanatory meetings regarding individual businesses, etc. from time to time. In addition, the Company regularly holds a sustainability meeting on its sustainability initiatives.	Yes
Regular Explanatory Meetings for Foreign Investors	The Company holds explanatory meetings regarding management conditions and each business for foreign investors on a periodic basis with the Chief Executive Officer, the Chief Financial Officer etc. as explainers.	Yes
Posting of IR Materials on Website	On our website, we post summaries of financial results, securities reports, Integrated Reports, materials for investor conference for analysts and institutional investors, materials for company information sessions for individual investors, shareholder newsletters, as well as timely disclosure materials required by the listing rules of stock exchanges, etc.	

Establishment of Department and/or Executive Officer in Charge of IR	The Company has appointed the officer (Chief Financial Officer) who supervises IR matters, and also designated the full-time staff members in the Corporate Communications Dept.	
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3. Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary Explanations
Stipulation of Internal Regulations for Respecting the Position of Stakeholders	<p>They are set forth in the Basic Policy on Corporate Governance and the Code of Conduct, as well as Sustainability Policy and others. These are available on our website.</p> <p>Basic Policy on Corporate Governance: https://www.mmc.co.jp/corporate/en/company/governance.html</p> <p>Code of Conduct: https://www.mmc.co.jp/corporate/en/company/policy.html</p> <p>Sustainability Policy: https://www.mmc.co.jp/corporate/en/sustainability/</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company established Compliance & Risk Management Dept. and designated a CRM (Compliance & Risk Management) Managing Director, CRM Director and CRM Manager in each department of the Company and its subsidiaries. All of the companies in the Mitsubishi Materials Group are working on CSR activities, including, among others, risk management and thorough compliance.</p> <p>The status of the activities concerning the above is disclosed in the Integrated Reports, ESG Reports, etc.</p> <p>Further, with the establishment of an organization relating to sustainability (Sustainable Management Office)(*), the Company gathers and discusses requests from stakeholders so as to reflect them in the management.</p> <p>Integrated Reports: https://www.mmc.co.jp/corporate/ja/ir/library/annual.html</p> <p>ESG Reports: https://mmc.disclosure.site/ja/</p> <p>(*) In line with the renewal of the sustainability management system effective July 1, 2023, the Sustainable Management Office will be reorganized as the SCQ Promotion Office, and some changes will be made to the composition of the special panels. For details, please refer to the Company's press release dated June 8, 2023. https://www.mmc.co.jp/corporate/en/news/2023/news20230608.html</p>
Development of Policies on Information Provision to Stakeholders	They are set forth in the Basic Policy on Corporate Governance, etc.

IV. Matters Related to the Internal Control System

1. Basic Approach to Internal Control System and the Progress of System Development

We recognize that in order to attain our business purpose, management plan, etc., the establishment of appropriate internal control systems is the key task of the Company.

With such recognition, we have been promoting improvements to our internal control systems by developing the following structures based on the Companies Act and the Regulation for Enforcement of the Companies Act, through the establishment and operation of internal regulations, etc. We will review said systems as necessary, and will make every effort to operate them more effectively.

1. Systems to ensure the execution of duties by Executive Officers and employees in conformity with laws and the Articles of Incorporation

(1) The Company shall determine the Corporate Philosophy, etc. as the supreme common rule of Mitsubishi Materials Group, and also shall put in place internal regulations to establish a compliance system.

(2) The Company shall determine through the Board of Directors, the Strategic Management Committee and other committees, etc., the details for the execution of duties by the Executive Officers and employees in accordance with laws, the Articles of Incorporation, internal regulations, etc. In addition, the legal department and the related departments shall carry out the preliminary review of specific significant matters.

(3) The Board of Directors shall receive reports on the status of the execution of duties from Executive Officers on a regular basis and on necessary matters from Executive Officers at the Board of Directors meetings from time to time.

(4) The Company shall appoint an Officer from among its Executive Officers to oversee matters relating to compliance and establish an organization for sustainability and a department responsible for compliance, and shall also enforce cross-divisional compliance promotion activities (including internal education) for the whole Company based on the policies, plans, etc. to be established for each fiscal year.

(5) The Company shall establish a reporting desk to deal with particulars related to problems that may arise over compliance.

(6) The Company shall enforce periodical auditing by the department in charge of internal audits.

2. Systems for preservation and management of information related to the execution of duties of Executive Officers

The Company shall properly preserve and manage the minutes and other significant information of the Strategic Management Committee and other important meetings, based on laws, the Articles of Incorporation, internal regulations, etc.

3. Regulations and other systems concerning risk management

(1) The Company shall deliberate carefully on significant matters through the Board of Directors, the Strategic Management Committee and other decision-making bodies based on laws, the Articles

of Incorporation, internal regulations, etc. In addition, the Company shall carry out the preliminary review of significant matters through legal and other related departments based on the internal regulations and others in order to identify risks and prevent risk elicitation and manifestation.

(2) The Company shall determine the internal regulations, policies and plans, etc. related to general risk management. In addition, the Company shall appoint an Officer from among its Executive Officers to oversee matters relating to risk management and establish an organization for sustainability and a department responsible for risk management and shall enforce cross-divisional risk management promotion activities for the whole Company.

(3) Executive Officers shall continuously identify risk factors of the Group and formulate and promote measures necessary to minimize losses if risks materialize, based on internal regulations, policies and plans concerning risk management in general.

(4) The Company shall establish a crisis management system and rules concerning crisis response measures and other matters on crisis management in order to promptly and appropriately address any risk that may have a material impact on the Group's management and to take corrective measures.

4. Systems to ensure efficient execution of duties by Executive Officers

(1) The Company has chosen to be a Company with a Nomination Committee among the governance systems under the Companies Act and will accelerate decision making with the appropriate transfer of authority to Executive Officers with respect to decisions on matters concerning the execution of duties. The Company will establish the rules for official authority and decision making based on the areas of responsibility of each Executive Officer and internal regulations.

(2) The Company shall determine the management plan, allocate suitable management resources and authority among the divisions controlled by each Executive Officer to achieve the plan, and require those divisions to formulate their own specific plans. In addition, the Executive Officers shall suitably verify the progress state of the plan of each division and take appropriate measures when necessary.

5. Systems to ensure appropriate operations by the corporate group comprising the Company and its subsidiaries

(1) The Company shall aim to establish corporate ethics and build a Group compliance and risk management system (including an internal education system) through the promotion of activities and behaviors, etc. toward compliance and risk management by the Group, including subsidiaries, based on the Corporate Philosophy, etc. and internal regulations, etc. that are applied consistently throughout the Group.

(2) Concerning each subsidiary, the Company shall aim to improve the soundness and efficiency of management of the subsidiary, and by extension the whole Group, by determining a response liaison department within the Company. The concerned department shall consult and exchange information with the subsidiary concerning specific significant matters.

(3) The Company shall establish various regulations related to internal controls concerning financial reporting. The Company shall also establish assessment mechanisms for those internal controls and build a system to ensure the accuracy of the Group's financial reports.

(4) In addition to the above-mentioned (1), (2) and (3), the Company shall enforce periodic auditing concerning compliance, risk management and the efficiency of management of subsidiaries by the department in charge of internal audits of the Company.

6. Matters concerning employees assigned to assist the Audit Committee, matters concerning the independence of such employees from Executive Officers, and matters concerning ensuring the effectiveness of instructions provided by the Audit Committee to such employees

(1) The Company shall establish the Audit Committee Office to assist with the operations of the Audit Committee. The Company shall assign necessary personnel as employees to assist with the operations of the Audit Committee within the Audit Committee Office.

(2) The employees who are to assist the operations of the Audit Committee shall carry out the operations of the Audit Committee according to the instructions of the committee.

(3) Personnel changes of employees who are to assist the operations of the Audit Committee shall be made after obtaining the prior consent of the Audit Committee (in the case where the Audit Committee has designated a specific Audit Committee Member, such Audit Committee Member). Further, the Audit Committee (in the case where the Audit Committee has designated a specific Audit Committee Member, such Audit Committee Member) shall conduct personnel performance evaluation of employees who are to assist the operations of the Audit Committee.

7. Systems for reporting to the Audit Committee and for ensuring that people making reports shall not experience disadvantageous treatment as a result of this reporting

(1) The Directors (excluding those who are Members of the Audit Committee), Executive Officers and employees shall swiftly report appropriate information to the Audit Committee in accordance with the method stipulated in laws and the internal regulations of the Company, in the case where there is considerable damage to the Company's operations in areas for which they are responsible or the possibility of significant impact on the Company. In addition, the same shall apply in the event that the Audit Committee requests a report about business operations.

(2) In the event of a report by a Director, Executive Officer, Audit & Supervisory Board Member or employee, etc. of the Company or its subsidiary to the reporting desk on a compliance-related problem, the department in charge of the reporting desk shall in principle report the content of such report to the Full-time Member of the Audit Committee.

(3) The department in charge of internal audits of the Company shall report to the Audit Committee important items heard from Directors, Executive Officers, Audit & Supervisory Board Members and employees, etc. of the Company and its subsidiaries, as well as important items from audit results. As for the matters determined to be necessary for the operations of the Audit Committee, the department in charge of such matters shall make a periodic report.

(4) The Company and its subsidiaries shall ensure that the people reporting to the Audit Committee (including people reporting indirectly through others) would not be treated unfavorably because of such reporting by including provisions to such effect in the internal regulations, etc.

8. Matters concerning policies related to the handling of expenses or obligations incurred during the execution of duties by the Members of the Audit Committee

Any Member of the Audit Committee may request the Company in advance to pay expenses, etc.

deemed to be necessary for the execution of its duties. Further, any Member of the Audit Committee may request the Company after the fact to reimburse any expense paid out on an emergency or temporary basis. The Company shall pay expenses necessary for the execution of duties of the Members of the Audit Committee upon request by any of such Members.

9. Other systems to ensure effective auditing by the Audit Committee

(1) The Audit Committee shall exchange opinions with the Audit Committee Office, the Executive Officers, including the Chief Executive Officer, the departments in charge of internal audits and other departments necessary for the execution of duties of the Audit Committee, as well as the Accounting Auditor, etc., periodically or when deemed necessary.

(2) The Audit Committee may, if deemed necessary for the execution of its duties, give instructions to the department in charge of internal audits. Preference shall be given to the instructions of the Audit Committee if there is a conflict between the instructions given by the Audit Committee and those given by Executive Officers.

(3) The Full-time Members of the Audit Committee shall be provided with the opportunity to attend the Strategic Management Committee and other significant meetings of the Company, and the Company shall establish systems to enable each Member of the Audit Committee to review, through the internal information system, the materials and minutes of any significant meetings related to the execution of business duties.

2. Basic Approach to Eliminating Anti-Social Forces

(1) Basic approach to eliminating anti-social forces

In the Company's Corporate Philosophy, etc., it is stated that the Company will not have any relationship with anti-social forces and will take a firm stance against any illegal or unreasonable demand. Further, the same policy is stated in the above-mentioned outline for the development of internal control systems as well.

(2) Status of development of systems toward eliminating anti-social forces

The Company has determined the Executive Officers in charge of the elimination of anti-social forces and the department in charge of handling such matters, and has also established a company-wide organizational structure by designating the person and department in charge of such matters at each business location and subsidiary. In terms of concrete measures, the Company has established response manuals and has been working to make such measures widely known by providing education in its internal training, etc. In addition, the Company has been working with the competent police station and related entities and also endeavors to collect information by exchanging information with other companies on a periodic basis.

V. Other

1. Adoption of Takeover Defense Measures

Adoption of Takeover Defense Measures	Not Adopted
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Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

1. Fundamental policies for timely disclosure

We shall contribute to the optimization of securities trading and shall ultimately maintain our social trust in the securities markets, by establishing internal regulations based on our Corporate Philosophy, etc. to ensure the timely implementation of disclosure and prevent insider trading and by other means.

2. Response procedures concerning timely disclosure

The Company designated the General Manager of the Corporate Communications Dept. as the person responsible for the management of internal information and has him/her handle matters concerning timely disclosure, and perform timely disclosure in accordance with the following response procedures.

(1) Collection of information

Any important information concerning the Company and its subsidiaries shall be promptly reported through a department in charge at the Company headquarters (each division and department of Strategic Headquarters and professional CoE, and each in-house company) to the Corporate Communications Dept.

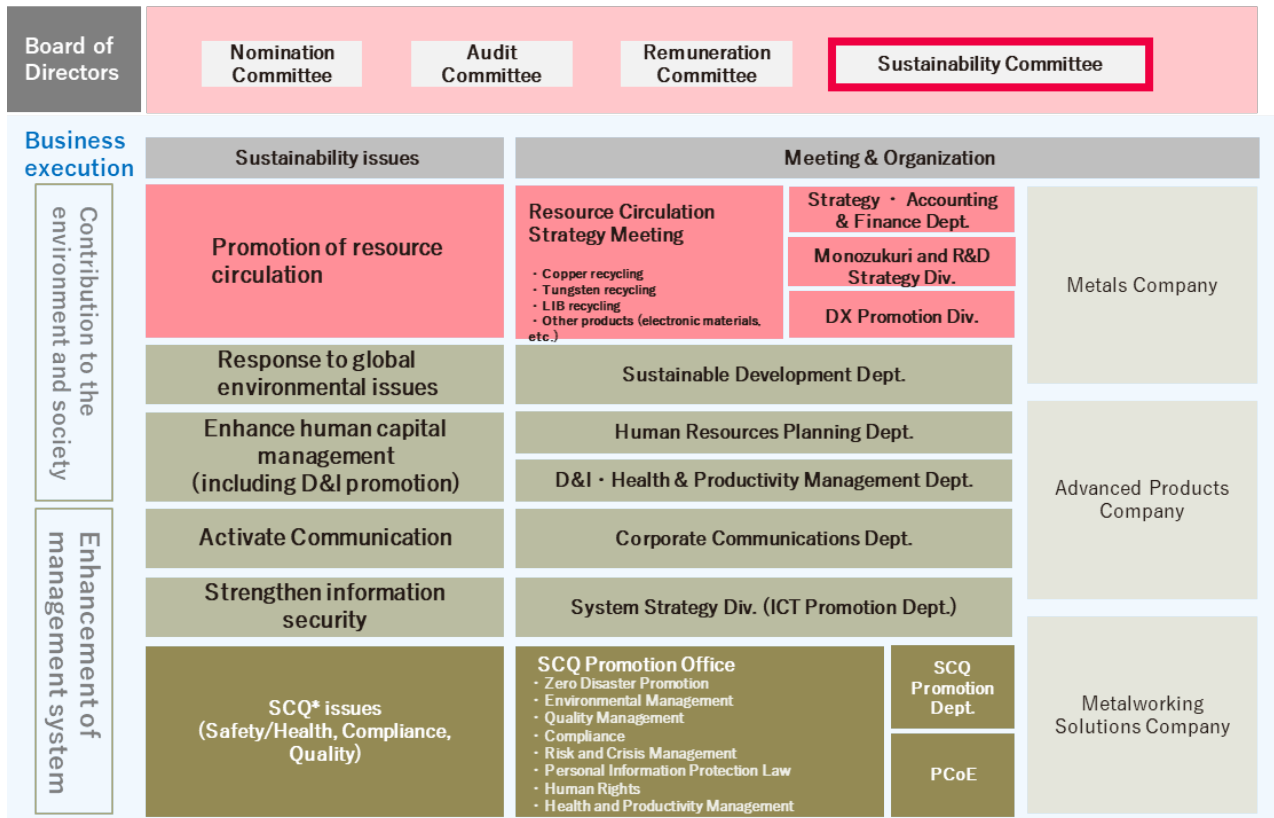
(2) Determination on information

Any corporate information consolidated in the Corporate Communications Dept. shall be considered to determine whether or not any timely disclosure should be made by the Corporate Communications Dept. through consultation with related departments as necessary. The person responsible for the management of internal information shall make the determination on whether or not any timely disclosure should be made while complying with the relevant provisions determined by the stock exchanges.

(3) Implementation of disclosure

Under the instructions of the person responsible for the management of internal information, appropriate and timely disclosure of information shall be made by the Corporate Communications Dept.

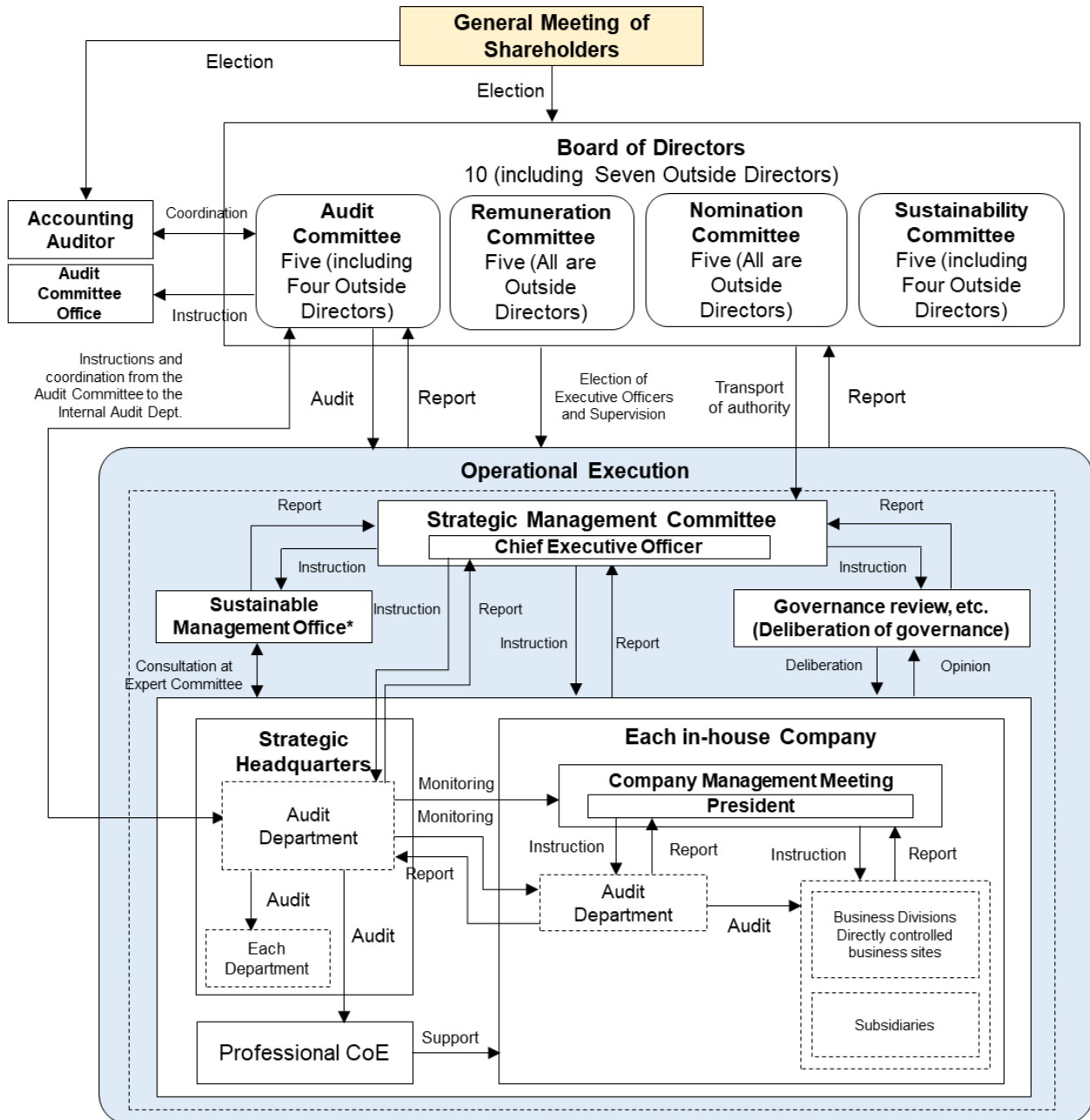
〔Sustainability Management System〕



*SCQ: S : Safety & Health、C : Compliance、Q : Quality

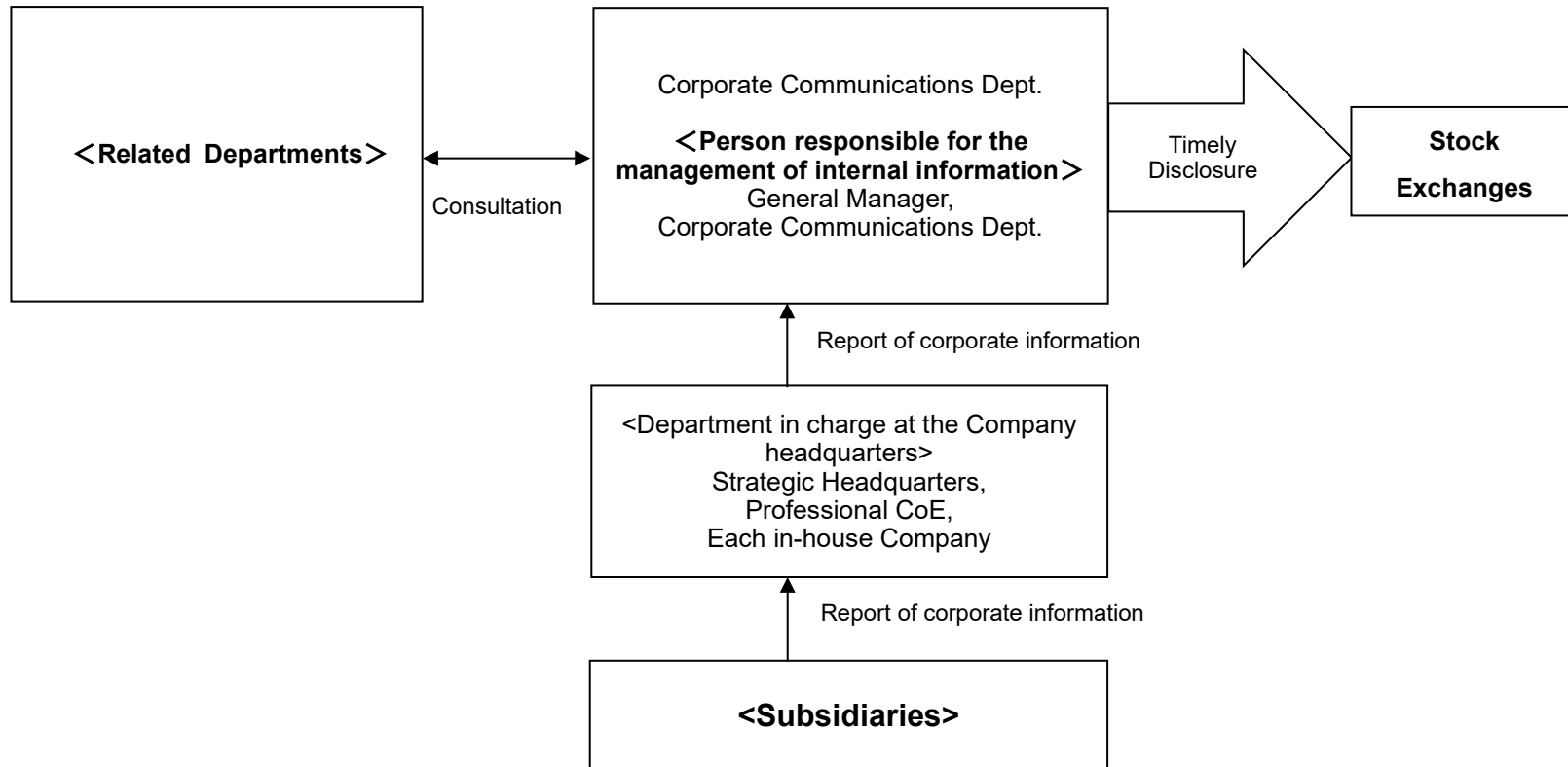
*This diagram shows the system planned from July 1, 2023, onward. For details on the renewal of the sustainability management system, please refer to [Supplementary Principle 3-1-3: Initiatives for sustainability] in [Disclosure Based on the Principles of the Corporate Governance Code] of this report.

[Overview of Corporate Governance System]



* In line with the renewal of the sustainability management system effective July 1, 2023, the Sustainable Management Office will be reorganized as the SCQ Promotion Office, and some changes will be made to the composition of the special panels. For details on the renewal of the sustainability management system, please refer to [Supplementary Principle 3-1-3: Initiatives for sustainability] in [Disclosure Based on the Principles of the Corporate Governance Code] of this report.

(Mitsubishi Materials Corporation - Summary of Internal Structures for Timely Disclosure)



<<Remuneration System for Directors and Executive Officers>>

With the aim of creating an attractive remuneration system for outstanding management personnel that will drive improvements in the Group's corporate value from a medium- to long-term viewpoint and establishing remuneration governance that will enable the Company to fulfill its accountability to stakeholders, including shareholders, the Company shall establish a policy on determining the remuneration for Directors and Executive Officers (hereinafter, "Officers") and a remuneration system as follows:

1. Policy on Determining Remuneration for Officers

- (1) A system shall be created that provides competitive standards for remuneration compared with companies of a business category and size similar to the Group.
- (2) The performance of the functions and duties assumed by each Officer and contributions to the improvement of medium- to long-term corporate value shall be evaluated in a fair and equitable manner, and the evaluation results shall be reflected in remuneration.
- (3) In order to have remuneration function as a sound incentive to improve the Group's medium- to long-term corporate value, remuneration shall consist of basic remuneration, an annual bonus based on performance evaluations in each fiscal year, etc. and stock-based compensation, which is a medium- to long-term incentive linked to medium- to long-term performance and corporate value. The remuneration composition ratio shall be determined appropriately in accordance with one's job position. Provided, however, that for Directors (excluding those who concurrently hold the posts of Director and Executive Officer), only basic remuneration shall be paid in cash, in light of their function and role of supervising the performance of job duties by the Executive Officers.
- (4) An annual bonus shall be determined with the emphasis on the performance in each fiscal year, while appropriately evaluating the relative results of Total Shareholder Return (TSR)* and the status of each Executive Officer's implementation of medium- to long-term management strategies, etc.

$$*TSR = \frac{\begin{array}{c} \text{Average closing price of the} \\ \text{stock on each day in March of} \\ \text{the current year} \end{array} + \begin{array}{c} \text{Total amount of dividends per} \\ \text{share in the current fiscal year} \end{array}}{\begin{array}{c} \text{Average closing price of the stock on each day in March of the} \\ \text{previous year} \end{array}}$$

- (5) A medium- to long-term incentive shall be stock-based compensation that enables Officers to share awareness of profits with shareholders in order to enhance corporate value from a medium- to long-term viewpoint.

- (6) The policies for determining remuneration and the amount of individual remuneration shall be deliberated and determined by the Remuneration Committee composed of a majority of Independent Outside Directors.
- (7) Necessary information shall be disclosed actively so that stakeholders including shareholders can monitor the relationship between performance, etc. and remuneration.

2. Remuneration System for Officers

- (1) Directors (excluding those who concurrently hold the posts of Director and Executive Officer)

The remuneration system for Directors shall be determined so that only basic remuneration shall be paid in cash, taking into consideration an individual Director's job position, whether he/she is a full-time/part-time Director, etc. and referring to the standards for remuneration of other companies based on the research of outside experts.

- (2) Executive Officers

The remuneration payable to Executive Officers shall consist of basic remuneration, which is fixed remuneration, and an annual bonus and stock-based compensation, which are performance-linked remuneration. The remuneration composition ratio shall be in line with "Basic remuneration/Annual bonus/Stock-based compensation = 1.0/0.6/0.4" (*In the case where the annual bonus payment rate is 100%) as to the Chief Executive Officer, and for other Executive Officers, the ratio of performance-linked remuneration to basic remuneration shall be set lower than that for the Chief Executive Officer.

Further, the standards for remuneration shall be determined by referring to the standards of peer companies (similar-sized companies determined by the Remuneration Committee) based on the research of outside experts.

<Basic Remuneration>

Basic remuneration shall be paid in cash as fixed remuneration in accordance with one's job position.

<Annual Bonus (Short-term Incentive Remuneration)>

The annual bonus shall be determined based on the consolidated operating profit, relative comparison of TSR, and status of achievement of the non-financial target set for each Executive Officer, on a single-year basis.

The specific evaluation items shall be as follows:

<<Evaluation Items>>

- (i) Consolidated operating profit (or, in the case of an Executive Officer in charge of business activities, operating earnings from the relevant business sector), based on which the earning capacity of one's main job is evaluated; to be multiplied by an adjustment factor based on the consolidated operating profit growth rate compared with other companies to enhance consciousness on growth greater than market growth (relative comparison with six nonferrous metal companies and the companies chosen mainly among similar-sized manufacturing companies)
- (ii) Relative comparison of TSR (relative comparison with six nonferrous metal companies and the companies chosen mainly among similar-sized manufacturing companies)
- (iii) Non-financial evaluation that evaluates the status of achievement of the targets set for each Executive Officer at the beginning of the term and other relevant factors with regard to efforts aimed at improving medium- to long-term corporate value, which is less likely to be represented in short-term performance, as well as efforts in line with the Sustainability Policy*

*Sustainability Policy Items

- 1. Build a Work Environment that puts Safety and Health First
- 2. Respect Human Rights
- 3. Promote Diversity and Inclusion
- 4. Cultivate Mutual Prosperity with Stakeholders
- 5. Strengthen Corporate Governance and Risk Management
- 6. Engage in Fair Business Transactions and Responsible Sourcing
- 7. Ensure Stable Provision of Safe, Secure, and High Value Added Products
- 8. Proactive Engagement for the Global Environment

<<Calculation Formula>>

By deeming the amount payable for achievement of the target (Base Annual Bonus) as 100%, the amount for each individual shall be calculated by using the following calculation formula:

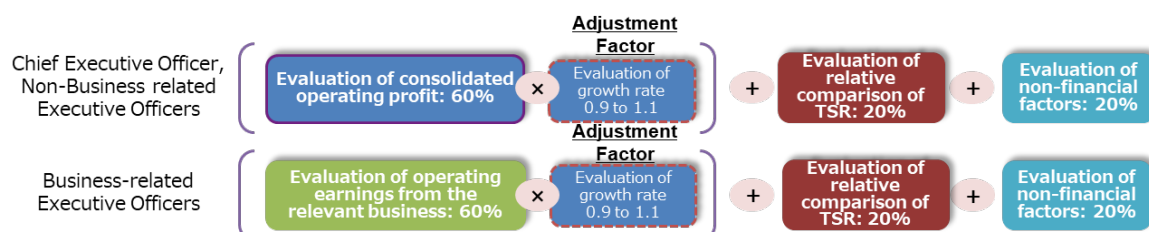
$$\text{Annual Bonus} = \text{Base Annual Bonus by Job Position} \times \text{Payment Rate Based on Performance Evaluation}^*$$

- * "Payment Rate Based on Performance Evaluation" shall range from 0% to 200% based on a performance.

<<Evaluation Weight>>

The annual bonus shall be determined based on the evaluations of each portion of 60%*, 20% and 20% of the base amount, which depends on one's job position, in terms of consolidated operating profit (or, in the case of an Executive Officer in charge of business activities, operating profit from the relevant business sector), relative TSR comparison and non-financial factors, respectively.

* To be adjusted using consolidated operating profit growth rate compared with other companies.



<Target of performance evaluation indicator for annual bonus>

With regard to the target of performance evaluation indicators for annual bonuses, in principle, consolidated operating profit for the current period planned in the Medium-Term Management Strategy shall be applied (For operating earnings of the business for which the Officer is responsible, planned consolidated operating earnings from the relevant business sector shall be used.).

<Stock-based compensation (Medium- to Long-term Incentive Remuneration)*>

Stock-based compensation shall be a system that utilizes a trust for the purpose of achieving the sharing of a common profit awareness with shareholders. This shall be used as an incentive for improving the medium- to long-term corporate value of the Group and under which the Company's shares and cash equivalent to the proceeds from the realization of the Company's shares (hereinafter referred to as "the Company's Stock, etc.") shall be granted in accordance with one's job position, upon retirement from the post of Executive Officers. No performance conditions nor stock price conditions shall be set with respect to the shares to be delivered.

Please note that in the case of a non-resident staying in Japan, different treatment may be applied under laws or for any other relevant circumstances.

- * The Officers' remuneration system adopts a structure called BIP (Board Incentive Plan) and grants to the Executive Officers the shares of the Company's Stock, etc. It is an incentive plan to accumulate points to be given to Executive Officers in accordance with their positions for each three consecutive fiscal year (from FY2024 to FY2026) (the "Applicable Period"),

and to grant the shares of the Company's common stock equivalent to 70% of such accumulated points (shares less than one unit shall be disregarded) and cash equivalent to realized value of the shares of the Company's common stock equivalent to the remaining accumulated points as compensation to Executive Officers after their retirement. One point is deemed equal to one share of the Company's common stock, and if a stock split or reverse stock split occurs during the trust period, the number of the Company's shares per point shall be adjusted according to the stock split ratio or reverse stock split ratio of the Company's shares. The maximum number of points to be given to Executive Officers during the Applicable Period shall be 140,000 points in total.