Mitsubishi Chemical Group

Sustainability Briefing 2025

Summary of Questions and Answers

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The term "the Mitsubishi Chemical Group" refers to Mitsubishi Chemical Group Corporation and its group companies.

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Sustainability Briefing 2025

- Attendees:
  Manabu Chikumoto, Representative Corporate Executive Officer, President and Chief Executive Officer,
  Noriyuki Mita, Vice President, Chief Sustainability Officer
  Masahiko Tanaka, Vice President, Chief Human Resource Officer
  Ken Fujiwara, Executive Vice President, General Counsel

[Q&A (Sustainability)]

[Q&A 1]

Q1

Concerning the products that contribute to sustainability, you have said that you aim to make them profitable. However, it seems that such products have not yet made any outstanding contributions to your profits, although you are ahead of others in the development of sustainable polymers and others. Is it because you are getting too far ahead of the market or because the market is not oriented toward such products? What do you think about the monetization of these products?

A1 (Mita）

We have a lot of challenges to meet to achieve this monetization. We started to develop these products that contribute to sustainability because we wanted to do something good for society and we also expect them to sell well. In fact, the market is gradually catching up, and we are now receiving an increasing number of sustainability-related requests and inquiries, including, “Please show the LCA for the product” and “What extra value does it provide?” Naturally, however, the situation differs by product and market. For example, in Europe, there has been a strong movement toward sustainability. In Japan, the movement is not so strong but it is being promoted.

In order to build a market for sustainable products, we need to make them profitable, for which the products should sell well even at high prices. Specifically, for the creation of a green chemical market, I have been having discussions with stakeholders including the Japanese government. In the course of such discussions, I have come to the conclusion that there is a need for a market creation mechanism. With regard to this, as stated on the upper left side of slide 16, titled “Overall Picture of Sustainability,” we will “Identify and create growth opportunities,” and I am particularly interested in identifying profit-making opportunities.

Basically, environmental regulations will provide us with such opportunities, and it is important for us not to miss the opportunities offered to us. For example, demand for recycled materials is dramatically increasing for use in automobiles, and we may be able to turn a profit by responding to this demand.

It is also necessary for us to work for the artificial establishment of a new market. Specifically, in the initial transition period, we need to cooperate with the national government to promote environmental regulations and visualize environmental value. For example, the Japanese government has been encouraging companies to declare their intention to provide leadership in the green transformation (GX) through the GX League, and it is necessary for us to have green chemicals included in the target of the government's green policies and to make effective use of the governmental support for GX to enhance our competitiveness and create a new market. To this end, lobbying is also important, for which my department is also playing a central role in the company. In Europe, environmental regulations are providing new opportunities. We need to constantly monitor what is going on in the region and conduct lobbying activities toward the creation of a new market.

Q2

The US, which should be the biggest market, seems to be going backward with regard to this trend.

A2 (Mita)

We cannot look at the US as a single market, as the country has both a rapidly expanding market and a market that is not very promising. We need to take this fact into consideration. As a whole, however, I feel that steady, if slow, progress has been made in the US to meet the precondition of "being profitable." Although government policies can flip-flop back and forth, the expanding market sector will continue to expand steadily, if slowly, and there seems to be more progress in the situation in the US relative to Japan.

Q3

It would be difficult for your company to develop a new technology on its own. For example, for the optimization and green transformation of naphtha crackers, what kind of cooperative system has been established by the chemical industry or by Japan?

A3 (Mita)

There are indeed a range of related projects and specific examples of collaboration. For the GX of naphtha crackers, discussions have been promoted both in western Japan and eastern Japan for private-sector collaboration. And for extremely large investments led mainly by the petrochemical industry, special cooperation between companies is needed. Presently, Japanese companies including ours are facing difficulties in terms of both supply quantity and pricing as Chinese competitors are catching up with us, and we do need to collaborate to build the foundation for green chemicals. In the upstream segment of the industry in which large investments are needed, large-scale industry-wide measures are necessary, while in the downstream segment in which companies are individually implementing measures and making recycling efforts, it is important for us to choose the right partner in line with the business model adopted for each project. Based on this recognition, we need to work with other companies to think about the desirable future direction of the industry, and we are indeed having discussions with other companies through the Japan Petrochemical Industry Association, the Japan Chemical Industry Association and other organizations to make related policy recommendations to the government.

A3 (Chikumoto)
Let me talk about a finding that surprised me. The other day, I had a meeting with a Korean company. The company has been dealing with polyester materials and I have known this company for years. The company manufactures special polyester materials, which are mainly used for cosmetic bottles. According to the company, the cosmetic bottles of a famous cosmetic brand are presently made by using recycled materials at the rate of 70%. I asked for the details, and the Korean company shared with me the following facts: the company collects used PET bottles for depolymerization in China, as the number of old PET bottles that can be recovered in South Korea is limited. It then processes the depolymerized materials into a special polyester back in South Korea for export to Europe. In Europe, the use of recycled materials is required by law, but the usage rate specified by law is not as high as 70%. For automotive components, the usage rate is required to be 25% or more, as far as I know, and for cosmetic bottles and other products, the recommended usage rate is around 30%. However, the cosmetic brand has voluntarily raised the usage rate to 70%, thinking seriously about sustainability. What interested me in this story is the fact that the recycling loop is not completely closed. Within the loop, oil from somewhere in the world is refined to create a material for making polyester and then, in the final step, the recycled material made from waste polyester is sent to Europe for use as a material for cosmetic bottles. The loop seems to be closed from a global viewpoint but is not closed in the scope of business conducted by the company. Nevertheless, what the manufacturer supplies to the European brand is recycled polyester, which the company provides by implementing a sustainable business model. This initiative seems to be unordinary, which makes it unique and also feasible.

In contrast, we have not yet conducted substantial activities in this field. I am afraid that we are being left behind by global trends, being unable to collect necessary information in a timely manner. In particular, we are facing rapid changes in laws and regulations in Europe and have already been approached by local companies in the region for business partnerships, including a partnership for the launch of a business using waste materials provided by the other company. Indeed, Europeans are quick to take actions. In Japan, concerning our plastic-to-oil conversion facilities, we have loyal customers who have leading brands in the industry. Accordingly, I am not too worried about our chemical recycling business. But in order to further expand it, we need to cooperate with other petrochemical companies. Nearly half of the products that we produce through the business have a high oil content, and we cannot use them ourselves and therefore need to foster collaboration with other companies. Also, implementing measures together with a greater number of partners will bring us economies of scale.

Another issue is that it is genuinely difficult to collect waste materials for recycling. For the efficient recovery and transportation of such materials, we need to create a hub where waste is gathered and chipped into pieces for transportation. To meet this requirement, we are collaborating with REFINVERSE. I believe that in cooperation with this partner company we will be able to make the recycling business truly feasible, based on the precondition that our customers will support us in doing so and that it may be difficult to generate a lot of earnings through this business. Also, I hope that carbon tax-related changes will result in adding more value to the recycling business.

As for the project that we are conducting in Abu Dhabi, which offers the world's cheapest electricity, I am convinced of its success. We are implementing it in a favorable manner, but water electrolysis is expensive, and all of the methods available for the capture of carbon dioxide are old. We are therefore considering using zeolite to see if we can make a breakthrough. If we can do it, the cost will drop substantially, but it is very difficult to capture carbon dioxide using zeolite. For liquid-gas separation, methods such as one that uses sugar and another that uses a certain dense material are already available. But there are some tricky problems involved in using them, and we are continuing to conduct research to make further improvements.

Next, let me speak about BioPBS™. We have been working on this biodegradable polymer for decades, never being able to make it profitable. Why is it still unprofitable? The answer is because it is not very functional. As the polymer is biodegradable, business cards made from it will disintegrate within six months. The polymer is thus inconvenient for use but is indeed biodegradable. We plan to develop a range of new applications for it. But we have already been continuing this kind of effort for decades and now must think seriously about what to do with it. The pace of our progress thus varies more or less depending on the material.

[Q&A 2]

Q1

As President Chikumoto has said, people will not generally purchase unfunctional products. Also, about the recycling, Chief Sustainability Officer Mita has pointed out the importance of establishing a business model. How will you build a business model for such unfunctional products? It might be possible to sell an unfunctional product through branding that makes people think that they need to buy from Mitsubishi Chemical to be friendly to the environment.

A1 (Mita）

How product functions and brand stories are evaluated depends on who is doing the evaluating. Based on this recognition, we need to deepen our understanding of customers to make the right decisions. In other words, we must engage in dialogue with our customers in an appropriate manner in order to make the right decision as to the feasibility of a project and to prevent us from making unfeasible business decisions.

Q2

It will cost a lot to measure the effect of decisions to be made, and I want to know how you will implement a screening process as part of your decision-making process.

A2 (Chikumoto)

Basically, we will make decisions by taking the three disciplined approaches in business operations as stated in the New Medium-term Management Plan. Specifically, we will make our investment decisions in line with the following three principles: “Rigorous screening and due diligence,” “Thorough process management and enhanced reviews” and “Decisive and timely decision-making.” For branding, we have not yet been able to implement measures successfully. In order to enhance the power of our branding, we will change our organizational structure in and after April and input new human resources into relevant activities. For products for which we can tell a persuasive story, make an appeal based on value and provide inspiration to people to eventually make a profit, I think it is worth promoting branding. For other products, however, it would be difficult to do so. Also, I think there is room for improvement regarding our conventional branding and pricing practices. Going forward, we need to push ahead with measures that help us make profits steadily. It is important to conduct branding activities in an appropriate manner to highlight our unique capabilities, thereby differentiating our company from competitors. It is my feeling that such differentiation helps us earn more profit.

Q3

I think your company can make a range of contributions to total optimization through your offerings. For example, in Europe now, companies are required to use recycled materials at a rate of 25%, and your company may be able to do something to help prevent the degradation of steel made by using recycled materials, including providing a product that helps increase the rigidity of carbon steel made using recycled materials. In this case, although your product itself might not be recycled, you can make contributions to total optimization. What do you think of this idea?

A3 (Mita）

Indeed, we can grasp new business opportunities by making contributions in the upstream segment of the industry and, as related to the question raised earlier, we have been adopting a business model that helps us meet the needs of our direct customers. But, personally, I deem it also important to conduct branding activities targeting end users. It is essential to identify the stories and value needed by customers and consumers across the supply chain and to conduct branding activities together with our customers who are doing business in the downstream segment, thereby creating special stories for our own products in order to sell them. We now have a good opportunity to reform our business models and, by offering diverse value in cooperation with our customers who are conducting business in the downstream segment, we will be able to add tremendous value to our business.

[Q&A 3]

Q1

I would like to ask a question about the Vision shown on slide 6. On the slide, there is a statement that reads: “Lead the green transformation of chemical industry globally.” Could you explain the background to the formulation of this vision and its feasibility? In Western countries, the production of ethylene with reduced GHG emissions will be promoted by Dow Chemical, BASF and other companies. Compared with these countries, Japan has geographical disadvantages in terms of the availability of renewable energy sources and room for CCS. Against this backdrop, you are aiming to lead the green transformation of the chemical industry. I would like you to provide a bit more detail in your explanation about the feasibility of this vision.

A1 (Mita）

It is true that Japan has disadvantages in terms of energy potential for carbon neutrality. The key elements for domestic companies to win the global competition despite these disadvantages are the use of technologies and the conversion of raw materials into sustainable alternatives. For example, a certain amount of CO_2 is emitted in the plastic manufacturing process, and technologies to promote the use of recycled and biomass-derived materials are essential to address this issue. CCU technologies are also promising. The conversion of raw materials into such materials requires a lot of time, but for Japan to lead the use of green chemicals, domestic companies have no choice but to make effective use of advanced technologies. But we cannot win simply by increasing the production of blue carbon through CCS or by fostering the science-based production of hydrogen. In order to win, we need to combine advanced technologies. We also need to manufacture a part of our products outside Japan. For example, we can create intermediate products in Abu Dhabi and then bring the products to other facilities for subsequent processes, and several other combinations are possible. For Japanese industries to foster green transformation, diverse approaches need to be taken. In order to compete with Dow Chemical, BASF and others, we are required to promote the conversion of raw materials and fuel into sustainable alternatives on a medium- to long-term basis, while continuing to conduct our manufacturing activities in Japan.

Q2

I have great expectations that your company will lead the green transformation of the Japanese chemical industry. However, from a global viewpoint, it might be more efficient for your business to procure basic materials from outside Japan, in particular from Western companies, and to focus on the manufacture of derivatives. What do you think about this opinion?

A2 (Mita)

I think many companies purchase green raw materials from others also in Japan. However, in this field, where the development of business models and technologies will progress further, unless we take the risk of building a business model on our own, we will be unable to set a long-term vision for our company. For example, at our chemical recycling plant in Kashima, on-site engineers engaged in the entire process from identifying the types of waste materials that need to be collected for chemical recycling at the plant, deciding on the collection method and examining the quality of the oil produced from the waste materials delivered to the plant, to checking what value could be provided to customers as a result. As the most significant result of this activity, the engineers were able to experience the process of establishing a business model in an integrated manner from beginning to end. It is of course also necessary for us to have a business model in which we buy a solution from others, and to this end it is important to promote open innovation and find partners. However, by performing the whole process by ourselves, we can nurture and enhance our ability to make accurate evaluations to formulate our long-term strategies. This is not to win on a short-term basis. In order to win on a long-term basis, we do need to do the whole process for ourselves. I had an opportunity to talk with a chief staff member of a certain Western chemical manufacturer, who also agreed on the importance of doing the whole process internally. Accordingly, we are aiming to take leadership across the entire process of a project. But in the course of doing this, we may also be able to collaborate with other companies and universities around the world.

A2 (Chikumoto)

I think there are a range of options in this regard. In Kashima, we are pursuing a vertical integration model. Specifically, within the industrial district, crude oil imported from overseas is refined into naphtha, which we purchase for use at the Ibaraki Plant. Going forward, however, I think the type of crude oil and the processing method used for the manufacture of naphtha will gradually change. Just like the replacement of gasoline with hydrogen as fuel for automobiles and like the import of methanol made in Abu Dhabi to Japan for subsequent breakdown and chemical reaction processes, the import of crude oil and gas from the Middle East might be replaced with the import of hydrogen in various forms.

As for MMA, we planned to implement a manufacturing process with the lowest level of CO_2 emissions in the world in the United States. However, we needed to purchase the materials for the manufacturing process, which we aimed to procure from those wanting to produce green ethylene in Canada via a pipeline, thereby producing nearly green MMA by using the purchased ethanol as well as the methanol and gas produced by CCS. Unfortunately, we were unable to implement this plan after all, but we will continue to make efforts to contribute to local green transformation by adapting the most suitable methods and technologies for each region. In order to do this, we need to make large investments and use advanced technologies, but I think it is important to start with what we can do.

Q3

I want to ask a question about the GHG Reduction Plan for 2030, which is shown on slide 23. The slide does not clearly specify the amount of CO_2 emissions reduced through structural reforms. In which numerical figure is the amount included?

A3 (Mita)

The amount is included in the “960,000 tons,” which represents the result of a calculation made by deducting the amount of CO_2 emissions reduced through structural reforms from the amount of CO_2 emissions increased due to business growth, which is indicated on the right side of the slide.

Q4
If possible, I would like to know the breakdown and major details.

A4 (Mita）
The amount of CO_2 emissions reduced by structural reforms include reductions attributable to the reduction of the number of coke ovens and the withdrawal from a business, for example, from the MMA business.

Q5
I would also like to know the total amount of CO_2 emissions that you plan to reduce by structural reforms.

A5 (Mita）
Uncertainties about our future business plan remain, but for past reductions we can clearly show you the result. The amount of GHG emissions reduced by structural reforms, including reductions through business withdrawal and downsizing, totaled 1.2 million tons. It was mainly the reduction in the number of coke ovens as well as the suspension of the production of bisphenol in Fukuoka that contributed to reducing CO_2 emissions. The suspension of MMA production at our Beaumont and Cassel sites also made contributions. Including these reductions and others, the amount of CO_2 emissions reduced through structural reforms totaled 1.2 million tons.

[Q&A 4]
Q1
As for CO_2 emissions reduced and to be reduced during the period from 2019 to 2030, the figures shown on slide 23 are a bit different from the data you disclosed in 2021. With regard to this, I want to ask you a question about the amount of investment. In 2021, you planned to make an investment amounting to 100 billion yen. However, construction and other costs have now risen, and so I wonder whether or not you have also changed the investment amount.

A1 (Chikumoto)
We have not changed the plan to make an investment of 100 billion yen.

Q2
Regarding “Technology and equipment for new therapeutics,” which is one of the five business focus areas and is shown on slides 5 and 6, will the transfer of Mitsubishi Tanabe

Pharma cause your plan in this area to change?

A2 (Chikumoto)
No, the transfer will not cause any changes, because we have set the plan not for the pharmaceutical domain but for the medical domain, specifically for artificial bones, compounds and engineering plastic products.

[Q&A (Human Capital)]
[Q&A 1]
Q1
Your company engages in a range of business fields, and each business division will decide on its own future. Accordingly, I think the rate of voluntary resignations and employee engagement scores, which are shown on slide 63, differ by division. Could you give more detailed explanations about the situation at each division? Please also give supplementary explanations about the related measures implemented by each division, which I think also differ according to the respective situations.

A1 (Tanaka)
As for voluntary resignations during the past three years, the rate has been rising in particular at the Ibaraki Plant and Okayama Plant, which are engaged in the petrochemical business. For these plants, the measures, which we have already shown you, were implemented and substantial improvements have been made. Between other divisions, there are no remarkable differences observed in the rate.

Q2
I would like to know the voluntary resignation rate and employee engagement scores of the specialty materials segment, for which you need to increase profitability and growth potential going forward.

A2 (Tanaka)
The engagement scores in this segment are not too bad, although they differ substantially between sectors and countries, which does indeed pose a challenge for us. Especially in Japan, the scores tend to be very low. Also, the scores can change substantially due to changes in employee composition, and it might be misleading to focus too much on the final scores. It is thus difficult to compare results between divisions and specify the divisions with low scores.

[Q&A 2]

Q1

Regarding the employment of new graduates and employment by referral, you have pointed out your lack of brand power to win the intense competition for human resources. Against this backdrop, how will you attract talent to your company? I also want you to explain your retention management, which you have not mentioned much today. Moreover, about the talent cards, which you have mentioned, do employees know the evaluation criteria and their current ratings given by the company?

A1 (Tanaka)

As for employment, we employ personnel for specific jobs. In our activities to employ new graduates, we ask applicants which division they want to work at, for example, the accounting department or a business department, in the interviews for the purpose of job matching. We subsequently decide which department we will assign them to according to their request and the promises that we made in the interviews. I would like to ask whether or not this employment method is truly effective for young employees. For chemicals, I believe Mitsubishi Chemical still has brand power strong enough to attract new graduates, but we need to further enhance our branding. When I joined Mitsubishi Kasei, presently Mitsubishi Chemical, the company was near the top in the popularity rankings. But now I cannot even find the company's name in such rankings, which makes me feel sad. We need to meet the challenge of increasing our company's ranking going forward. The situation concerning employment is like this. Next, for retention management, we are implementing measures to deal with the factors that are causing the voluntary resignation rate to rise, and I hope the rate will gradually stabilize.

Q2

Is the voluntary resignation rate relatively low among young employees?

A2 (Tanaka)

The rate is similarly increasing among young employees, but I hope it will gradually stabilize, as we have been implementing countermeasures. In fact, the rate is starting to stabilize. As for talent cards, we finalized the details of the requirements last week. We have not yet determined the introduction method. At any rate, we need to raise the awareness of employees about the requirements, including clearly showing what to study and what skills to acquire. Presently, we provide employees with education based on the "Udemy" education system, which gives employees easy access to a range of educational programs. Through the system I would like to give more specific guidance to employees about what to study, rather than just letting them study what they like. Also, for self-cultivation, which tends to be thought of lightly, we will look into how to build a system to help employees understand the importance of self-cultivation.

[Q&A 3]

Q1

I would like to ask a question about employee engagement. The upper part of slide 63 shows the past engagement scores, and I want to ask what you think about the improvements made to employee engagement and if you can tell me the scores for FY2019, if possible. Also, please tell me in which month you conduct your annual employee engagement survey.

A1 (Tanaka)

Let me answer your last question first. We usually conduct the survey in November. However, for FY2024, we postponed it from November to February. This is because we announced KAITEKI Vision 35 and the New Medium-term Management Plan in November and wanted to measure the scores after the new vision and management plan were disseminated at our workplaces. So, regarding your question about the improvements made, we have not yet complied the results of the survey for this fiscal year. And for the engagement data for FY2019, I am afraid we don’t have that data to hand.

[Answer given later]

For the employee engagement survey, some of the question items and the target were changed in 2021. For the survey results for the types of employees included in the survey target both before and after the changes were made, the scores were 65 and 59 for FY2019 and FY2023, respectively.

Q2

As for the rate of voluntary resignations shown in the lower part of the slide, the rate began to increase in FY2021 relative to the previous years. Did the employee engagement score also show a similar degradation tendency over the years? If your answer to this question is yes and the main cause of such degradation was employees’ dissatisfaction with the former management team, I think the engagement score will improve to almost reach the targeted score of 80 under the new management team. However, if the engagement score was not very low even under the old management team, it might not be easy to achieve the goal of 80. What do you think about this?

A2 (Tanaka)

The target of 80 is indeed a very ambitious target, as you have pointed out. The score of 80 is the average score recorded among globally outstanding companies. Also, Japanese employees tend to give lower scores. In consideration of these facts, the target is truly ambitious. However, we are conducting our business on a global scale, so we will pursue a global target for employee engagement.

[Q&A 4]

Q1

I would like you to explain the development of global management personnel. How do you select personnel for the Top Talent and Next Top Talent groups, and how do you deal with differences in the definition of “fairness” due to cultural differences between Japan and other countries? The average salary of Japanese managers is lower than the global standard, and the gap has been expanding over the years. How will you treat diverse employees in a fair and financially rewarding manner on a global basis?

A1 (Tanaka)

Let me answer your last question first. Presently, our head office in Japan has lots of non-Japanese employees and officers. It is not easy, but we give due consideration to the average amount of salaries paid in their home countries. We have our own pay grades and give consideration to the average amount paid in each of the grades in their home countries, and we also have our global compensation policy for officers and for those belonging to the second highest tier. The head office is in charge of pay-related management and revises the salary standards in consideration of the pay grades and market data about the renumeration standards adopted in each country. For the employment and retention of non-Japanese employees, we have thus been ensuring that at least the pay standards established in the labor market of their home countries are met for them. For your question about the personnel needed by our company, we have set requirements on the necessary skills, experience and behavioral features, for which all the officers met together repeatedly to discuss and refine the details, including Randy and Frank, and the opinions of these two non-Japanese executive officers were of course listened to when the officers finalized the requirements. It is, however, undeniable that the opinions of Japanese officers had more impact, and we are ready to make improvements to the requirements as necessary. We will try them first, but all officers will meet again to discuss and make improvements to the requirements if we run into any problems with them.

A1 (Chikumoto)
Let me make some supplementary explanations. For our business in the United States, Randy returned to the country to supervise the business, and we appointed top managers for each area to support Randy and lead the functional and marketing teams. In this way, we are making progress in the United States. Further, a special reward system was launched in the country in response to a proposal made locally. Regarding human resource management, we have thus made the biggest progress in the United States, while facing difficulties in Europe. In that region, our Group companies are managed by their top executives, who have been managing the companies since before they joined our Group. Accordingly, each company is conducting business rather on its own. We would like to appoint someone to supervise all of these companies in the region with strong leadership, but we have not yet been able to do so. We are working to unite our business functions across Europe, but compared with what we have achieved in the US, we are still only halfway there. In China, we have already united the local functional teams by appointing top managers to lead them. The situation in China, however, is different from that in Western countries in that local conditions differ by province and each of our Group companies in China has its own business entities. The top executives of the entities meet up to receive instructions from the president of the Group company, and the major Group companies in the country jointly set rules to be commonly followed in China, based on which the rules to be followed by each company and entity are set in a top-down way. The situation in Asia as a whole is similar to that in Europe, but each country in the region has its own laws, and our local Group companies also have their own business entities and presidents, making it difficult to unite them. However, we are striving to implement governance-related measures across the region under the leadership of our regional headquarters in Singapore. We will continue to make these efforts.

Q2
Based on market standards in the United States, the salary paid to some of the Group personnel who are working there might be higher than the amount paid to Mr. Chikumoto. Is this all right?

A2 (Tanaka)
I think it could happen.

[Q&A (Governance)]
[Q&A 1]
Q1
Mr. Fujiwara, you contributed to the birth of the former management team in your capacity

as the top executive in charge of personnel affairs and have also been supporting the new management team. The former management team was replaced by the new management team in only three years. Based on the lessons learned from this turnover, how will you enhance the functions of the Nominating Committee?

A1 (Fujiwara)
The company will face a range of management challenges in each of its business phases, and the most important function of the Nominating Committee is to be constantly reconsidering whether or not the current CEO deserves to be in the position and to make necessary changes accordingly. The mission or role of the Committee is to entrust the management of the company to the right person through the appointment and dismissal of the CEO, and as a result of the Committee having worked to fulfill its mission, the management team was replaced in 2024. Going forward, we need to update the Committee itself in response to the changing situation and environment, and its members need to promote discussion toward the review of the skill matrix and other issues. At companies like ours, where more than half of the directors are outside directors, the views of outsiders could be adopted even without the involvement of the Nominating Committee. We will conduct examinations about this, regarding it as one of the issues to be addressed.

End