



# Sustainability Briefing 2025

February 27, 2025  
Mitsubishi Chemical Group Corporation



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## Contents

# 1 ESG Management as a Key Driver for Achieving KAITEKI Vision 35

**Manabu Chikumoto**  
Representative Corporate Executive Officer,  
President & Chief Executive Officer

## Our Purpose

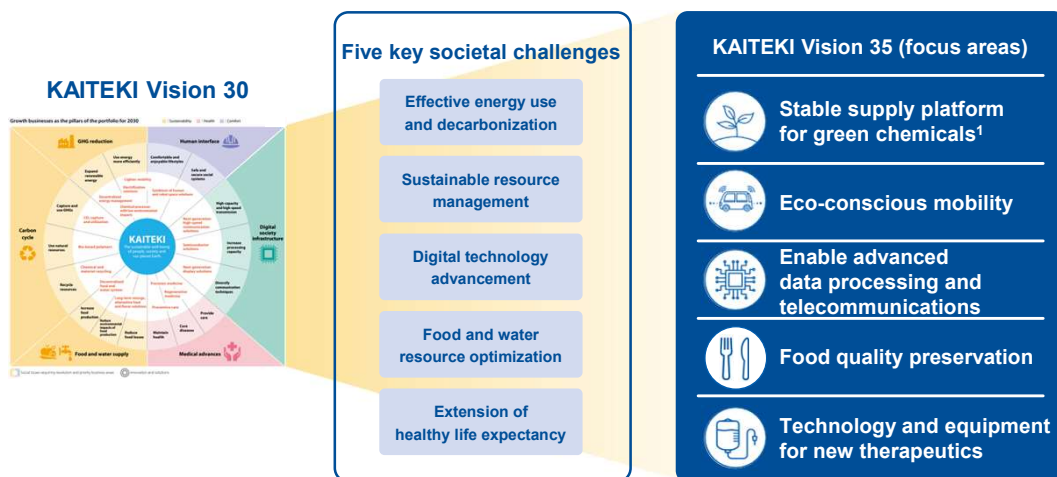


**We lead with innovative solutions  
to achieve KAITEKI,  
the well-being of people and the planet.**

In order to realize our Purpose—"We lead with innovative solutions to achieve KAITEKI, the well-being of people and the planet"—we are making a series of efforts to achieve our five-year management plan and 10-year vision.

## Targeted business areas for KAITEKI Vision 35

KAITEKI Vision 35 is rooted in our Purpose and addresses pressing issues facing society



1. Basic chemicals and their derivatives with reduced environmental impact

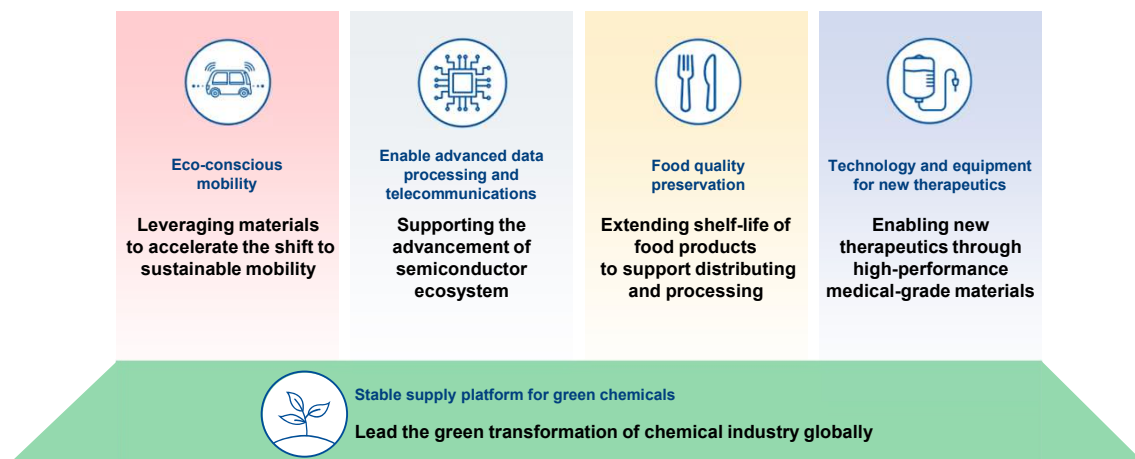
In KAITEKI Vision 35, which we have already disclosed to the public, we specify five key societal challenges. These are: “Effective energy use and decarbonization,” “Sustainable resource management,” “Digital technology advancement,” “Food and water resource optimization,” and “Extension of healthy life expectancy.” In order to meet these challenges, we have set five corresponding business focus areas.

The first area is “Stable supply platform for green chemicals.” The second is “Eco-conscious mobility.” The third is “Advanced data processing and telecommunications.” The fourth is “Food quality preservation.” And the fifth and final is “Technology and equipment for new therapeutics.”

## Our Vision across five business focus areas



Become a Green Specialty Company that provides optimal solutions and solve societal challenges



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We deal with materials, including a range of basic raw materials, as the core of our business. We also manufacture specialty products and composites by using these materials.

We have a stable supply platform for green chemicals, based on which we will lead the green transformation of the chemical industry on a global basis.

For “Eco-conscious mobility,” we will support a shift to sustainable mobility.

For “Advanced data processing and telecommunications,” we will support the advancement of the semiconductor ecosystem.

For “Food quality preservation,” we will extend the shelf life of food products to support food processing and distribution.

For “Technology and equipment for new therapeutics,” we will support the establishment of new therapeutics by providing high-performance medical-grade materials.

Going forward, we will conduct our business with a focus on these five business areas.

## KAITEKI Vision 35 Strengthening ESG Management



### Environment

**Achieve carbon neutrality in FY2050, contributing to a long-term sustainable society**

#### Short- and medium-term measures

- GHG reduction through optimal fuel conversion
- Utilization of water resources
- Waste reduction • CO2 utilization (bio/CCUS)
- Commercialization and scale-up of recycling for various chemicals
- Global collaboration
- Strengthen supply chain management (incl. human rights due diligence)

#### Long-term measures

- Fuel conversion to hydrogen and ammonia
- CCUS Implementation
- Utilization of biomass feedstock
- Regional and industrial complex cooperation

### Social

**Company and individuals achieve growth together, maximizing the human capital of the entire Group**

#### ►Who we need

- Mindset to take challenges as opportunities
- Distinctive skills and strengths
- Soft skills that cannot be replaced by AI
- Strong sense of ownership
- “Connect” mindset

#### ►What we offer

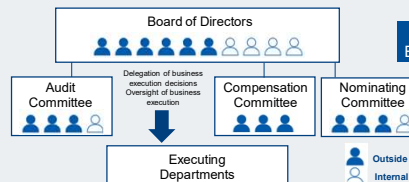
- Opportunities for personal development through large-scale, impactful project
- Fair reward system for individual achievements and contribution to the team
- Transparent working environment encouraging autonomy



### Governance

**Establishing a corporate governance structure underpinning the transformation and the enhancement of corporate value**

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#### Measures to Enhance the Effectiveness of the Board of Directors

- Strengthen monitoring functions
- Enhance discussions on strategy
- Improve the effectiveness of the Nominating Committee

Concerning the enhancement of ESG management, Mita, Tanaka and Fujiwara will today respectively brief you on the “Environment,” “Social” and “Governance” aspects.

**The world is becoming more complex,  
the pace of change is relentless,  
our customers are expecting and demanding more.**

**Our way forward is clear.  
As a “Green Specialty Company” we are committed,  
to solving social problems and to delivering impressive results to customers  
with the power of materials.**



## Contents

# 1 Sustainability

**Noriyuki Mita**  
**Vice President,**  
**Chief Sustainability Officer**

## **Sustainability**

- **KAITEKI Vision35 and Sustainability**
- **Overview of Sustainability**
- **CN Initiatives, GHG Emissions**
- **CE Initiatives**
- **Progress on Specific Projects**
- **Sustainability Promotion Structure**

# KAITEKI Vision35 and Sustainability



We are striving to “Lead with innovative solutions to achieve KAITEKI” as our Purpose. For us, the well-being and comfort of people, society and our planet are synonymous with sustainability.

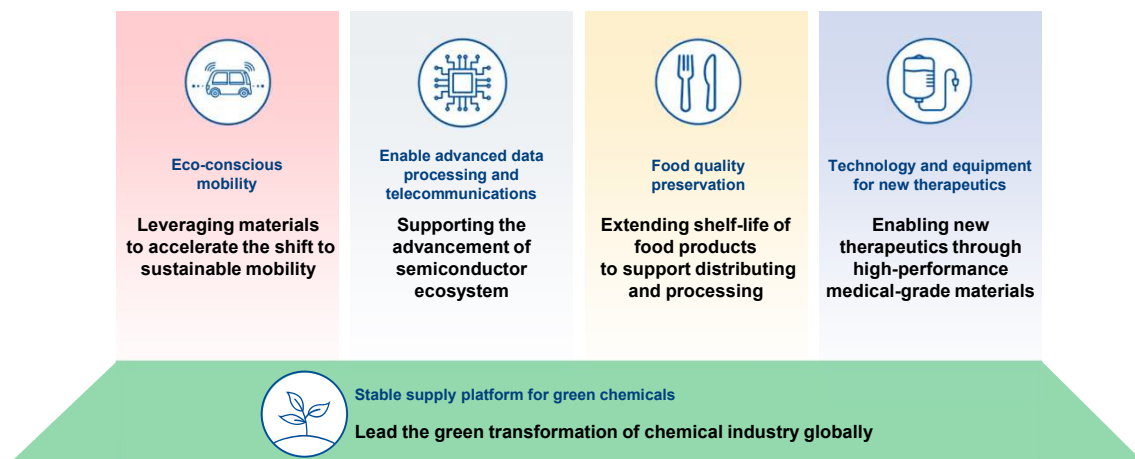
Specifically, we define sustainability as the maintenance of a favorable global environment and the protection of people and society from environmental (E), social (S) and governance (G) perspectives. Based on this definition, all of us at the company are committed to achieving sustainability.

In KAITEKI Vision 35 and the medium-term management plan, we have identified, by taking both forecasting and backcasting approaches, our future societal challenges and specified the business areas in which we will enhance our strengths and profitability while meeting these challenges. Simply put, KAITEKI Vision 35 shows how we will work for sustainability as a business and increase our profitability going forward.

## Our Vision across five business focus areas



Become a Green Specialty Company that provides optimal solutions and solve societal challenges



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This slide shows our five business focus areas. In all these areas we are working to meet challenges from the perspective of sustainability.

For green chemicals in particular, as a supplier of materials, we are committed to transforming our materials into green alternatives for carbon neutrality and a circular economy and to supplying basic green chemicals on a global scale. Based on these materials, we will help our customers meet a range of their sustainability-related needs in the business domains in which we have strengths.

For “Eco-conscious mobility,” we will make contributions including contributing to EVs, such as in terms of batteries, weight reduction and body improvement.

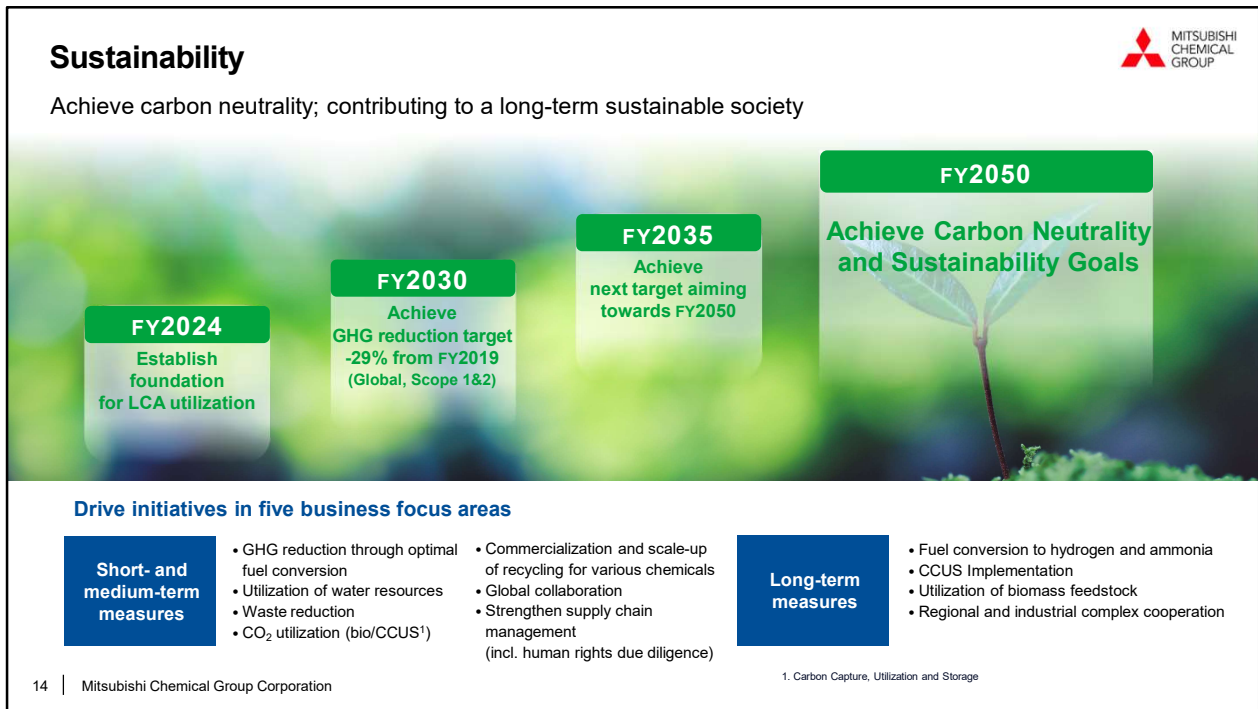
In the telecommunications field, we will provide materials that help increase the performance and energy efficiency of finished products and will contribute to reducing the waste generated and water used in the manufacturing processes, thereby making the processes themselves clean.

In the area of food, we will make effective use of our materials to help reduce food waste.

Finally, in the medical domain, we will contribute to the creation of new therapeutics and will supply high-quality materials for the benefit of society.

We will thus push ahead with our sustainability promotion measures in all of the five

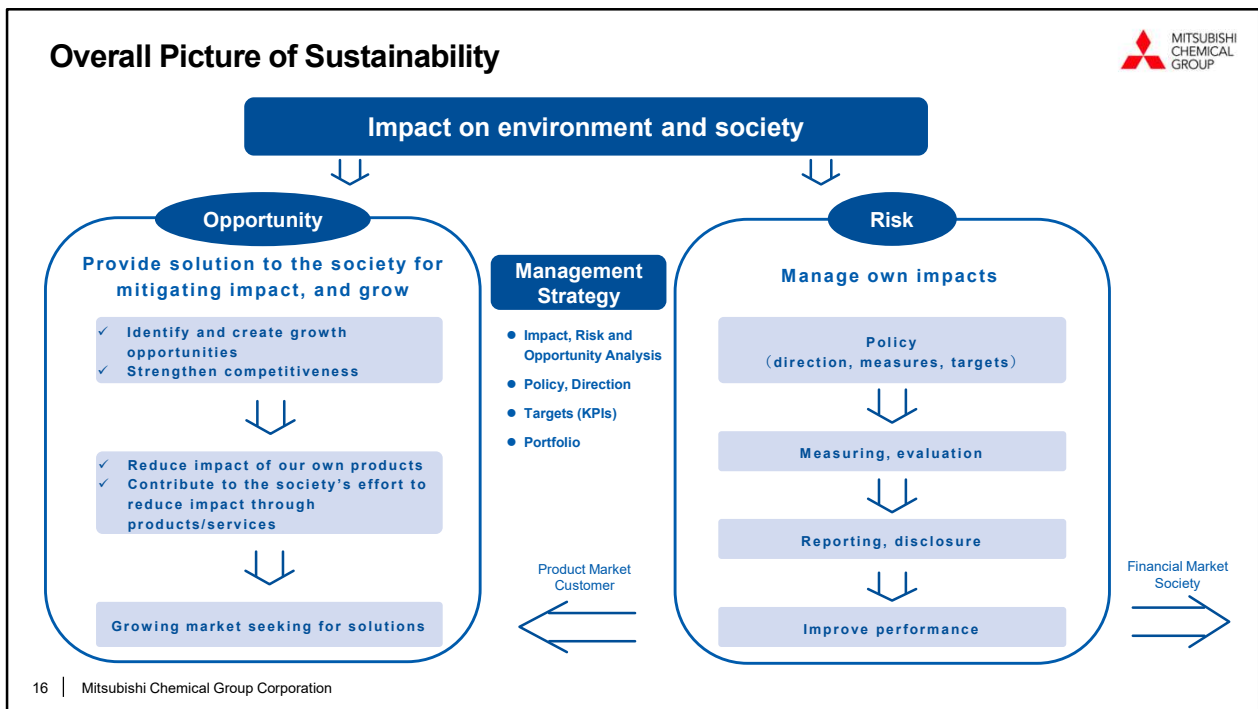
areas.



For carbon neutrality, we have set the target of reducing our greenhouse gas (GHG) emissions by 29% on a global basis to be carbon neutral by 2050.

# Overview of Sustainability





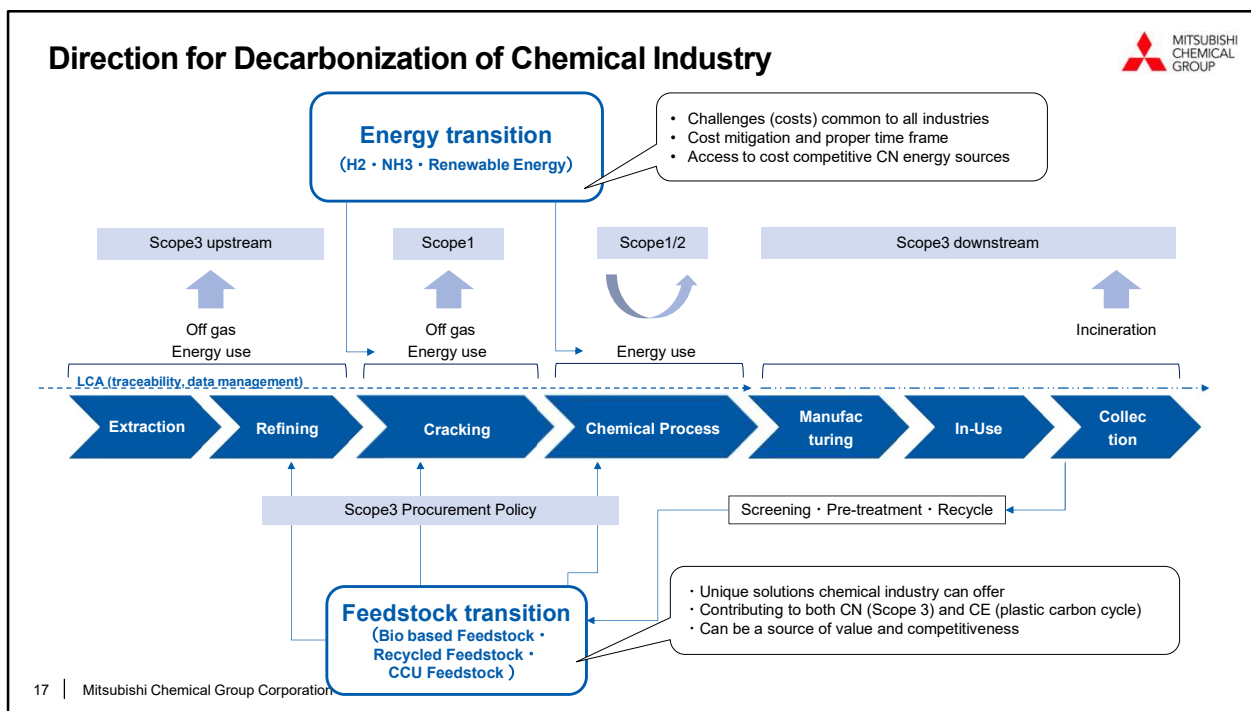
Sustainability-related issues bring us both opportunities and risks.

Our past approach to sustainability was to set strategies to deal with our impact on the environment and society, set key performance indicators (KPIs) and make improvements by measuring our performance on sustainability. We then publicly disclosed the results and reported our overall sustainability-related performance to stakeholders and the market.

These days, however, people are becoming more interested in the sustainability-related performance of our and our customers' products and services, rather than how companies like ourselves are striving to achieve our own sustainability targets.

For example, our customers are now asking us not only about our Scope 1 GHG emissions or our own emissions, but also about Scope 3 emissions, which include emissions in segments upstream and downstream of us in the industry. So we are now more frequently asked questions like: "What measures are you implementing for the sustainability not just your own business but of your entire supply chain?" We are thus required to supply products and services that deliver high performance in terms of sustainability. In other words, our customers and the market in general are attributing more importance to the sustainability of our products and services and assessing their sustainability performance. Or to put it in the other way round, we can find new business opportunities by responding to these sustainability-related needs of customers and the market. Accordingly, we regard sustainability-related issues not only as risks but also as

opportunities and will work to deliver solutions for these issues to the market and to meet our customers' needs.



Let me now brief you on the green transformation of the chemical industry.

The chemical industry has a very long and complex supply chain. In this supply chain we directly emit GHGs in the cracking and chemical processes. The use of energy and the generation of gas in these processes are the major causes of GHG emissions. In the segments upstream of these processes, the exploitation and refinement of fossil materials are causing a range of environmental impacts and the emission of GHGs. And the use and final disposal of our products also have impacts on the environment. Based on this recognition, we will work to reduce our environmental impact while giving due consideration to GHG emissions across the entire supply chain. In particular, our products that contain hydrocarbon emit a large volume of GHGs when they are combusted.

We have two measures for reducing GHGs emitted from the aforementioned processes.

First, we can reduce our Scope 1 direct emissions as well as Scope 2 emissions by promoting an energy transition. To this end, we need a process to procure carbon-neutral energy sources. The key to doing this is to procure new energy sources while reducing the cost of such procurement to a rational level.

Second, on a long-term basis, we need to replace the materials that we use for our products with more sustainable substitutes, for which we have roughly three options: bio-based materials, recycled materials and CCU. We are eventually required to stop the

use of fossil materials by using these options. Bio-materials and CCU contribute to carbon circulation by promoting the effective use of airborne carbon dioxide, while the use of recycled plastic materials promotes a circulatory model. The use of these sustainable materials in general contributes to a circular economy. These materials are indeed useful for both carbon neutrality—especially for the reduction of Scope 3 GHG emissions—as well as for a circular economy. We will therefore work to make effective use of these materials as a chemical company as our long-term target, for which we need to move steadily forward.

## Mitsubishi Chemical Group Initiatives



We are working to commercialize all three routes: recycling, biomass, and CO<sub>2</sub>



### Recycle

**Chemical recycling of waste plastic by oilification using supercritical water**

Demonstrative operation to begin in FY2025 @ Kashima



### Biomass

**Production of plant-derived ethylene and propylene from bioethanol**

Commercialization @ Kashima under consideration



### CO<sub>2</sub> & Renewable Energy

**Production of polypropylene from CO<sub>2</sub> and green hydrogen**

Commercialization @ Abu Dhabi under consideration



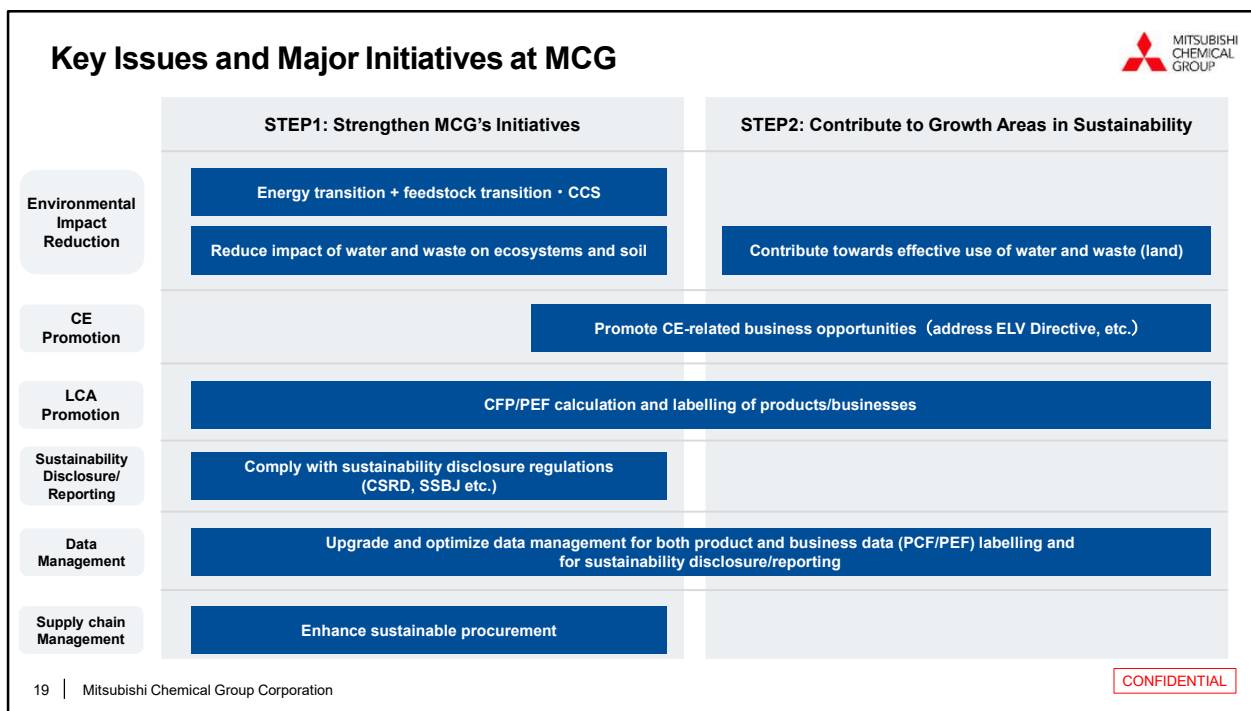
We have already been working for the conversion of materials through the three routes as shown on the slide.

For recycling, we have built a chemical recycling plant in Kashima and plan to start its commercial operation next fiscal year.

We are also considering using bioethanol to manufacture ethylene and propylene.

For the process to manufacture chemical products using carbon dioxide and hydrogen derived through electrolysis that uses electricity from renewable sources, we are conducting feasibility studies in Abu Dhabi and will further promote this initiative.

We are thus pushing ahead with fuel conversion, while promoting the conversion of materials by fostering innovation on a long-term basis as a chemical company.



I would next like to brief you on the specific challenges that we will address going forward.

As Step 1, we will transform our products into green products that can be recycled, and as Step 2 we will meet the needs of our customers through these products.

For environmental impact, we need to foster the conversion of fuels and materials and implement water- and waste-related measures. We will also take an approach to these issues that incorporates a business perspective.

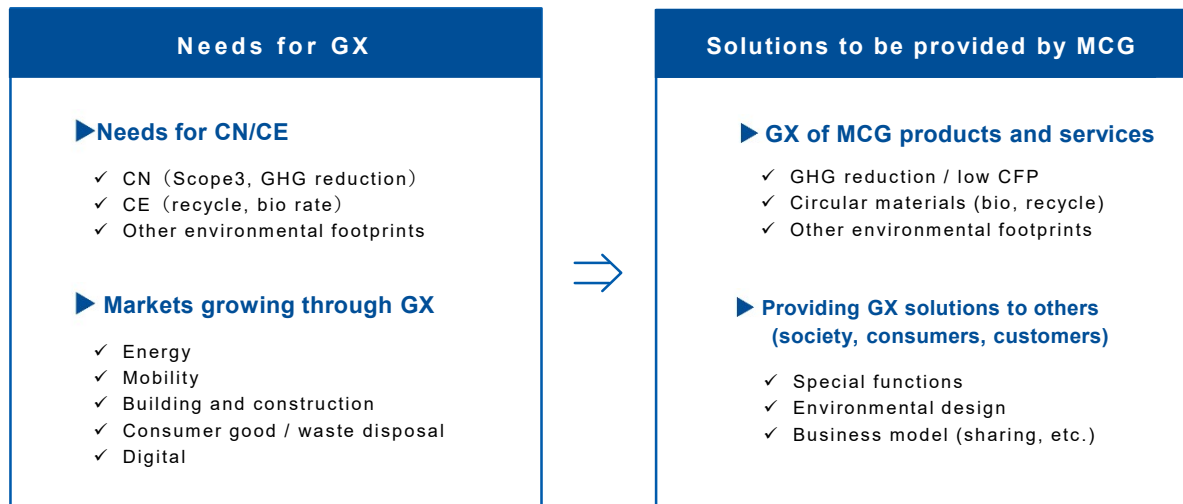
For the circular economy, there are a range of regulations that urge the use of recycled materials. Regarding these regulations as creating business opportunities, we are now examining how best to seize them.

Also, in order to reduce our GHG emissions and contribute to a circular economy, we need to identify the environmental impact of our products and businesses, which means showing their environmental and carbon footprints with precision. It is important to meet this requirement not only for the survival and revamping of our products but also for the benefit of our customers. Accordingly, we will build and spread the use of a system to calculate the necessary data based on the LCA of our products.

Internationally, regulations on the disclosure of the overall sustainability performance of a company have been becoming stricter, including the CSRD regulations enforced in Europe and SSBJ regulations implemented in Japan. It is important to comply with these regulations. In order to indicate the environmental footprints of our products and services while also showing how the entire company is implementing relevant measures, we need to manage the data required for the indication in an appropriate manner. This data is also very important for our customers, and we will work to grasp and digitalize the data to ensure its traceability, including data relating to the upstream and downstream segments of our supply chain.

It is also important to identify the environmental impact of procurement activities conducted in the upstream segment, including the volume of Scope 3 emissions. Accordingly, we will implement measures that give due consideration to sustainability also in our procurement activities.

## Incorporating Sustainability (GX) into Business Strategy



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Along with the company-wide measures that I have explained, we will implement sustainability measures in each of our business domains.

In response to social demand for GX, we are required to make our products carbon neutral.

Meeting the needs of customers in terms of GX will help expand our market. To this end, we need to work for GHG emissions reduction, promote bio recycling and reduce the generation of waste and use of water. Moreover, we need to provide our customers with products that have a long life and high thermal resistance while being thin, lightweight and easily recyclable.

We will make sustainability-related businesses profitable by meeting these requirements.

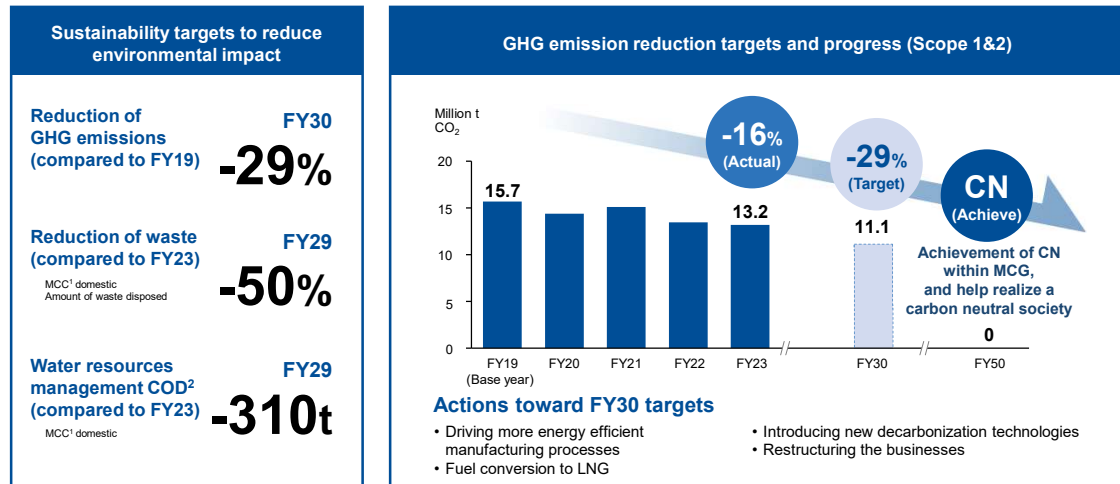


## CN Initiatives, GHG Emissions

## Social value | Sustainability



On the right track to achieve the target for 2030



1. Mitsubishi Chemical Corporation and its subsidiaries and affiliates  
2. Chemical Oxygen Demand (COD) | An indicator of the level of water pollution caused by organic matter, etc. (The amount of oxidizing agent consumed when oxidizing agent reacts (oxidizes) with organic matter in water is expressed as a value corresponding to the concentration of oxygen).

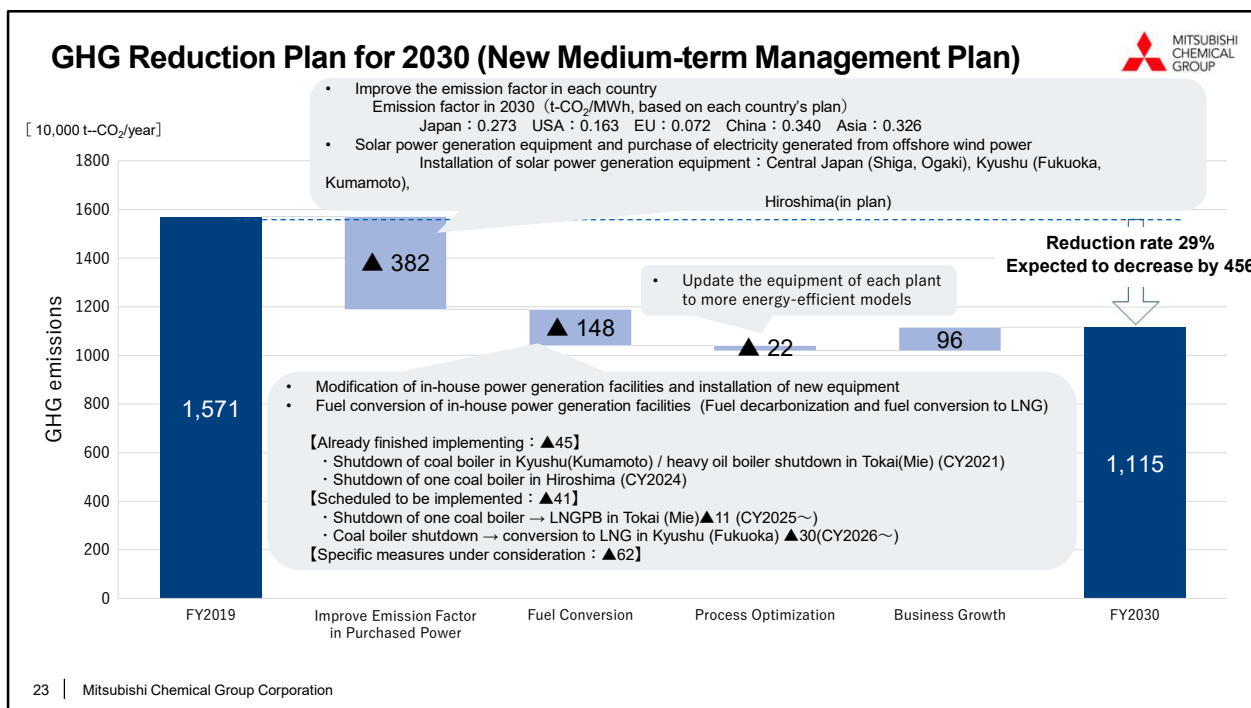
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Let me brief you on our measures for carbon neutrality and GHG emissions reduction.

Regarding the environment, we make three promises in our current medium-term management plan.

First, we will reduce our GHG emissions by 29% by 2030. Second, we will halve the generation of waste in Japan. Third, we will reduce the COD amount by about 310 tons.

For GHG emissions, this slide shows the actual result as well. The volume of emissions that can be reduced depends on the annual production volume and economic situation and therefore varies each year, but we have been steadily reducing the volume in order to bring it down by 29% over 11 years, and we have already steadily reduced it by 16% over the past four years. We need to achieve growth in our business going forward and we need to meet the challenge of reducing emissions accordingly while still growing our businesses.



This slide shows our current situation with regard to GHG emissions reduction. We describe the situation also in the new medium-term management plan, but the slide provides more detail.

We are working to reduce our GHG emissions by 29% relative to fiscal 2019.

For emission factor improvement, we set the target in consideration of the targets set by each country and the plans that electric power companies aim to achieve. Further, as part of our emissions reduction effort, we have installed solar power generation equipment in Ogaki and Shiga in central Japan as well as in Kyushu and are considering installation also in Hiroshima.

Through fuel conversion, we are aiming to reduce our GHG emissions by 1.48 million tons in total, and we have already implemented measures to cut 450,000 tons and will cut another 410,000 tons in one year based on the plan that we have already made. For the remaining 620,000 tons, we are now conducting examinations to decide on the best fuel conversion method to use.

Through process optimization, we aim to increase our plant efficiency to reduce GHG emissions by 220,000 tons.

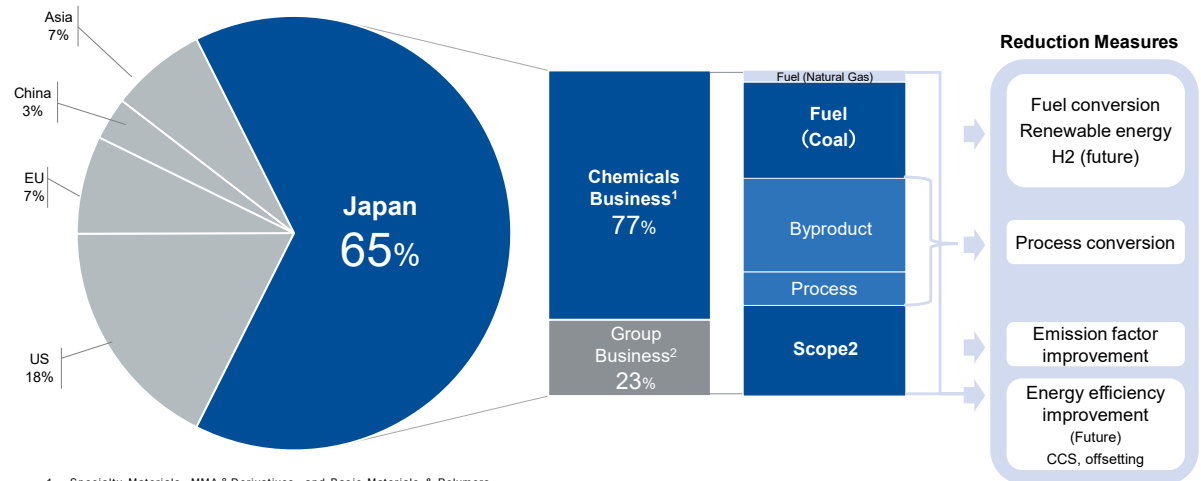
However, GHG emissions will increase in line with the growth our businesses. Specifically, an increase of about one million tons is predicted at present. Accordingly,

we need to cut 4.56 million tons and then an additional 960,000 tons, which is the increase linked to our growth. We will work to reduce these emissions through the aforementioned three means.

## GHG Emissions (Scope 1, 2) Base Year 2019 and Reduction Measures



- Most Scope 1 and 2 emissions are in Japan (chemicals business)
- Pursuing fuel conversion, improving Scope 2 emission factors, etc., to achieve carbon neutrality in FY2050



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Let me now talk about our GHG emissions.

For Scopes 1 and 2, we mainly target emissions in Japan. For large emission sources, we need to implement measures for fuel, particularly coal and electricity. Toward the achievement of our 2030 target, we will therefore focus first on fuel conversion and the improvement of the emission factor for Scope 2 emissions.

Our energy and electricity suppliers are also working to reduce their emission factors, which will help us reduce our emission factors. We will also introduce solar power generation equipment to further reduce the factors and carry out energy-saving measures to achieve the 2030 target.

## GHG Reduction Process



### For 2030

- Scope1 Fuel conversion (coal to LNG, electricity, renewables), process streamlining
- Scope2 Emission factor improvement, energy efficiency improvement
- Scope3 Strengthening sustainable supply chain management / procurement
- Carbon Pricing
  - ✓ Japan: Fossil fuel levy ('28~), mandatory participation to GX-ETS 2nd phase ('26~)
  - ✓ EU: Billing of CBAM ('26~), phase out of free allowance for CBAM sector



### Beyond 2030

- Scope1, 2, 3 Continue implementing the measures for 2030



- Fuel conversion (LNG to renewables, H2/NH4/e-methane)
- Fundamental process conversion (feedstock transition)
- CCS, offset

- Monitoring, data management

This slide outlines what I have just mentioned.

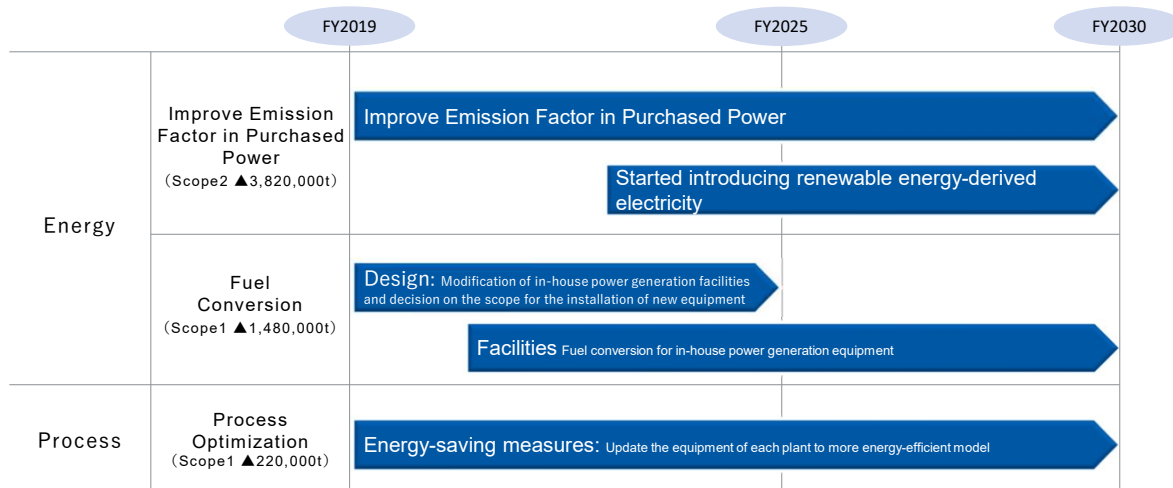
To promote fuel conversion toward 2030, we will replace coal with LNG and will use renewables-derived electricity while rationalizing our manufacturing processes. For Scope 2 emissions, we will work to reduce the emission factors and promote energy efficiency regarding purchased electricity. Carbon pricing is being introduced also in Japan. Levies will be imposed on fossil fuels in and after fiscal 2028, and an emissions trading system (ETS) will be introduced in Japan in fiscal 2026. The ETS used in Europe is also being enhanced as a matter of course. In consideration of these trends, we will make appropriate responses while working for the achievement of our own targets.

In and after fiscal 2030, we will promote a drastic fuel conversion in addition to continuing to implement measures for 2030. For renewable energy, the import of hydrogen and ammonia from overseas is being promoted. Although it is still unpredictable as to when and how much they are actually imported to Japan, we will undertake preparations to make appropriate use of the imports. Also, some are trying to transform gas into e-methane. We intend to grasp the opportunities to be presented by this trend, although they do depend on how suppliers will take actions going forward. On the other hand, for emissions from our manufacturing processes, we will promote the conversion of materials to reduce them. For example, we can eliminate emissions by using bio materials and so will work toward such fuel conversion. Also, we may be able to make effective use of CCS and carbon offset systems. While implementing these measures, we will steadily manage the monitoring data.

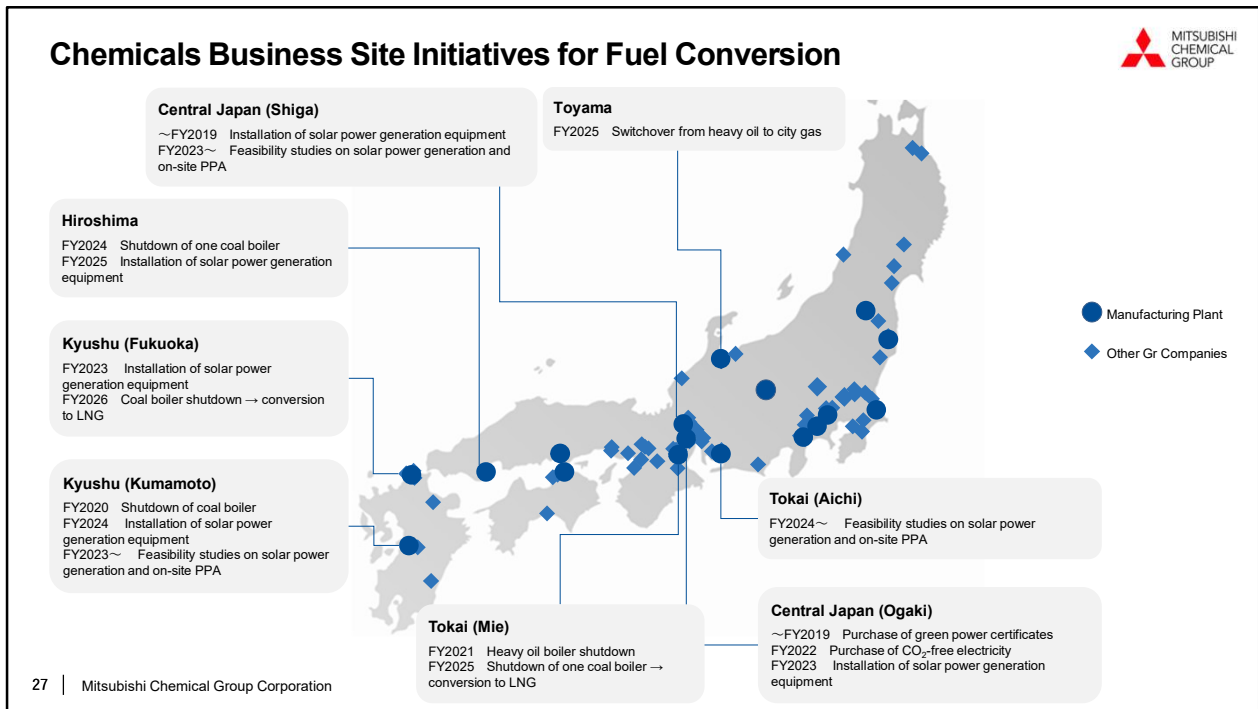
## Reduction Plan for FY2030



Proceed with the detailed design to convert fuel from coal to LNG by FY2025 and aim to complete decarbonization by FY2030.



The biggest contributor to the achievement of our fiscal 2030 target will be the reduction of the emission factor for purchased electricity. This is because the emission factors of power companies have been decreasing year on year and we are also promoting the use of renewables-derived electricity. Toward fiscal 2030, we will ensure the use of renewables-derived electricity. Also, for fuel conversion, particularly for a shift from the use of thermal energy from coal, we have already started to design a plan and have already implemented some specific measures based on it. Going forward, we will implement more measures for fuel conversion. As another initiative, we will rationalize our manufacturing processes.



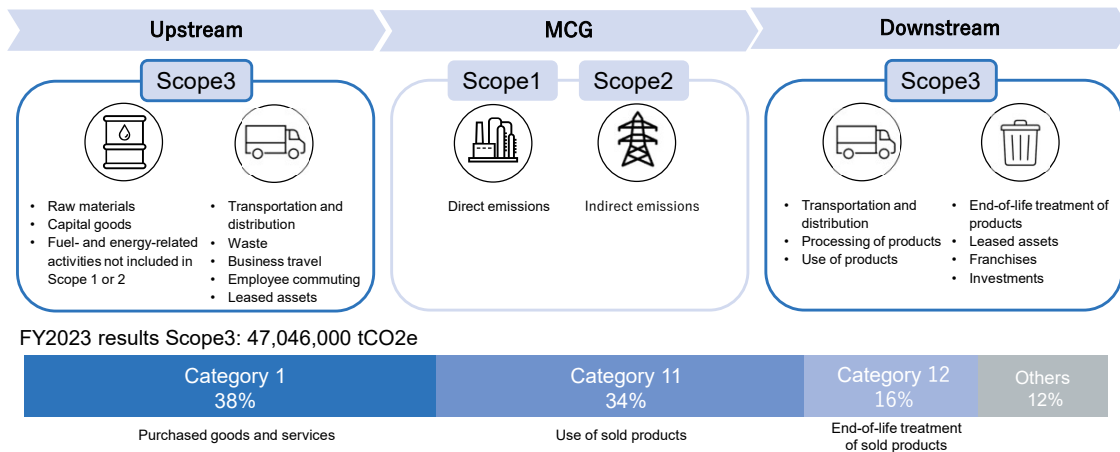
This map shows the specific sites where we are making efforts for fuel conversion.



## About Scope3



- Scope3 supply chain emissions are divided into 15 “upstream” and “downstream” categories stipulated by the GHG Protocol
- Scope3 emissions accounted for 47,046,000 tCO<sub>2</sub>e. Categories 1, 11, and 12 accounted for 90% of total Scope3 emissions (FY2023 results)



Let me now brief you on our efforts to reduce Scope 3 emissions.

Scope 3 emissions means emissions from across our supply chain, which is divided into several segments, including upstream and downstream segments.

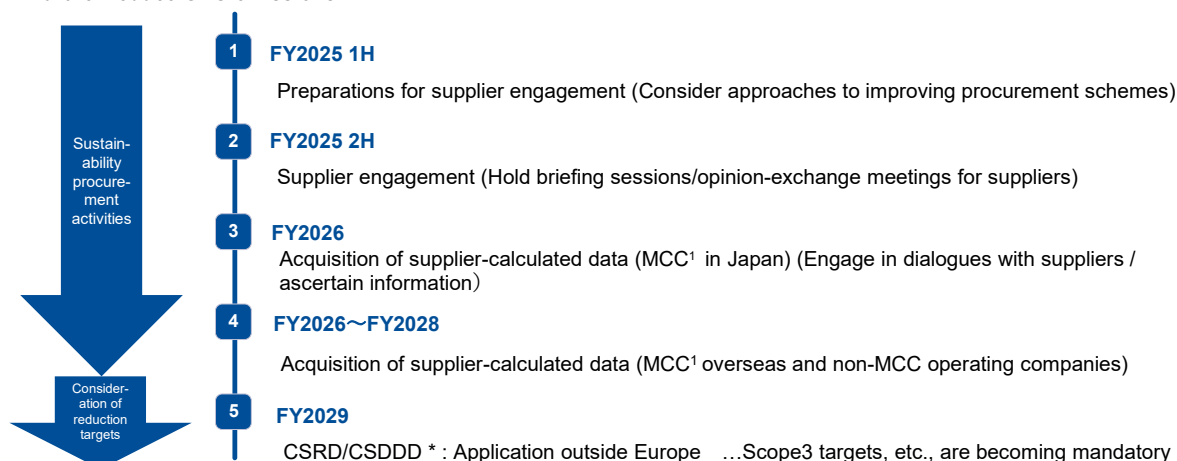
In the upstream segment, a large portion of emissions are related to raw materials. In the manufacturing industry, Scope 3 emissions include those from the use of electricity by an upstream supplier. Scope 3 emissions also include not only upstream emissions but also those in the downstream segment, specifically emissions from our products in their post-manufacturing life stages.

For our Scope 3 emissions, Category 1 emissions are the largest. Category 1 emissions are emissions related to purchased goods and services, such as raw materials. The second largest are emissions from the use or disposal of the products we sell. First of all, we will work to reduce our Category 1 emissions, which account for the largest percentage, or 40% of the total.

## Action Plan for Scope3 Category1 Reduction and Sustainable Procurement



- To reduce Category 1 emissions, supplier-calculated data rather than the current secondary data needs to be used when measuring emissions intensity.
- We aim to reduce GHG emissions throughout the supply chain by sharing and supporting suppliers' efforts to further reduce GHG emissions.



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1. Mitsubishi Chemical Corporation  
2. Corporate Sustainability Due Diligence Directive (EU)

Let me brief you on our Category 1 emissions.

Many companies estimate their Category 1 emissions, which are emissions from purchased goods and services, based on rough estimates about relevant purchase and production amounts and by using secondary data provided in Input-Output Tables and other reference materials. This is because it is difficult to collect all the necessary data from all suppliers. Based on the purchase amounts and relevant emission factors indicated in the reference materials, companies create data on their Category 1 emissions. The factors are updated every five to 10 years, but not immediately improved. So some companies simply stop making the purchases or reduce production using the purchased products/services to reduce their Scope 3 emissions.

To avoid doing this, we need to collect accurate data from individual suppliers and encourage them to reduce their own emissions. To this end, we need to foster dialogue with each one. We have been collaborating with suppliers through our CSR-oriented procurement activities and, going forward, we will further enhance these activities to replace this secondary data with data actually calculated by the suppliers. Also, for the baseline year data and future outlook, we will work to obtain accurate data to set our Scope 3 emissions reduction targets. We will thereby find sustainable solutions that do not involve simply stopping our purchases of the products/services or reducing our production using such products/services. We need to make efforts to replace the secondary data with the suppliers' own calculated data and engage in dialogue with them for further emissions reduction.

In Europe, the CSRD might mandate the setting of Scope 3 emissions reduction targets. By the time it is actually mandated, we hope to build a foundation for setting the targets over the next few years.

## Sustainability Procurement Activities



We conducted a CSR questionnaire survey of our major business partners, analyzed the results, and classified the companies into four ranks (A to D) in accordance with their initiatives on ESG-related issues.



Percentage of purchase price accounted for by CSR survey



Number of companies evaluated in the current fiscal year via the CSR questionnaire survey



Supplier training through CSR procurement briefings (for B, C and D ranked companies)



Individual interviews conducted (C- and D-ranked companies)

\*\*CSR questionnaire survey ranks and definitions  
A: Suppliers who have made sufficient efforts and are considered unlikely to commit acts adversely affecting human rights  
B: Suppliers who have made certain efforts but needs further continuous improvements  
C: Suppliers who have made effort, but are considered to have some concerns  
D: Suppliers considered whose efforts are not enough and whose status we would like to check

We have already conducted a CSR questionnaire survey.

However, the survey mainly focused on general CSR issues, and we need to include more questions on Scope 3 emissions and human rights due diligence, which has been a topic of discussion recently, as part of our efforts to enhance engagement with suppliers.

As an integral part of these efforts, we will work for the enhancement of our supply chain management and supplier engagement.

## CE Initiatives

## Plastics/CE Regulations



- Regulation on plastic is developing from viewpoint of 1) preventing plastic pollution and 2) CE/resource efficiency, led by EU.
- Requirements include CE/eco design, use of recycled materials (recycling ratio), setting targets, production/use restriction on certain chemicals and plastics.

(Year)	~2020	2020	2022	2023	2024	2025	~	2030	~	2040	~	2050
Global						◆ Agreement reached under Plastic pollution Convention (INC)						
Japan			◆ Plastic Resources Circulation Promotion Act		◆ Ongoing discussions on strengthening regulations on recycled material use (recycling ratios), etc.							
EU	◆ 2019 Single-use Plastics Directive	◆ New CE Action Plan ◆ France & Germany Circular Economy Law	◆ Packaging Waste Regulation (PPWR)	◆ Eco-design for Sustainable Products Regulation (ESPR)		25% recycled content of beverage bottles by 2025, 30% by 2030				2030 All packaging materials can be recycled. 2040-Only reusable items can be negotiable		
			◆ End-of-Life Vehicle Regulation (ELVR) proposal					25% recycled content by 2025, 25% of which from wasted cars				
US		◆ CA and other states Recycled content targets, ban on plastic sold in bulk, etc.								50% recycling rate for solid waste by 2030		
China	◆ Ban on import of waste materials including plastic											
			◆ Technical Standard for Prevention of Waste Plastic Pollution									

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I will brief you on our measures for a circular economy.

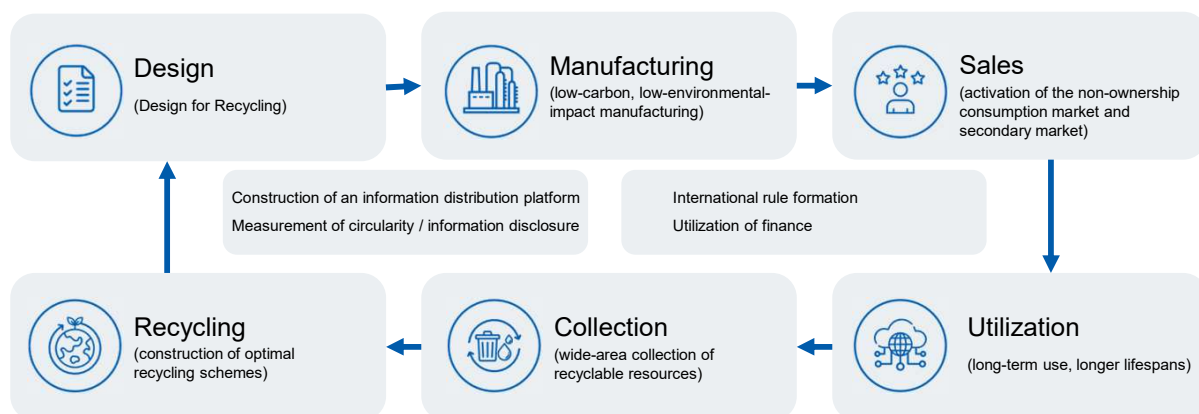
Presently, circular economy-related regulations are being expanded in a substantial way on a global scale. In particular, companies operating in Europe are required to foster design for easier recycling and to use recycled materials, including recycled plastic materials. More regulations are being introduced for containers and packages, which are closely related to our business, and especially for the recycling of waste plastic materials. Also, the introduction of regulations for the recycling of automobiles has been an increasingly frequent subject of discussion. Accordingly, demand for recycled materials has been markedly increasing, mainly in Europe. We need to make appropriate responses to this trend.

Meanwhile, the international community has been discussing a treaty to deal with plastic pollution. While no consensus has been reached as of the end of last year as planned, there is an undeniable need for countries to enhance the management of waste and promote recycling to reduce the production of plastic materials and curb plastic pollution. Accordingly, we will have more opportunities for plastic recycling, which I like to regard as part of the value that we can offer to our customers, and we have already taken the first step to provide such value to our customers by building a chemical recycling plant in Kashima.

## Initiatives of Circular Economy (CE)



CE is not only recycling. Comprehensive actions throughout the whole lifecycle—from design, manufacturing, and sales to use and recovery— is necessary.



Source: Strategy for a Growth-Oriented, Resource-Autonomous Economy (Reference Material)

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Measures for a circular economy are not limited to recycling.

Promoting recycling-oriented design in the design stage is also an important factor that contributes to the operation of a circular economy. For example, Soarnol, which we sell, delivers high gas barrier performance and is also designed to be easily recyclable even when used with other packaging materials, making it unnecessary to separate it from all other packaging materials for recycling. I think designing our products in this way is also an important means to foster a circular economy.

Moreover, we are working to reduce the generation of waste by using our own products in the manufacturing stage and to raise the production yield as part of our efforts for a circular economy. We are thus promoting design and manufacturing processes that minimize the generation of waste. We are also promoting the recycling of generated waste. We are implementing these measures in particular for carbon fibers and others.

Further, in addition to promoting recycling done by ourselves, we deem it important to cooperate with other companies for the use of recycled materials and for the collection of waste for recycling.

We will thus implement overarching measures for a circular economy.

## Progress on Specific Projects

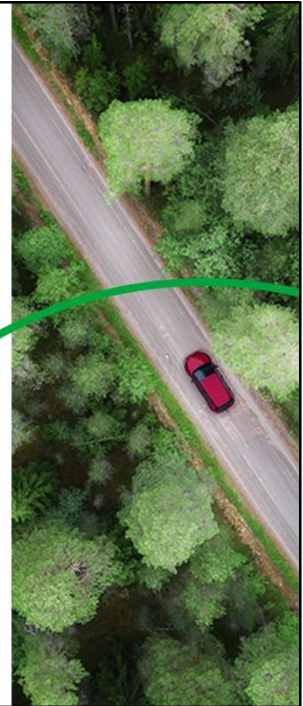




Use of plastics as feedstock

## Plastic chemical recycling

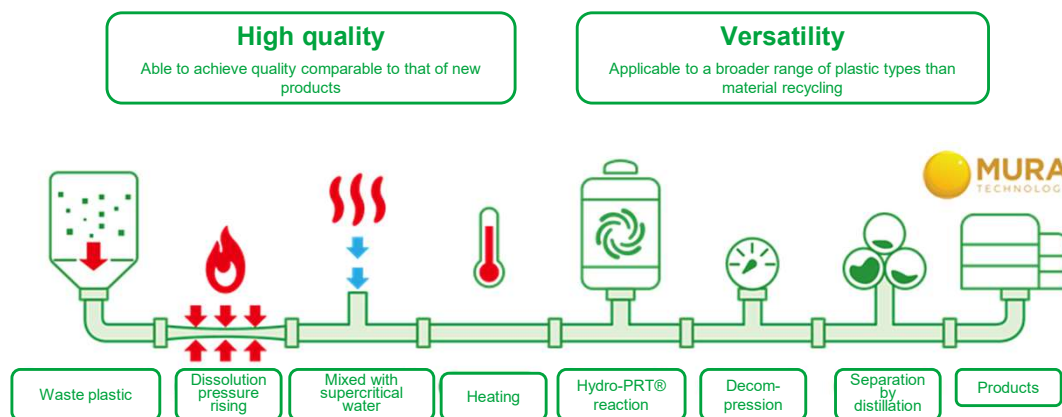
In collaboration with ENEOS, we will industrialize Mura Technology's hydrothermal recycling technology at our Ibaraki plant



## Plastic chemical (hydrothermal) recycling technology



- In collaboration with ENEOS Corporation, built chemical recycling facility to convert used plastic into chemicals and oils.
- Formed a partnership with REFINVERSE Group, Inc., to ensure stable procurement of used plastic as a raw material.



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I will now brief you on our specific recycling projects.

First, our plastic chemical recycling. The recycling process starts with the appropriate collection of waste, for which we partner with REFINVERSE, a company engaged in waste collection. We think it is necessary for us to engage in the whole process, from the recovery of waste through to the manufacture of products using the recycled materials, in cooperation with our customers. Especially in the chemical recycling project, collected waste is recycled into simple oil with a quality that is almost on par with that of virgin oil and can therefore be used almost as widely as virgin oil.

By material recycling, waste products are generally recycled into the same products but in different shapes, and it is necessary to combine material recycling with chemical recycling by which high-quality products can be produced for various applications. In fact, we can recycle collected waste into a range of products at our chemical recycling plant in Kashima, thereby building a giant closed loop of materials.

## Facility and technology



### Plastic Chemical Recycling Project

**Location:** Ibaraki Plant

**Raw plastic processing capacity:** 20,000 tons per year

**Technology introduced:** Hydro-PRT® technology from Mura Technology (UK)

**Start of operation:** Commercial operation scheduled to begin in FY2025



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At the chemical recycling plant, we plan to treat 20,000 tons of waste plastic materials a year. We aim to launch the commercial operation of the plant within fiscal 2025.

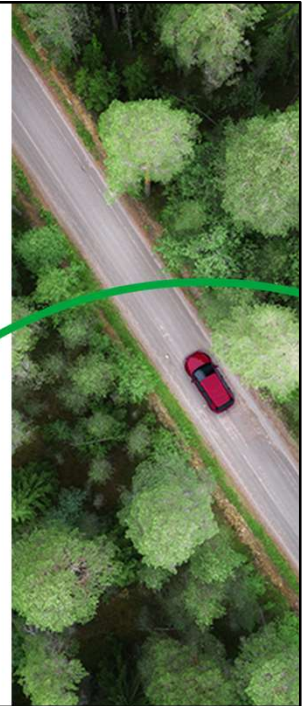


Use of CO<sub>2</sub> as a raw material

## Business development for polypropylene production from green hydrogen and CO<sub>2</sub>



**INPEX**

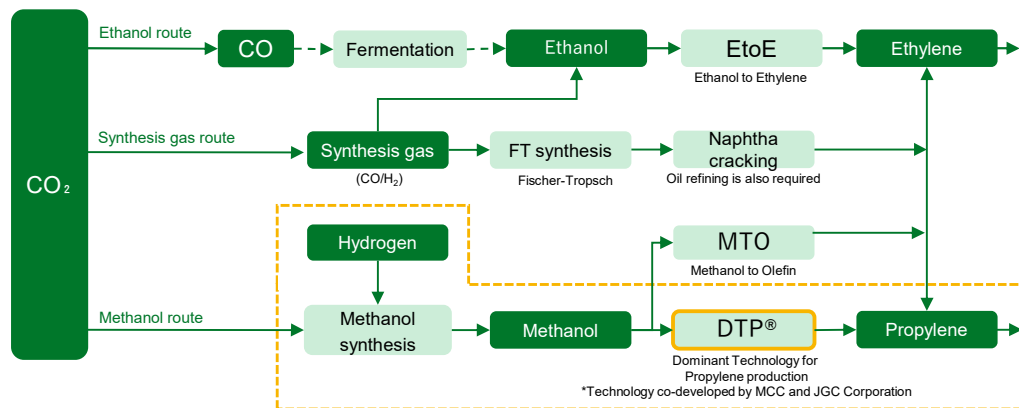


We are also promoting the CCU business, specifically, the manufacture of chemical products using carbon dioxide and hydrogen.

## Carbon utilization for basic chemicals



- We co-developed DTP® technology for producing propylene, a key raw material for various chemicals, from methanol.
- This technology enables efficient and selective production of propylene, which is difficult through other CO<sub>2</sub> utilization routes



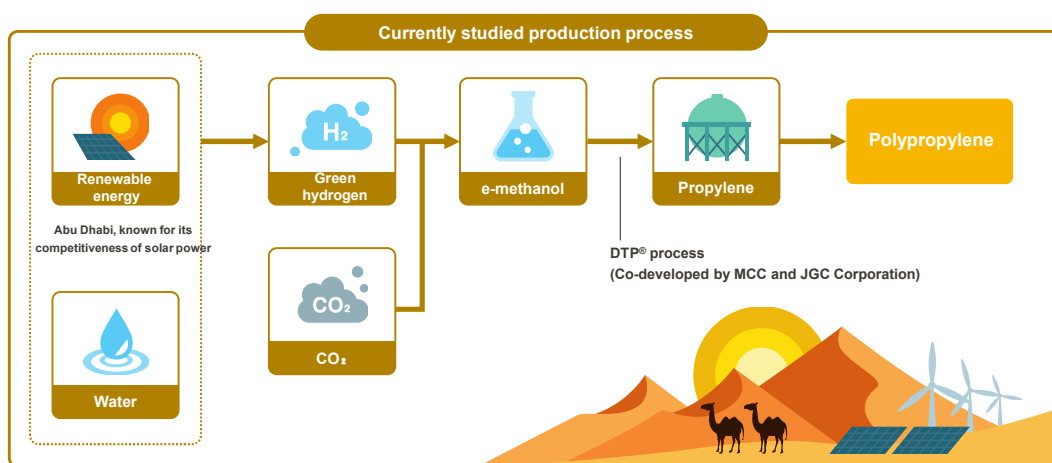
In fact, there are several ways to use carbon dioxide as a raw material to make chemicals, including ethanol, methanol, or synthesis gas through various routes.

We are now considering manufacturing methanol by using CO<sub>2</sub> and hydrogen and then transforming the manufactured methanol into propylene. We have the technology to make propylene efficiently using methanol and are therefore considering making use of this technology in the project.

## Conducting study on the commercial production of polypropylene from CO<sub>2</sub> and Green hydrogen



Abu Dhabi Future Energy Company PJSC (Masdar), INPEX, and MCC are jointly studying the commercialization of PP production in Abu Dhabi.



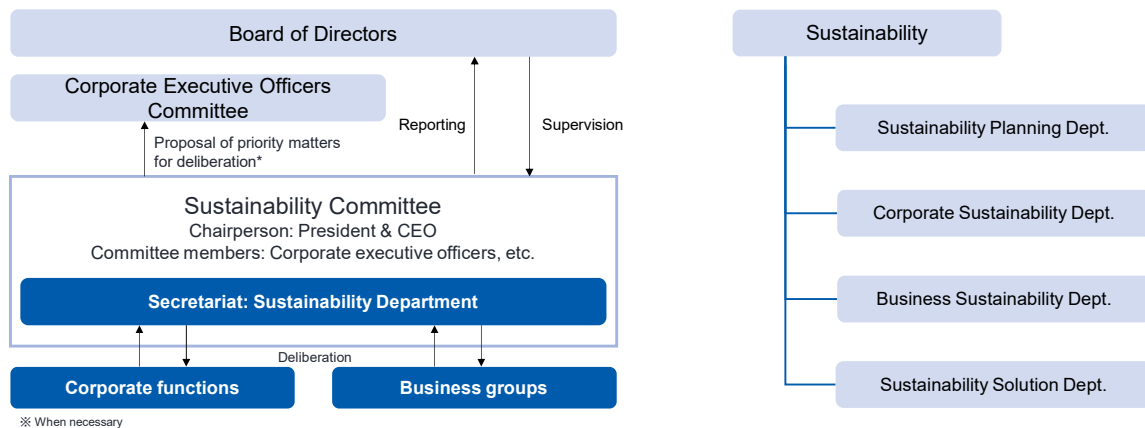
In this project, we are planning to make green hydrogen by using renewable energy procured in Abu Dhabi and then making polypropylene by using CO<sub>2</sub>, aiming to sell CO<sub>2</sub>-derived polypropylene in Europe in an appropriate manner. We are promoting discussions with related parties for the commercialization of the product.

# Sustainability Promotion Structure

## Structure for Implementing Sustainability



- The Group has established the Sustainability Committee, which is chaired by the president & CEO
- Under the supervision of the Board of Directors, it acts as a forum for discussion of the Group's sustainability policies and related matters and to supervise and monitor progress in various activities.



I will now offer some explanations about our structure to promote sustainability.

Sustainability-related issues need to be addressed on a company-wide basis. It is not enough for us simply to promote fuel conversion at our plants or implement measures for part of our supply chain. We need to implement sustainability measures as part of our business initiatives. To this end, digital technologies and financing systems are also important, for which we need to hold discussions across the company.

Accordingly, we have established a committee chaired by the president and composed of corporate executive officers and others. This committee reports to the Corporate Executive Officers Committee and the Board of Directors, a reporting structure designed to promote sustainability from the perspectives of corporate functions and business management in an integrated manner.



## Contents

### 3 Human Capital

**Masahiko Tanaka**  
**Vice President**  
**Chief Human Resource Officer**

## Human capital | Our people



Assigning the right person for the right roles unleashing the potential of our human capital

We need people with	Action	Targets
<p>► <b>Ownership</b> Takes pride and responsibility in one's work</p> <p>► <b>Distinctive skills and strengths</b> Highly specialized and able to contribute to the team</p> <p>► <b>Challenge spirit</b> Challenging spirit, adding value towards realization of KAITEKI</p> <p>► <b>"Connect" mindset</b> Lead diverse collaborations across the organization</p>	<p>► <b>Promote diversity</b> Develop a diverse pool of talent both within and outside the company</p> <p>► <b>Develop people capable of global management</b> Training top talents and next-generation top talents</p> <p>► <b>Provide opportunities for challenges through the delegation of authority</b></p> <p>► <b>Evaluate contribution to "Connect" beyond organizations</b></p> <p>► <b>Encourage challenges</b></p> <p>► <b>Reward achievements based on deliverables</b></p>	<p><b>Employee engagement<sup>1</sup></b></p> <p><b>69pp</b> ⇒ <b>80pp<sup>2</sup></b> (FY23) (FY29)</p> <p><b>Diversity at the decision-making level<sup>3</sup></b></p> <p><b>29%</b> ⇒ <b>40%</b> (FY24) (FY30)</p>

1. Percentage of favorable responses to set items in the employee awareness survey

2. pp = percentage point

3. The percentage of executives plus top-tier employees who meet any of the following criteria: international (foreign nationality), female, and multi-career (mid-career recruitment).

This slide illustrates what we explain about our human capital in the new medium-term management plan. There are a range of related elements, which are detailed on the next and subsequent slides.

## CHRO Mission



Contribution to realize the KAITEKI Vision 35/New Medium-term Management Plan by maximizing the strengths of human resources within the Group

### Vision for FY29

Synchronization of management and business strategies with HR strategies	
Optimal global placement and promotion of human resources	
Environments that maximize potential	Places for growth and challenge Leveraging of diverse values High psychological safety
Attractive corporate group	A place for top talent High engagement
Lean and productive organizations	Appropriate delegation of authority (ownership) Appropriate personnel management



### Today's briefing

1. Synchronization of management and business strategies with HR strategies
2. Selection, training and promotion of global management personnel
3. Revision of HR systems
4. Promotion of diversity
5. Improved engagement

The CHRO's mission is defined as "Contribution to realize the KAITEKI Vision 35/New Medium-term Management Plan by maximizing the strengths of human resources within the Group."

In order to fulfill this mission, the CHRO will work on five core items, which are shown on the left side of the slide. The first item is "Synchronization of management and business strategies with HR strategies." The second is "Optimal global placement and promotion of human resources." The third is "Environments that maximize potential." Let me give you some more details about this item. Our company has many employees who have a great deal of potential. We need to provide them with opportunities for self-development, respect their diverse values and make our workplaces psychologically safe for them.

The fourth item is "Attractive corporate group." We need to build a corporate group that attracts top talent from across the world, for which it is important to increase the engagement of current employees.

The fifth item is "Lean and productive organizations." Specifically, we must provide employees with an environment in which they are empowered appropriately and can demonstrate their abilities with ownership, while ensuring appropriate staff management by the company.

## **Synchronization of management and business strategies with HR strategies**

## 1 ) Synchronization of management & business strategies with HR strategies



### a) Establishment of HR Business Partner Department (as of July 1, 2024)

- Pursuit of closer relations between HR organizations and business group
- Planning and execution of HR strategies to realize business strategies



### b) "Linkage" of business and HR portfolios

- Clarification/visualization of skills required for specific positions and skills possessed by individuals @Workday
- Revision of HR systems for managerial employees



### c) Discussion of HR policies by all management executives

- Thorough discussion of key measures by management executives

I will brief you on the synchronization of management & business strategies with HR strategies.

First, we have established the HR Business Partner Department by integrating and upgrading the sections in charge of personnel affairs at each of the business groups into a department headed by a general manager. Through this department, we will improve the relationships between our HR departments and business groups, while formulating and implementing human resource strategies for individual business groups to help them implement their respective business strategies in a successful manner.

Second, we have linked the business and HR portfolios. In order to clarify and visualize the skills necessary for each job position and the skills possessed by individual employees, we are making use of the Workday system to assign the right individuals to the right positions on a global scale and to clarify and employ human resources that are necessary for the company. We will also revise the HR system for managers.

Third, we will have a meeting involving all executives to discuss HR measures. Since the announcement of the new management team, we have been holding a range of discussions and have allocated the longest time slots to HR-related presentations. For the successful functioning of our HR systems, it is essential that both our management team and employees are satisfied with the systems and make effective use of them. To this end, the executives are discussing important measures in a comprehensive manner.

## 1 ) Synchronization of management & business strategies with HR strategies



### a) Establishment of HR Business Partner Department (as of July 1, 2024)

- Pursuit of closer relations between HR organizations and business group
- Planning and execution of HR strategies to realize business strategies

As a strategic partner for businesses, HRBP provides solid backup in terms of HR strategy, including talent, organization, and leadership



This slide shows a four-quadrant model for human resource strategies, which is often used in discussions on personnel measures.

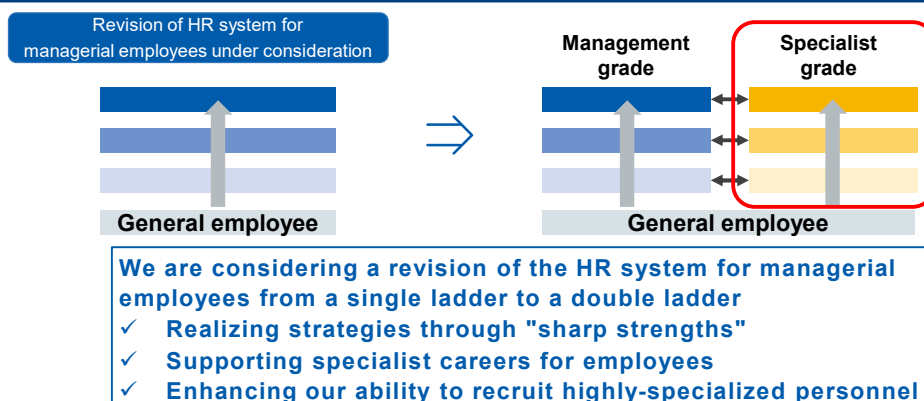
All of the quadrants are important, but for the synchronization of management and business strategies, the upper left quadrant is particularly important. Specifically, it is important for the HR Business Partner Department to implement measures with a focus on future process management, and we will enhance the department's position as a strategic partner. Japanese companies have been said to be weak in this regard, but we will enhance the department's relevant role going forward.

## 1 ) Synchronization of management & business strategies with HR strategies



### b) "Linkage" of business and HR portfolios

- Clarification/visualization of skills required for specific positions and skills possessed by individuals @Workday
- Revision of HR systems for managerial employees



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Concerning the linkage of business and HR portfolios, I would like to talk about the reform of our HR systems.

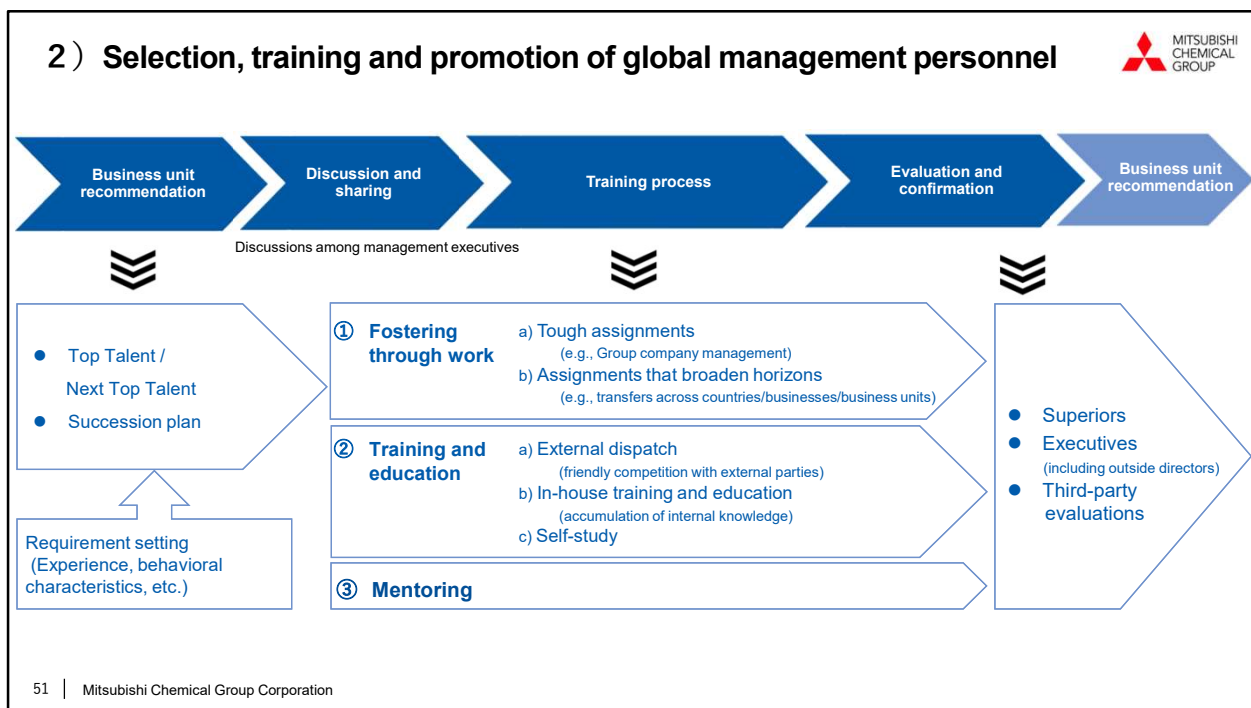
Presently, we are considering a shift from a single-ladder HR system to a double-ladder system for employees in managerial positions. The current single-ladder system is based on management grades, under which specialists tend to be underestimated. In response to this problem, we are considering changing the system to a double-ladder one for both managers and specialists.

In addition to the grades for management, which is indeed important for the company, we need to set grades for specialists in order to appropriately evaluate and manage personnel who have "sharp strengths," as described in the medium-term management plan. The revised system should also be designed to help us employ talent with advanced professional skills, including those versed in digital technologies.

We aim to introduce the revised system in the fall of 2025.

## **Selection, training and promotion of global management personnel**





Regarding global management personnel, who will lead our company in the future, the slide shows how our company selects, trains and promotes these people.

Our company is operating on a global scale. For the company to achieve further growth and development, the process of selecting the most appropriate people and training and promoting them to be global management personnel is quite an important process.

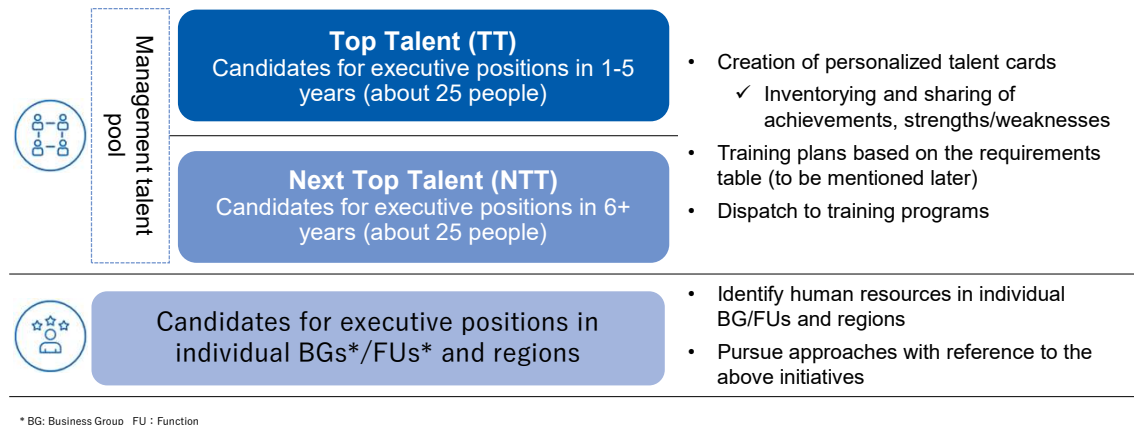
Specifically, the process starts with each business unit recommending candidates. Corporate executive officers and executive officers then discuss the details of the recommendations and share their conclusions. The candidates selected through the process subsequently receive training, and the results are evaluated and confirmed to inform the next round of recommendations by the business units. This process is thus composed of a series of actions. The personnel recommended by the business units are included in talent pools called “Top Talent” and “Next Top Talent.” As for how to include personnel in the talent pools and how to train them, we have defined the requirements and clarified the experience they need to acquire going forward. We have also created “talent cards” to specify what it takes for each of the people in the pools to become global management personnel. Based on the cards, we make a plan concerning the experience that the person needs to acquire, for example, working overseas to broaden their perspective. We are also promoting the implementation of training and educational plans in consideration of the balance between external learning and learning inside the company.

We aim to develop our employees into global management personnel through these measures.

## 2) Selection, training and promotion of global management personnel



### Overall talent pool



This slide shows the overall picture of our talent pools.

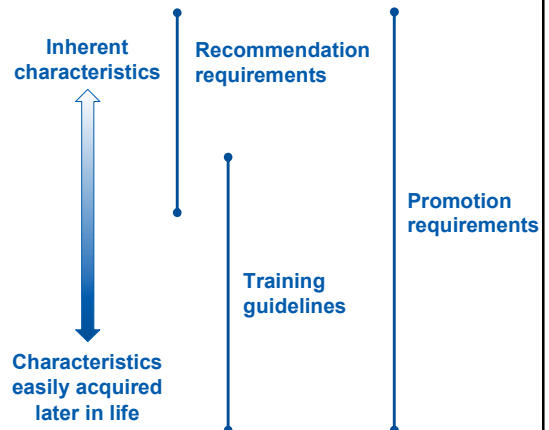
In the Top Talent pool, there are about 25 candidates for officer positions, who may be able to assume the role in one to five years. In the Next Top Talent pool, there are also about 25 candidate officers, who may be able to assume the position in six or more years.

A talent card has been created for each candidate outlining their performance record as well as their strong and weak points. Based on the details shared by those in charge and on the table of requirements to be met by the candidates, we are creating development plans for them and requiring them to participate in training programs. We are implementing these measures.

## 2) Selection, training and promotion of global management personnel

Select TT/NTT and plan training programs based on the definitions of management personnel requirements

Element	Summary
Character	<ul style="list-style-type: none"> <li>Enthusiasm for learning and work</li> <li>Business results, etc.</li> </ul>
Behavioral traits	<ul style="list-style-type: none"> <li>Developed based on competencies (e.g., strategic thinking, decision-making ability, etc.)</li> </ul>
Experience	<ul style="list-style-type: none"> <li>Experience required to become an executive (e.g., experience in several different business and functional units)</li> </ul>
Skills/ knowledge	<ul style="list-style-type: none"> <li>Finance, Corporate governance</li> </ul>



This slide shows the table of requirements, which are grouped into the four elements of “Character,” “Behavioral traits,” “Experience” and “Skills/knowledge,” as indicated on the left side of the table. These elements correspond to the characteristics indicated on the right side of the slide, with characteristics that are more inherent being shown higher up and those that can be acquired more easily later in life shown lower down. We regard the characteristics shown in the upper part as requirements to be met by employees for recommendation and those in the lower part as guidelines to be followed by those selected as candidates in training. We will decide whom to promote to officer roles based on the overall results.

## Revision of HR systems

### 3) Revision of HR systems



#### a) Fostering and evaluating "connecting" human resources and encourage challenges

- Revise evaluation system
- Penetrate new system and enhance operation
- Foundation-building for praise



#### b) Role-based compensation system

- The roles expected of individuals with certain skills, experience and knowledge should be reflected in job grades and ranks so as to better evaluate their contribution to organizations and job responsibilities.

I will brief you on the revision of our HR systems from the viewpoint of maximizing individual potential: first about the revision of the personnel evaluation system to give more points to personnel who are good at “connecting” and eager to embrace challenges, and then about the revision of our compensation system to make it a role-based one.

## Fostering and evaluating "connecting" human resources and encourage challenges



### Objectives

Develop and evaluate human resources who "connect" beyond organizations, embed a culture that encourages challenges, and foster a suitable culture

### Actions

#### ● Revise evaluation system

- Incorporate evaluations of "connecting actions" and "challenges" into systems
- Rather than evaluating solely based on the achievement of initial goals, the system also considers actions taken and challenges undertaken for the benefit of the company and organization.(encourage challenges)

Example: Establishment of "Praise Corner" on portal site, CEO Award

#### ● Penetrate new system and enhance operation

- Enhance awareness of systems and strengthen MBO\* training

#### ● Foundation-building for praise

- Restarting the CEO Award, establishing a "Praise Corner" on portal site, etc.



The keyword for the medium-term management plan is "Connect."

We have personnel equipped with a range of skills and business expertise. As an integrated chemical company, we can provide more value by connecting them with one another, rather than utilizing them separately. It is people who make these connections between skills and expertise, and we are examining how to evaluate who is good at "connecting" under our HR systems.

For "connecting" measures, let me offer a bit more detail. For example, we can make use of Japan Polychem's proprietary compound technology developed for polypropylene also for our vinyl chloride compounds and MMA polymers. We will do this by establishing a dedicated organization or implementing a project to this end. In fact, it is relatively easy to follow the process of setting a target and evaluating the results.

However, in order to promote "connecting" across the company on a daily basis, we need to raise employees' awareness of its importance and also devise measures to "award points" to those who have contributed to making connections. While it is very important to evaluate the achievement of a target, we also need to evaluate each employee based on the total amount of contributions they have made to the company on an annual basis, for which we are revising the evaluation system.

For HR systems, I think the process undertaken to make the systems truly satisfactory to employees and to implement them in an appropriate manner is more important than the process used to design the systems. Based on this recognition, we will work to raise employees' awareness of the systems across the board. At the same time, we are enhancing

in-house training to help employees set and achieve a target.

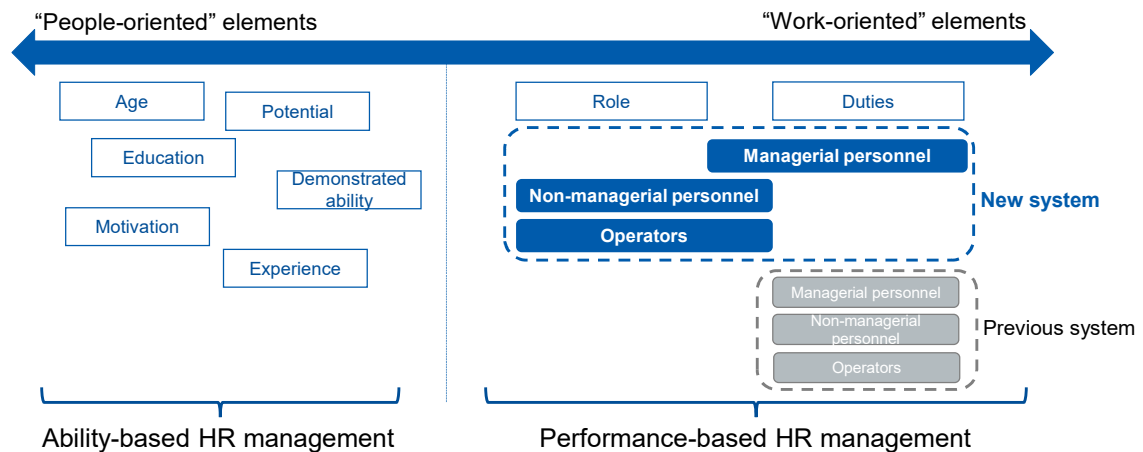
Finally, we deem it important to nurture a culture of praise across the company in order to support the principle of “awarding points.” For example, commendation by the president was not conducted for several years. We have restarted the program and selected recipients related to three cases. We will hold a commendation ceremony next month. In addition to these measures, we have established a section to praise employees in a clearly visible manner on our portal website as a way of sharing information about external commendations and similar recognitions with all employees.



## Role-based compensation system



The roles expected of individuals with certain skills, experience and knowledge should be reflected in job grades and ranks so as to better evaluate their contribution to organizations and job responsibilities.



Regarding what to evaluate for personnel treatment, we can design a range of systems. This slide shows how employees are evaluated based on "people-oriented elements," such as age and educational background, and "work-oriented elements," specifically, on what they are doing in their jobs. Elements listed further to the left are more people-oriented and those further to the right are more work-oriented.

We will revise our HR systems to make them more performance-based in principle, attributing importance to work-oriented elements shown on the slide to the right of center. Our conventional HR systems focus intensively on the elements indicated on the far right for all employees, including non-managerial personnel. Thinking that we need to shift the systems a bit to the left, we are now in the process of redesigning them. For example, for the HR system for machine operators, those in their second year at their company and those who have worked there for 20 to 30 years used to be categorized into the same job grade, although the two groups of operators were assigned different roles. We are therefore revising the system to reflect their respective roles within their job grades.

We will implement these measures also for non-managerial personnel. Presently, new graduates and mid-career workers each account for 50% of our new employees, and we regard it as very important to employ new graduates and train them internally in an appropriate manner. By adopting the principle of attributing importance to job roles, we hope to evaluate how employees are developing their skills and expertise and how they are fulfilling their expected roles.

## Promotion of diversity

## 4) Promotion of Diversity



### a) Diversity at decision-making levels

- Increase diversity among decision makers and leverage diverse perspective



### b) Promoting women's activities (increasing percentage of women in management positions)

- Promote female employees achieve greater success as part of efforts to maximize the capabilities of our people, while building a foundation where all employees can succeed in their own ways by raising awareness of flexible workstyles.

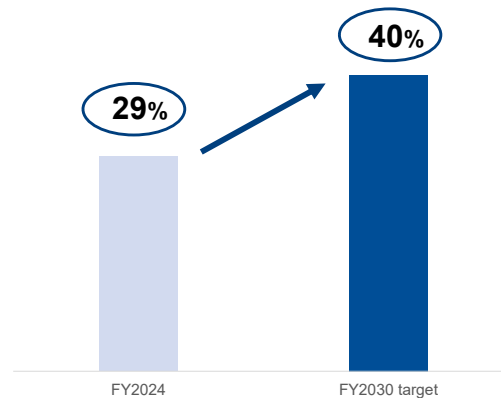
Let me now talk about diversity at decision-making levels and the promotion of women to managerial positions.

## Diversity at decision-making levels



In order to increase diversity among decision makers and leverage diverse perspectives

- Create personalized talent cards in line with the aforementioned TT/NTT training initiatives; conduct training based on requirement definitions
- Continuously recruit outside talent



Focus	Executives + employees engaged at the highest grade (personnel participating in important management decisions)
Diversity attributes	Female, foreign national, multi-career
Target	40% or more by the end of FY30

We aim to increase diversity among decision makers to leverage diverse perspectives.

As a numerical target, we aim to raise the current diversity rate of 29% to 40%. The rate is calculated by using the number of executives and employees in the highest grade as the denominator and the number of women, foreign nationals and multi-career employees, whom we regard as those with diversity attributes, as the numerator.

In order to promote diversity, as in the training for the Top Talent and Next Top Talent pools, we are selecting individuals as candidates and creating personalized talent cards for their training and to help them meet the predefined requirements. We are also recruiting talent from outside.

## Mitsubishi Chemical Corporation Promoting women's activities (increasing percentage of women in management positions)



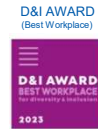
### Current ratios

**The efforts of the past 10 years have only proven partially successful**  
(women account for 5.0% of section managers and above and 8.8% of assistant managers and above)

### Actions

- Approach young people more frequently before they enter higher education and begin job hunting to increase the ratio of female employees
- Conduct unconscious bias training for all employees
- Continue to hold events to foster an organizational culture
- Re-identify impediments to success

The maintenance of internal environments and systems are also subject to external evaluation



We have long been implementing measures for the empowerment of women and are already “Eruboshi”- and “Kurumin”-certified. We also received the “Best Workplace” certification at the D&I AWARD and a “Gold” rating in the PRIDE Index for LGBTQ+-related initiatives. These honors testify to the improvements that we have made regarding our work environments and systems.

Looking at numerical targets, however, women account for 5.0% of section managers and above and 8.8% of assistant managers and above. We are thus still only halfway to our goals. Women account for 16% of all employees, so there is still much room for improvement.

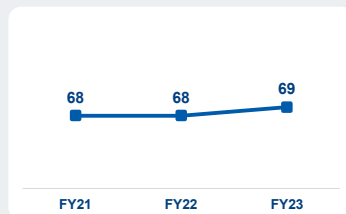
As one of the actions to achieve the targets, we are implementing a relatively long-term initiative. In order to increase the ratio of female employees as a precondition to increase the ratio of female managers, we are showcasing our appeal as an employer by inviting young people, including students advancing to higher education and those who have not yet started their job hunt, to come to our company and speak to our female employees. We are also providing all employees with unconscious bias training and regularly holding events to build an organizational culture conducive to the empowerment of women. We plan to hold an event titled “D&I Event Week” next week.

Concerning impediment factors, the percentage of women in the total number of new university graduates employed by the company is currently about 30%, while women account for 16% of the total number of employees. The proportion of women in the total number of new employees was smaller 10 and more years ago, which shows up in the lower rate of female managers. Apart from this, it seems there are some impeding factors, and we are considering conducting a survey that is similar to the one we conducted several years ago to

identify and eliminate such factors.

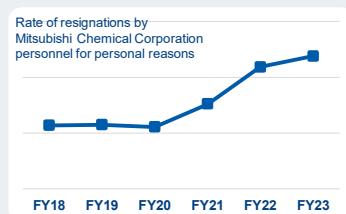
## Improved engagement

## Understanding of the present situation



### Employee engagement scores have stagnated

- Percentage of favorable responses to set items in the employee awareness survey have stagnated
- Questions that received notably fewer favorable responses  
 「I believe the Mitsubishi Chemical Group is making steady progress toward realizing its management philosophy.」  
 「I wholeheartedly support the Mitsubishi Chemical Group's management philosophy.」



### Rising rate of voluntary resignations

- Resignation rate increased significantly from FY2020 to FY2023  
 ⇒ Loss of talented personnel, concerns about plant safety and stable operation
- Factors underlying this rise
  - Concerns about management policies, including carve-out of petrochemical and carbon businesses
  - Lack of acceptance and dissatisfaction with changes in HR system

For the improvement of employee engagement, let me first talk about the present situation.

We regard the stagnant rise of engagement scores and the rising rate of voluntary resignations as problems.

Concerning employee engagement, we have been conducting an employee awareness survey. Presently, nine question items out of 59 raised in the survey are regarded as employee engagement-related questions, and employee engagement scores are calculated based on answers to these questions. As clearly indicated in the upper graph on the slide, the scores have barely risen over the past three years. In particular, scores for some items are strikingly low and others have dropped from the previous year's level. Specifically, the scores are very low for "I believe the Mitsubishi Chemical Group is making steady progress toward realizing its management philosophy" and "I wholeheartedly support the Mitsubishi Chemical Group's management philosophy."

We also regard the rise in the rate of voluntary resignations as a problem. From fiscal 2020 to fiscal 2023, the rate substantially increased, causing an outflow of talent and concerns about the safety and stability of our plant operation. This is something that we take very seriously. As for the rate of resignations, it is inevitable that some people will quit, but the rise in the rate of voluntary resignations during the period is attributable to concerns about management policies, including the carve-out of the petrochemical and carbon businesses, and to the lack of acceptance and dissatisfaction regarding changes made to the HR systems.



## 5) Measures to improve engagement



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As for measures to improve employee engagement, the current score is 69 percentage points and we have set the target of raising the score to 80 points. According to a research firm, 80 points represents the global standard to be met by blue-chip companies. Accordingly, we have decided to pursue this figure.

In terms of specific actions, we think it is important to steadily raise employee awareness of our new management policies to increase support for them, which is currently at a low level. For issues concerning the HR systems, we will identify the specific problems related to the current systems and solve them. We are also conducting examinations to make effective use of the survey results at our workplaces. Regarding this, not a few workplace managers are facing difficulties, and we are supporting them in overcoming these difficulties by sharing useful examples across the board.

## 5) Measures to improve engagement



### (1) Spread awareness of new management policies

- **Number of CEO town hall meetings, site visits, individual dialogue sessions, etc.** (In and after April 2024)

Meetings	Area	Targets	Apr. - Jun.	Jul. - Sep.	Oct. - Dec.	Jan, 2025 -
Global THM	Global	For the entire company	1		2	
New Management Policy Dialogues	Global	For the entire company			1	
Individual dialogue sessions	Headquarter	By age groups	3	1	2	
Visits/THM	Domestic plants and subsidiaries	For employees at all levels	8	6	7	4
	Overseas region	RHQ members, BG/FU representatives, etc.	2	3	1	3
Total 44 times (Including events still scheduled)						

- **Town hall meetings by Business Units and Common Divisions**

Direct explanations of KAITEKI Vision35, Medium-Term Management Plan 2029, and the direction and goals of each business group and function unit to its employees by the executive in charge

In order to raise employees' awareness of the new management policies across the company, we deem it important to speak directly to employees by holding dialogue sessions, including Q&A sessions, in addition to sharing relevant information through videos and documents.

Accordingly, we have held a total of 44 town hall meetings with the participation of the CEO in and outside Japan in the current fiscal year.

We also hold town hall meetings by business unit, in which officers in charge directly brief employees on the business unit's direction and goals.

## 5) Measures to improve engagement

### (1) Spread awareness of new management policies



12/2開催  
MCGグループ  
新経営方針対話会



This slide shows photos taken at our town hall meetings.

## 5) Measures to improve engagement



### (2) Identify and review HR system issues

→ It is helping secure human resources and prevent employee turnover.

#### HR system for operators



Issue	The skills, experience, and knowledge of individual operators are not being given due recognition
Responses	Change to a system in which expected roles are reflected in job grades (proposed by labor union in Aug '24 → introduced in Apr '25) Union discussions regarding benefits for children are also underway

#### Overseas dispatch policy



Issue	Policy aimed at reducing expatriate staff is decreasing opportunities for employee growth and prompting staff resignations
Responses	Review the allocation of personnel with consideration for placing/training the right personnel in the right places

#### Alumni hiring Referral hiring



Issue	Rising resignation rates have triggered a shortage of personnel
Responses	Institutionalize alumni/referral hiring ⇒ Twelve employees were hired after the start of the system in October

There are three important points regarding the revision of our HR systems.

For the HR system for machine operators, as I have already mentioned with regard to the revision of our HR systems, we are in the process of changing to a system that reflects the different roles to be played by machine operators in their job grades. We started to conduct examinations for the new system at the beginning of the fiscal year and proposed it to the labor union in August 2024. Toward the introduction of this new system in April 2025, we have been spending a lot of time raising employees' awareness about the new system and helping them understand the purpose of reflecting the roles in the job grades and of introducing the new system, deeming it even more important than the time spent designing the system. When we replaced the older system with the current system, we discontinued the payment of child benefits. As a result, however, we somewhat lost out to competitors in terms of the benefits given to employees in their 30s, who are at the age where they are raising children, and to middle-rank employees in their 40s. We are therefore now discussing child benefits-related issues with the labor union.

As for the dispatch of employees overseas, the former management team decided to uniformly reduce the number of Japanese employees working as expatriates. However, this decision led to a loss of growth opportunities provided to employees and an increase in the number of voluntary resignations. The principle of assigning the right person to the right place should be prioritized, and for the development of employees and deepening of mutual understanding among them, it is quite important for Japanese employees to work outside the country and non-Japanese employees to work in Japan. We are therefore reviewing the assignment of employees in consideration of their development opportunities.

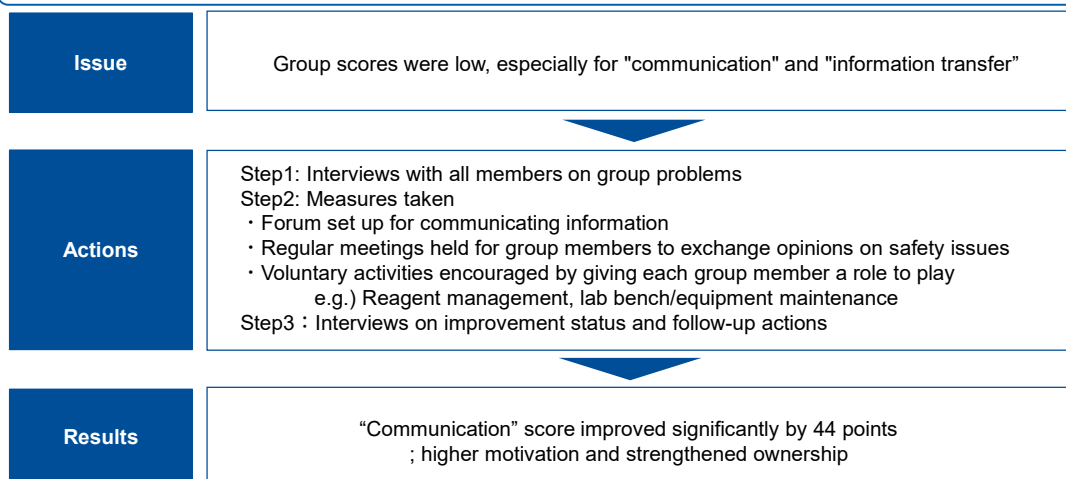
We also established an official alumni and referral recruiting system in October 2024, hoping that those who once worked with us before resigning will return as alumni and that those introduced by existing employees will join us. We have already employed 12 people through this system.

## 5) Measures to improve engagement



### (3) Horizontally extend good practices based on survey results

A case study of a newly appointed group leader's efforts to improve the workplace, resulting in significant improvements in scores



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This slide shows how we have fostered the company-wide adoption of good practices based on employee awareness survey results.

Some workplaces are facing challenges regarding how to make improvements based on the survey results. In order to support them in meeting the challenges, we have been sharing information about the actions taken at workplaces that have succeeded in improving their scores.

The slide shows a specific example of how improvements were made for a certain R&D group at Japan Polychem, where I used to work. Let me brief you on this case.

A new group leader deemed it quite problematic that the group's engagement scores had been very low regarding "Communication" and "Information transfer" in the employee awareness survey. The leader interviewed all group members about problems faced by the group and provided members with more communication opportunities based on the findings made through the interviews, such as lack of information sharing. The leader also started to hold a regular meeting to enable all group members to exchange opinions on safety issues, and assigned the respective members certain roles for the promotion of voluntary activities. Subsequently, the leader again conducted interviews about the improvements made so far in order to take follow-up actions. As a result, the communication-related engagement scores of the group increased by 44 points in the next survey.

The group leader took quite orthodox actions to deal with the problems, meaning they can be taken at other workplaces. By sharing information about these orthodox improvement measures, I hope improvements will actually be made at all our workplaces. We are therefore

posting relevant information on the internal portal website and holding webinars to allow the group leader and others to share their experiences with all employees.

We will continue to conduct these activities going forward.

**By maximizing the strengths of the human resources  
within the Group, we will realize the  
KAITEKI Vision35/New Medium-term Management Plan**



## Contents

# 4 Governance

**Ken Fujiwara**  
**Executive Vice President,**  
**General Counsel**



## Enhancing the Effectiveness of the Board of Directors

- ✓ Functions and roles of the Board of Directors in a company with a nominating committee.
  - Monitoring and supervising executive officers' decisions, decision-making processes, and execution status from a stakeholder perspective.
  - Supporting appropriate management decisions by the executive team.
- ✓ Ensuring the independence of the Board of Directors (with a majority of outside directors) while further driving diversity to fulfill its functions and roles.

Current Situation & Challenges	<ul style="list-style-type: none"> <li>✓ By providing advance briefings of important matters for outside directors, discussions and Q&amp;A at board meetings are steadily deepening.</li> <li>✓ As discussions on portfolio management, progress of the mid-term management plan, and key matters increase, the challenge is how outside directors with diverse skills can take the lead in engaging in constructive dialogue with the executive team.</li> </ul>
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## Enhancing the Effectiveness of the Board of Directors: "Connecting"

Three Ways to Connect	<ul style="list-style-type: none"> <li>➢ Directors "connecting" with each other: Constructive discussions based on mutual trust among the Board members.</li> <li>➢ The Board of Directors and the statutory three committees "Connecting": Efficient operation based on the functions and roles of each meeting body.</li> <li>➢ The Board of Directors and executive team "Connecting": Collaborating with the executive team to set agenda and engage in focused, targeted discussions.</li> </ul>
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Connecting for Enhanced Corporate Value	Not just a monitoring board, but building a Board of Directors that engages in constructive and concrete discussions aligned with the current business strategy of the MCG Group, and "connecting" these discussions to the executive team's actions, thereby contributing to the enhancement of the Group's corporate value and shareholder value.
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Corporate governance encompasses a very broad range of issues. Today, I will focus on enhancement of the effectiveness of the Board of Directors.

Let me talk about the issue by using "Connecting" as a keyword. I have been participating in Board of Directors meetings as a director. Based on my experience and this keyword, I will brief you on the present challenges regarding the Board's effectiveness and the method used to enhance it.

The keyword, "Connecting" has three meanings.

The first meaning refers to connecting directors. At a Board meeting, discussions on an item tend to be held in a one-question-one-answer format without further discussion. In other words, a director asks a question and a director answers the question and the other directors, including outside directors, do not discuss the subject. Once an answer is given to the previous question, the next question is raised. Given this situation, I would say the directors are connected but not in an extensive manner. I would like to see them discuss issues more broadly, beyond simply asking and answering questions.

One of the causal factors behind this situation might be the complexity of the agenda. We are now in a period of reform, and the executive team often submits an issue to the Board of Directors for discussion at its meetings, such as the issues related to the transfer of Mitsubishi Tanabe Pharma and the production of MMA in the United States. Members of the executive team and those actually engaging in the relevant business

know more about the issues than outside directors, including the background information, and this hinders outside directors in expressing their opinions and participating in discussions at Board meetings. In response to this problem, we are now briefing the directors on the details of the agenda prior to each meeting. But due to their now-deepened understanding, they sometimes ask questions that are too detailed. They are also sometimes prebriefed on the details individually, making it difficult for others to understand what they are talking about at the subsequent meeting. I think we need to devise measures against these problems.

Second, “Connecting” means forging connections among our three statutory committees. Our company is a “Company with a Nominating Committee, etc.,” and the three committees are operating as organizations under the control of the Board of Directors. But I would say their connections to the Board and to each other are insufficient. The Audit Committee knows a lot about what is going on with the execution of our business, including both good and bad news. Information about good results is referred to for the creation of a succession plan, and the Committee interviews all corporate executive officers twice a year, in the middle of the term and at the term end, to grasp their situation, problems and capabilities, at least to some extent. If the Audit Committee had a closer connection with the Nominating Committee, the Audit Committee could share information that would be useful in making a succession plan more widely with the Nominating Committee, leading to improvements regarding the lack of information sharing among the committees. The Audit Committee is also informed of bad news through the hotline, which makes it even more important that it shares information with other committees. I think it is essential that all the committees share information and that such information be disclosed at Board of Directors meetings, which would in turn enhance the effectiveness of the Board. The final appointment of corporate executive officers is made by the Board. If the committees share more information with the Board, it will help increase the Board’s effectiveness for the fulfillment of its expected functions.

Third, “Connecting” means connecting the Board of Directors and the executive team, and this is probably the most important meaning of the keyword. In order to enhance the Board’s effectiveness, it is essential to connect the two. Specifically, I think it is important that the discussions conducted by the Board are used to help the executive team take concrete actions. We need to think about what to do to this end. The first thing to do is to make improvements regarding the setting of the agenda, as I have mentioned. For the issues submitted for discussion by the executive team, the Board tends not to discuss them in depth. For example, for the recently announced transfer of Mitsubishi Tanabe Pharma, as it is a serious issue that needs to be resolved at the general meeting of shareholders, the Board received update reports on each phase of discussions held by the executive team. However, the Board did not discuss whether or not it is necessary for the Mitsubishi Chemical Group to continue to have a pharmaceutical company within the Group and instead held discussions based on the given conditions for the sale of the business. It might have been inevitable for the Board, but we need to improve the setting of the agenda from the perspective of improving the Board’s effectiveness. In order to avoid the aforementioned situation in which questions are raised and answers are given in series, we need to set the agenda for a Board meeting from a more global viewpoint and include items that directors with diverse backgrounds can discuss proactively. As for the expected roles of outside directors, one of their most important roles is to support the CEO in moving in the right direction when the leader is striving to implement reforms and strategies. Also, when they identify a risk, they are expected to point out it while supporting the CEO, provided the CEO is doing the right thing. This is indeed one of the roles that they should fulfill. The issues submitted for discussion at Board meetings by

the executive team tend to be those concerning business projects. Such issues the Board should entrust to the executive team. Our company has a Nominating Committee for the separation of supervisory functions from business execution functions, and the Board should substantially empower the executive team to perform business execution from a longer-term viewpoint. The Board should engage in broader discussions about the corporate vision, looking 10 years or 20 years ahead, and should take responsibility for the results of such discussion, thinking about what they would do if they were in the position of the president.

Accordingly, in addition to more appropriate setting of the agenda as I have mentioned, I also deem it necessary for us to set a skill matrix for directors. For discussions on the long-term vision of the company, I think directors need to have experience in top management. It is important to ensure the diversity of top managers, but the diversity should not be a mere formality. It should be based on a certain framework, which is also necessary for the setting of a skill matrix.

Through these measures I hope that the recommendations made by the Board will eventually help the executive team to take specific actions toward the enhancement of our corporate value and shareholder value.



Mitsubishi Chemical Group Corporation