

The Strengths of MC

Foresight and Execution Skills

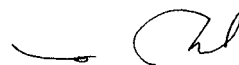
Growth Driven by Management-Minded Professionals Who are Committed to Increasing Corporate value

People are MC's greatest asset and the source of its competitiveness. Since its founding, MC has successfully weathered various crises and environmental changes by adapting its business models, thanks to the ability of employees to identify global changes. Without employee growth, there can be no sustainable development for MC. With this in mind, we began implementing HR system reforms in April 2019 as part of Midterm Corporate Strategy 2021 (details on the page to the right). Two years later, these reforms are gradually starting to yield tangible results. One such result is the progress made toward flexible promotions based on duties performed. MC has over 130 Business Units and approximately 1,700 Group companies. As the scale and missions of these organizations and companies evolve, the types of people needed to manage them also change. We have taken steps to ensure that capable and highly motivated people are promoted, regardless of age, gender or other attributes, based on their performance assessments and suitability for management tasks. This policy is resulting in further active contributions from female and younger employees. We have also made improvements in terms of diversity and career mobility as a result of cross-organizational initiatives, such as the work of the Industrial DX Task Force, and increased cross-organizational transfers. We are also adjusting remuneration according to each employee's tasks and performance. This policy is helping to motivate people and encourage contribution. As a result of these initiatives, we are seeing the formation of a virtual cycle in which the Company's growth and success creates more opportunities for employees to achieve growth and advance their careers.

We have also established a culture that supports self-growth by enhancing and expanding talent management and training programs. In the fiscal year ending March 31, 2022, we will launch a new training program to accelerate digital transformation (DX). We will also continue to support employee growth and skill improvement through both on- and off-the-job (OFF-JT) training. In order for our diverse professionals to be able to fully demonstrate their capabilities and continuously create corporate value, measures to develop employees and enhance working environments will be essential on a global, consolidated basis. We will further expand our focus to include initiatives to promote new ways of working, including health management, support for women's careers and improvements in productivity and efficiency. The world is moving at an accelerating pace toward digitalization and the creation of a low-carbon/ decarbonized society. Companies, together with their employees, must continue to change, grow and enhance their adaptability. However, the Three Corporate Principles, which are rooted in the minds of all of our officers and employees, will remain unchanged as our universal approach. Each of MC's officers and employees will apply their foresight and execution skills, as well as other aspects connected to the Three Corporate Principles such as integrity and fairness, to improve the corporate value of every MC Group company. Furthermore, by contributing broadly to society through earnest engagement across a wide array of industries, we aim to achieve sustainable growth together with society.



Akira Murakoshi
Member of the Board,
Executive Vice President, Corporate Functional Officer,
CDO, CAO, Corporate Communications, Corporate Sustainability & CSR



HR System Reforms under Midterm Corporate Strategy 2021

Under Midterm Corporate Strategy 2021, we will create the necessary mechanisms to achieve our ideal business portfolio, as well as the necessary systems to nurture businesses with the potential to grow into Core Businesses. Developing human resources capable of driving this growth is our most important management priority. In order to respond quickly to developments worldwide, we will continue to promote our business management model, which aims to ensure reciprocal growth between the Company and its employees, by becoming an organization that aggregates the knowledge of its employees working across virtually every industry, and one that brings together and utilizes its diverse talent base.

The Necessary Attributes for MC Employees

In promoting our business management model, our corporate growth is driven by employees who have high moral and ethical standards and who possess the foresight to identify New Seeds of Growth and the execution skills to achieve growth.

Management-minded professionals who are committed to increasing corporate value

Foresight

Determine the true nature of one's own business and function, anticipate changes in the internal and external environments and develop forward-looking strategies

Execution skills

With teamwork as a prerequisite, demonstrate leadership and the ability to develop talent, drive the organization forward and see efforts through to the end

High moral and ethical standards

Maintain highly ethical standards and earn the respect of all stakeholders

HR System Reforms—Four Key Policies

1. Support employees' self-growth and company growth

- We will achieve high levels of growth by enabling every employee to achieve self-growth on the path toward becoming management professionals.
- With "supporting growth" set out as one of the most important objectives for managers, we provide development opportunities for employees and support growth.

2. Ensure employees gain the right experience earlier

- We enable employees to achieve growth and succeed by gaining the right experience in a stepwise fashion.
- We will promote cross-organizational transfers and placements.

3. Ensure meritocratic systems so that the right people are assigned to the right positions

- We will enhance talent management through multifaceted evaluation and monitoring systems. We will ensure that the right people are assigned to the right positions, regardless of age, gender or other attributes.

4. Utilize management professionals throughout the MC Group and realize more appropriate benefits

- We will place people with management potential in appropriate positions, promote them to management posts with high levels of importance and difficulty, and utilize them companywide across organizational boundaries.
- We will ensure that the structure and level of remuneration is appropriate for the job requirements and results, while ensuring that employees take responsibility for results.

Develop and Utilize Management Professionals in a Stepwise Fashion

Frontline Professional Development

MC gives employees the chance to accumulate a variety of in-depth experience in Group companies and other frontline locations, while interacting with internal and external stakeholders directly, for early development into frontline professionals.

Practical Application of Management Experience

Through the management of people, organizations and projects, MC further develops employees into management professionals who can deliver results.

Application as Management Professionals

MC develops professionals who are capable of transcending fields and taking the lead of larger organizations and projects to deliver results.

Progress in HR System Reforms

To achieve our four key objectives as well as to develop and utilize employees at an early stage in their careers, MC is advancing the following initiatives.

Assigning the right people to the right positions by promoting management professionals according to work responsibilities and realizing more appropriate benefits

We are conducting assessments of work responsibilities and talent, and we have placed about 700 people (as of April 2021), into important management positions such as officers, Division COOs and General Managers of MC as well as management executives of MC Group companies, regardless of age or gender.

(See pages 65-67 for information on supporting women's careers at MC.)

Balanced Compensation Structure and Share-Based Compensation Plan

We have shifted our compensation structure for employees meeting a certain level of ability and responsibilities to a structure based on job evaluation. The higher the degree of involvement in managerial duties, the higher the proportion of variable remuneration. We have also introduced a share-based compensation plan to promote reciprocal growth between MC and its employees in the medium to long term.

Developing management professionals and supporting growth through the expansion of talent management

We promote the self-growth of employees by conducting dialogues which provide opportunities for insights in response to self-review and feedback from colleagues including 360-degree management reviews.

In addition, through a multifaceted evaluation and observation system, we take a skills and experience inventory of every employee, which helps in deciding transfers and placements in the wider workforce.

Through this system, we will support the growth of every employee, and by accumulating diverse experiences through a system of transfers and placements where the right people are assigned to the right positions, we will develop talent with high management capabilities at an early stage.

Growth Dialogues

Growth dialogues were adopted as a system to encourage employees' self-growth and to promote support for that growth from superiors and colleagues. Conducted separately from performance evaluations, employees receive feedback from their colleagues about their strengths and weaknesses before engaging in one-on-one dialogues with their managers, who focus on reviewing their skills and career development. Employees' requests regarding their careers are also considered in transfers and placements.

Career Challenge Program

This program allows employees to request transfers outside of their organizations. For employees who want to steer their own career and take on new challenges, we offer opportunities for growth in a variety of forms.

HR development programs to nurture management capabilities

We plan and implement our HR resources development programs with 3 key policies: 1) Encouraging employees' self-growth with further focus on management professionals, 2) Providing trainings to strengthen leadership and HR development capabilities for management positions, and 3) Setting up a learning mechanism to enhance employees' autonomous growth, while reviewing them every year.



Innovators' Program

Run by MC, this program invites professors from the Stanford d.School as lecturers and aims to nurture the conception skills necessary to grow business value. It is a good platform for learning about design thinking and other thought processes that inspire innovation, as well as the background and mechanisms behind the rapid growth of Silicon Valley enterprises.

(Photo: Innovators' Program conducted in Silicon Valley in the fiscal year ended March 31, 2020)

DX Acceleration Program

To accelerate the development of DX project managers, starting in the fiscal year ending March 31, 2022, we will conduct a program aimed at the early achievement of DX projects currently at the conceptualization stage and intensively strengthen DX project management capabilities. This program invites outside experts who are currently active and at the forefront of their industries to serve as lecturers and instructors.



MC conducts regular, ongoing reviews and discussions about HR systems and important HR-related issues in forums such as the Human Resource Development (HRD) Committee, set up under the Executive Committee. We also conduct opinion exchanges with internal and external stakeholders through business execution reports in Board of Directors' meetings, dialogues with Audit & Supervisory Board Members, labor management meetings with the staff union, among others.

My Story of Growth

Messages from employees who continue to take on challenges in the field



Taking on the rewarding challenge of leading an organization to leave an impact on society

Early in my career, I was transferred to a long-established food wholesaler where I visited sites all over Japan, shadowing the president and learning the ropes of management firsthand. I remember thinking that top management was difficult, but the job seemed rewarding as it involves leading an organization to leave an impact on society. I knew that I wanted to take on that challenge myself in the future. Next, I was put on a team to develop new business in emerging countries in Asia, with a focus on India

and Pakistan. Seeing those growth markets with my own eyes, I realized I wanted to do a job that can enrich people's lives in the growing middle class.

My wish came true, and I am now the CO-COO of the Indonesian subsidiary of Fast Retailing Co., Ltd., which owns UNIQLO. Indonesia was hit hard by the COVID-19 pandemic and UNIQLO, too, experienced temporary store closures during lockdowns. Amid this, we thought hard each day to find ways to contribute

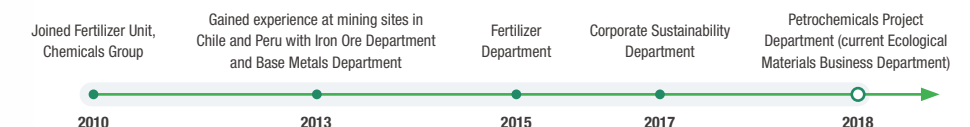
to the lives of people in Indonesia, such as by proposing leisurewear and other products to match lifestyle changes and meet customer needs, as well as donating over 1.8 million masks and protective clothing items to healthcare workers as a corporate philanthropy initiative.

Management is a daily battle against difficulties, but we will move forward under the belief that we can overcome any challenges if we work together as a team.



Masaki Nakajima

Ecological Materials Business Department,
Petroleum & Chemicals Solution Group



Striving to build a recycled plastics business using diverse experiences as a source of growth

Since joining the company, I have had diverse experiences spanning different organizations. In the chemicals field, I started with the trading of raw materials in fertilizers, became involved in large-scale investment project development and also a withdrawal project and experienced the challenges involved in project execution. In the mineral resources field, I gained firsthand experience of iron ore and copper at mining sites in Chile and Peru, and learned approaches to both operation management and business investment. Along with comprehensive

experience in business life cycles, in the Corporate Sustainability Department, I learned how to incorporate the concept of sustainability into company policies and actual operations. I feel that I can draw upon these experiences and put them to good use when problems arise in business development.

Currently, I am working to build new business models in the recycling field within the petrochemical value chain, an area where climate change, marine plastics and other issues are demanding transformation. In the future, I want to make use of my diverse

experience to take on the challenges of managing a company and to contribute to further value creation.



Thai Shinkong Industry Corporation Ltd. (TSIC) PET manufacturing plant, which increased capital in 2020 (See page 99 for information on the Chemical Recycling Business)