Overview of Corporate Governance

Approaches to Corporate Governance - MC’s Corporate Governance System Supporting Sustainable Growth

Basic Policy
With the Three Corporate Principles for a corporate philosophy, MC strives to continuously raise corporate value through corporate activities rooted in the principles of fairness and integrity. MC believes that by helping to enrich society, both materially and spiritually, it will also meet the expectations of shareholders, customers and all other stakeholders. In order to achieve these goals, MC sees customers and all other stakeholders. It will also meet the expectations of shareholders, principles of fairness and integrity. MC believes that by value through corporate activities rooted in the business.

Corporate Governance Framework (As of July 1, 2022)

Board of Directors
The Board of Directors deliberates on important management issues, and supervises business execution in reports on priority matters in Midterm Corporate Strategy, the business strategies of Business Groups, and so on. In addition, matters requiring resolution in accordance with laws and regulations, and investment and finance proposals exceeding a monetary threshold standard set by MC are deliberated and resolved with an emphasis not only on the economic aspects, but also on ESG perspectives. MC has also constructed appropriate internal control systems, and checks their operational status every year in order to work toward their continuous improvement and strengthening.

Business execution, other than these matters for resolution by the Board of Directors, is entrusted to Executive Officers by appointing the President as the Chief Executive Officer responsible for business execution, and the Executive Committee (meets twice monthly) as a management decision-making body.

Board of Directors’ Meetings and Other Deliberations for the Fiscal Year Ended March 31, 2022
During the fiscal year ended March 31, 2022, Members of the Board reviewed Midterm Corporate Strategy 2021 throughout the year at the appropriate Board meetings, and effectively used supplemental meetings. In addition, the Board of Directors was appropriately involved in and monitored the Midterm Corporate Strategy 2024 from the formulation stage by continuously exchanging opinions. The agenda items of the deliberations are as follows.

- Management Strategy and Sustainability-related items
  - Business Strategy Committee report
  - The Roadmap for a Carbon Neutral Society
  - ED and ESG progress report
  - Sustainability related matters

- Governance-related and corporate-related items
  - Governance Nomination & Compensation Committee report
  - Evaluation of the effectiveness of the Board of Directors in the fiscal year ended March 2022
  - Appointments of the Board of Directors, and Audit & Supervisory Board Members, Appointments of the Chairman of the Board and the President, Appointments of Executive Officers
  - Remuneration for Directors and Audit & Supervisory Board Members
  - Financial Statements
  - Fundraising policy
  - Verification holding policy for listed share

- Investment and finance proposals
  - Related to the Tangguh LNG expansion project
  - Breakthrough Energy Catalyst
  - UNG Canada project
  - Mitsubishi Development Pty Ltd
  - Chiyoda Corporation
  - PPSO time chartering projects
  - Renewable offshore wind power generation business

Implemented outside of Board of Directors meetings from the fiscal year ended March 31, 2020
- Expanded deliberation time to fulfill the role and responsibilities of the Board of Directors, which is the overall direction for management strategies, etc., and monitor their implementation

Exhaustive business execution reporting by conventional corporate officers and each Business Group CEO

- FY2017
  - Management Strategy and Sustainability-related items
    - 14%
    - 10%
  - Investment and finance proposals
    - 35%
    - 34%

- FY2021
  - Management Strategy and Sustainability-related items
    - 33%
    - 32%
  - Investment and finance proposals
    - 37%
    - 33%

From the fiscal year ended March 31, 2019, the criteria for the submission and reporting of investment and loan proposals was, in principle, studied, and further deliberation of decision-making to the executive role will be implemented, with the Board of Directors focusing on important proposals for deliberation.
Overview of Corporate Governance

Composition and Size of the Board of Directors and the Policy and Process for Appointing Nominated Directors

Composition and size
The composition and size of the Board of Directors is appropriately determined to help maintain management, and thereby decision-making and carry out effective oversight, with one third or more being made up of Independent Directors.

Appointment policy
To ensure decision-making and management oversight are appropriate for MC, which is involved in diverse businesses and industries in a wide range of fields, and in the perspective of ensuring diverse standpoints, several Directors are appointed from both within and outside MC with the depth of experience and high levels of knowledge and expertise needed for fulfilling their duties.

In-house Directors
In addition to the Chairman of the Board and the President and CEO, MC’s In-house Directors are selected from Executive Officers (Senior Executive Vice President and Executive Vice President) responsible for companywide management so that they can fully leverage their abundant business experience to ensure appropriate decision-making and robust management supervision by the Board of Directors.

Independent Directors
Independent Directors are appointed from those who possess a practical perspective of highly experienced company officers and those who possess an objective and professional perspective with a deep insight on global dynamics and socio-economic trends. These individuals thus contribute to appropriate decision-making and robust management supervision by the Board of Directors as they bring diverse perspectives into its deliberations.

Appointment process
In line with policies described above, the President and CEO proposes a list of nominated Directors, which is then deliberated at the Governance, Nomination & Compensation Committee and resolved by the Board of Directors before being presented at the Ordinary General Meeting of Shareholders.

Skills Matrix of Directors and Audit & Supervisory Board Members

Directors and Audit & Supervisory Board Members are selected in light of their experience, knowledge, expertise and overall character. At the Board of Directors, these individuals deliberate based on diverse perspectives to ensure appropriate decision making and robust management supervision. The areas of experience, knowledge and expertise that each Director and Audit & Supervisory Board Member has experience, knowledge or expertise in are shown below. The matrix on the next page shows the areas in which each Director and Audit & Supervisory Board Member has experience, knowledge or expertise. Notes: * The table below does not represent all the experience, knowledge or expertise of the Directors or Audit & Supervisory Board Members. * The applicability of each skill area in the table below is judged based mainly on the individual’s experience in former positions, their current positions and their formal qualifications.
Review Midterm Corporate Strategy 2021 / Formulation for Midterm Corporate Strategy 2024

In the fiscal year ended March 31, 2022, Members of the Board reviewed Midterm Corporate Strategy 2021 throughout the year, using the Board of Directors’ meetings and holding supplementary use of other occasions. Subsequently, a new president was appointed in December 2021, and directors for the fiscal year ending March 31, 2023, were decided on in January of this year. Under the new upper management, business strategy meetings were held with companywide management and each Business Group to formulate business strategies. Based on this, the framework of Midterm Corporate Strategy 2024 was established, and after several exchanges of opinions with Independent Directors, it was resolved at the Board of Directors meeting in May, leading to its announcement.

Management and Executives

<table>
<thead>
<tr>
<th>Board of Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reviewed Midterm Corporate Strategy 2021 throughout the year (agenda items I001)</td>
</tr>
<tr>
<td>Dec 2021</td>
</tr>
<tr>
<td>Jan 2022</td>
</tr>
<tr>
<td>Business Strategy Committee deliberations</td>
</tr>
<tr>
<td>Feb 2022</td>
</tr>
<tr>
<td>Held multiple discussions with Independent Members of the Board</td>
</tr>
<tr>
<td>Mar 2022</td>
</tr>
<tr>
<td>Apr 2022</td>
</tr>
<tr>
<td>Midterm Corporate Strategy 2024 formulated and announced</td>
</tr>
<tr>
<td>May 2022</td>
</tr>
</tbody>
</table>

Focus

Successor Selection Process

Since Former President Kakushi took office in April 2016, the Governance, Nomination & Compensation Committee, an advisory committee to the Board of Directors, carefully implemented a successor selection process, including the discussion of the requirements for the President. In addition, Independent Directors and Independent Audit & Supervisory Board Members and successor candidates engaged in thoroughgoing dialogue and discussion outside of committee meetings. This process led to the selection of President Nakanishi.

Initiatives in the Governance, Nomination & Compensation Committee

April 2016 Previous President took office

FY2018

- In April 2018, the Governance and Compensation Committee was reorganized. The Governance and Compensation Committee was reorganized to reflect its role in the Constitution Committee’s role of discussing successor requirements every year.
- By December 2021, the committee discussed and reviewed the following a total of seven times.
  - Requirements for the President
  - Succession Planning including the state of successor candidates engagement

FY2019

- In FY2019, the Committee undertook the process of selecting a successor Candidate for President.
- The Committee confirmed and discussed the Framework of Midterm Corporate Strategy 2024 and discussed various initiatives and systems toward the realization of the new strategy.

FY2020

- In FY2020, the Committee discussed and reviewed the following a total of nine times.
  - Requirements for the President
  - Succession Planning including the state of successor candidates engagement

FY2021

- In FY2021, the Committee confirmed and discussed the Framework of Midterm Corporate Strategy 2024 and discussed various initiatives and systems toward the realization of the new strategy.
- The Committee confirmed and discussed the state of successor candidates engagement.

December 2021

Discussed the provisional proposal for President in preparation for a resolution by the Board of Directors.

July 2018

- Expanded format to include not only Audit and Supervisory Board Members and successor candidates for President but also Business Group Members.

March 2019

- Board held joint meetings to exchange views with Independent Directors and8 Independent Audit & Supervisory Board Members.

April 2021

- Directed the President to address the Board of Directors and Independent Audit & Supervisory Board Members.

Note: This additional information is not included in the report, as it is not relevant to the main content of the document.
Overview of Corporate Governance

2. Board of Directors’ Advisory Bodies

Governance, Nomination & Compensation Committee

The Committee, of which the majority is composed of Independent Directors, deliberates on matters related to governance, nominations, and compensation.

Composition of the Committee (*Committee Chairman)

(As of July 1, 2022)

<table>
<thead>
<tr>
<th>Independent Members (5)</th>
<th>In-house Members (3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Director</td>
<td>Director, President and CEO</td>
</tr>
<tr>
<td></td>
<td>Full-time Audit &amp; Supervisory Board Member</td>
</tr>
<tr>
<td>Takeshi Kikuchi*</td>
<td>Katsuya Nakanshi</td>
</tr>
<tr>
<td>Mari Sagiya</td>
<td>Hajime Hirano</td>
</tr>
<tr>
<td>Shunichi Miyanaga</td>
<td></td>
</tr>
<tr>
<td>Sakie Akiyama</td>
<td></td>
</tr>
<tr>
<td>Takeshi Kikuchi*</td>
<td></td>
</tr>
</tbody>
</table>

Number and Percentage of Independent Directors*

63%

5/8

* Based on status as of July 1, 2022

Main Discussion Themes

- Policies on securing conformity with the Revised Corporate Governance Code
- Requirements to be President and CEO, a succession plan, and personnel proposals for the President and CEO
- Review of the remuneration package including the policy for setting remuneration and appropriateness of remuneration levels as well as composition
- Evaluation of the effectiveness of the Board of Directors

International Advisory Committee

The committee comprises overseas experts of various backgrounds, including politics, business, government and academia, and provides recommendations and advice from an international perspective.

International Advisory Committee (6) (As of June 30, 2022)

<table>
<thead>
<tr>
<th>Member</th>
<th>Nationality</th>
<th>Title</th>
<th>Principal area of specialization and background</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Armitage</td>
<td>United States of America</td>
<td>Former United States Deputy Secretary of State</td>
<td>Ambassador Armitage previously served as Special Envoy to Jordan and United States Deputy Secretary of State. He is widely experienced in foreign diplomacy, is a leading expert on Asia and Japan within the US and is acknowledged as an authority on the Middle East.</td>
</tr>
<tr>
<td>Joseph S. Nye</td>
<td>United States of America</td>
<td>Harvard University Distinguished Service Professor</td>
<td>Professor Nye is a globally-recognized scholar in the field of geopolitics. He has extensive networks not only in academia, but also in political and economic circles. Within the International Advisory Committee, he provides an annual overview of the international situation and makes valuable suggestions regarding industry trends.</td>
</tr>
<tr>
<td>Ratan N. Tata</td>
<td>India</td>
<td>Chairman, Tata Trusts</td>
<td>Mr. Tata has expanded his business presence to 100 countries worldwide and has particularly deep knowledge of industrial as well as political and economic developments in India.</td>
</tr>
<tr>
<td>George Yeo</td>
<td>Singapore</td>
<td>Former Chairman, Kerry Logistics Network</td>
<td>Mr. Yeo has previously served as Singapore’s Minister for Information and the Arts, Minister for Health, Minister for Trade and Industry, and Minister for Foreign Affairs. His background brings a wealth of knowledge in the geopolitical situation in ASEAN and China to the committee.</td>
</tr>
<tr>
<td>Niall FitzGerald, KBE</td>
<td>Ireland</td>
<td>Former CEO and Chairman, Unilever</td>
<td>Mr. FitzGerald, KBE has served as Chairman of several major companies such as Reuters and Unilever as well as the British Museum. He has an outstanding knowledge of both geopolitics and industry, and his consideration of the impacts of geopolitical changes on business provides valuable advice for the International Advisory Committee.</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala II</td>
<td>The Philippines</td>
<td>Chairman, Ayala Corporation</td>
<td>Mr. Zobel has experience in growing a global business launched from the ASEAN region, and therefore has a thorough knowledge of various geopolitical and industry trends in Asia, particularly in the ASEAN region.</td>
</tr>
</tbody>
</table>

Japanese Members (5) (*Committee Chairman) (As of June 30, 2022)

<table>
<thead>
<tr>
<th>Chairman of the Board</th>
<th>Director, President and CEO</th>
<th>Director, Executive Vice President</th>
<th>Independent Director</th>
<th>Independent Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Takeshi Kikuchi*</td>
<td>Katsuya Nakanshi</td>
<td>Yasuteru Hirai</td>
<td>Akita Saiki</td>
<td>Tauneyoshi Tatsukawa</td>
</tr>
</tbody>
</table>

Main Topics

- Impact of the COVID-19 pandemic on the situation in various countries
- Geopolitical trends due to U.S.-China relations
- Supply chain reorganization, the Taiwan issue
- Climate change, digital currencies

President’s Performance Evaluation Committee

The President’s Performance Evaluation Committee has been established as a subcommittee to the Governance, Nomination & Compensation Committee, comprising the same Chairman and Independent Directors as the parent committee to deliberate the assessment of the President’s performance. The President is not a member.
Overview of Corporate Governance

3. Audit & Supervisory Board Members and Audit & Supervisory Board

The Audit & Supervisory Board comprises all of the Audit & Supervisory Board Members responsible for auditing the decision-making processes and management performance, with the Act of Corporate Performance in compliance with the Company Act and other laws and regulations as well as a report of the audit of business performance. The Audit & Supervisory Board Members ensure the soundness of management by executing audits informed by abundant working experience at MC and by experience in their particular fields as well as a neutral and objective perspective, respectively. In addition to making resolutions on matters required by law and other important issues, the Audit & Supervisory Board strives to enhance information-sharing among the Members through briefings on key matters and reporting on the status of the auditing activities of each of the Members.

Audit Plans
Prior to each fiscal year, the Audit & Supervisory Board formulates audit plans with key areas. In the fiscal year ended March 31, 2022, the following four key audit areas were selected for the monitoring of specific progress in management and execution.

1. Reviewing Midterm Corporate Strategy 2021:
   - Business model evolution through digital transformation (DX)
   - Current status of business portfolio optimization
   - Progress of asset optimization based on the Value-Added Cyclical Growth Model
   - Implementation of the new HR system and efforts to develop management professionals

2. Enhancing MC Group Management:
   - Division of roles between the Head Office and MC offices, subsidiaries, and Group companies, and their appropriate status
   - Status of delegation of authority and development and implementation of management systems in accordance with actual conditions of Group companies

3. Energy Transformation (EX) and Sustainability Initiatives:
   - Initiatives for EX
   - Implementation of Mitsubishi Corporation Group decarbonization initiatives

4. Initiatives to Strengthen Corporate Governance:
   - Enhancement of deliberations at the Board of Directors
   - Ensuring the effectiveness of auditing and internal controls in light of new post-pandemic work styles

The first year of Midterm Corporate Strategy 2024 “Creation of MC Shared Value”
In the fiscal year ended March 31, 2022, the activities of Audit & Supervisory Board Members continued to be affected by the COVID-19 pandemic as in the previous fiscal year, but we had dialogues with executives using remote tools, if necessary, and made efforts to understand the situation appropriately. In addition, we reviewed the process of the new president and Midterm Corporate Strategy 2021. With respect to the process of formulating a new Midterm Corporate Strategy 2024, we paid special attention to strengthening cooperation with Independent Audit & Supervisory Board Members and Independent Directors.

In the fiscal year ending March 31, 2023, the first year of Midterm Corporate Strategy 2024, one of the priority audit items will be to monitor the progress of the strategy, which aims to create MC Shared Value, and we will continue to closely monitor the status of management execution in cooperation with the Independent Audit & Supervisory Board Members. In addition, we will enhance the effectiveness of the Audit & Supervisory Board through constant review.

Main Activities of the Audit & Supervisory Board Members (Audit & Supervisory Board)

1. Dialogue with Executive Officers
   Opportunities are created for all Audit & Supervisory Board Members, including the Independent Audit & Supervisory Board Members, to engage in dialogue with the Chairman of the Board, President and CEO, Corporate Functional Officers, Business Group CEOs, Business Division COOs, General Managers of Administrative Department, General Manager of Audit Department, General Manager of the Corporate Strategy & Planning Department, and General Managers of the Corporate Financial Department.

2. Attendance at Important Meetings
   Besides the Audit & Supervisory Board, Full-time Audit & Supervisory Board Members attend meetings of major external management bodies, including Board of Directors, Governance, Nomination, Compensation Committee, Executive Committee, and Business Strategy Committee, and provide opinions as necessary. Besides the Audit & Supervisory Board, the Independent Audit & Supervisory Board Members meet with the CEOs and executive officers of three MC Group companies in three locations overseas and 15 domestic MC Group companies, as well as the regional chiefs of 11 overseas and domestic offices. The Audit & Supervisory Board Members reported on the results of their on-site audits to the Chairman of the Board, the President and CEO, and the relevant executive officers.

3. Onsite Audits and Observations
   After obtaining restrictions on movement due to the COVID-19 pandemic, the Audit & Supervisory Board fulfilled its duties while adapting to the situation by enhancing onsite audits and observations in Japan and introducing remote audits using a variety of tools. In the fiscal year ended March 31, 2022, the Audit & Supervisory Board Members met with the CEOs and executive officers of three MC Group companies in three locations overseas and 15 domestic MC Group companies, as well as the regional chiefs of 11 overseas and domestic offices. The Audit & Supervisory Board Members reported on the results of their on-site audits to the Chairman of the Board, the President and CEO, and the relevant executive officers.

Enhancement of Tripartite Audits
Audit & Supervisory Board Members continue to reinforce cooperation with Independent Auditors and the Internal Audit Department in order to assess the Company’s situation with the aim of improving the effectiveness of audits.

Collaboration with Independent Auditors and Evaluation of Independent Auditors
We work with Independent Auditors through their audit briefings on accounting audit plans, audit reports for quarterly results, and monthly meetings. During on-site audits and visits, we also exchange opinions with the Independent Auditors of MC Group companies in Japan and overseas.

With regard to performance evaluations of Independent Auditors, we keep track of evaluation data and hold an Independent Auditor evaluation conference at the end of the fiscal year. As a result, we have concluded that the current Independent Auditors performed appropriate audits in a professional manner, and accordingly, the Audit & Supervisory Board resolved to reappoint the Independent Auditors.

The Internal Audit Department
The Internal Audit Department fulfills its duties with the aim of improving the effectiveness of audits performed by Audit & Supervisory Board Members. In the fiscal year ended March 31, 2022, we further enhanced the review of the activities of the Audit & Supervisory Board Members and strengthened the Audit & Supervisory Board Members to engage in discussions on the Executive Committee and lower conference bodies, and provide opinions as necessary.

4. Onsite audit of Fabukuma International Airport Co., Ltd
5. Onsite audit of Fukuoka International Airport Co., Ltd

Enhancing the Effectiveness of the Audit & Supervisory Board and Its Members
To increase the effectiveness of the audits performed by Audit & Supervisory Board Members, in the fiscal year ended March 31, 2022, we further enhanced the review of the activities of the Audit & Supervisory Board Members and strengthened the Audit & Supervisory Board Members to engage in discussions on the Executive Committee and lower conference bodies, and provide opinions as necessary.

Enhancement of Tripartite Audits
Audit & Supervisory Board Members continue to reinforce cooperation with Independent Auditors and the Internal Audit Department in order to assess the Company’s situation with the aim of improving the effectiveness of audits.

Collaboration with Independent Auditors and Evaluation of Independent Auditors
We work with Independent Auditors through their audit briefings on accounting audit plans, audit reports for quarterly results, and monthly meetings. During on-site audits and visits, we also exchange opinions with the Independent Auditors of MC Group companies in Japan and overseas.

With regard to performance evaluations of Independent Auditors, we keep track of evaluation data and hold an Independent Auditor evaluation conference at the end of the fiscal year. As a result, we have concluded that the current Independent Auditors performed appropriate audits in a professional manner, and accordingly, the Audit & Supervisory Board resolved to reappoint the Independent Auditors.

The Internal Audit Department
The Internal Audit Department fulfills its duties with the aim of improving the effectiveness of audits performed by Audit & Supervisory Board Members. In the fiscal year ended March 31, 2022, we further enhanced the review of the activities of the Audit & Supervisory Board Members and strengthened the Audit & Supervisory Board Members to engage in discussions on the Executive Committee and lower conference bodies, and provide opinions as necessary.

Collaboration with the Internal Audit Department
The Internal Audit Department and Full-time Audit & Supervisory Board Members hold monthly meetings where exchanges of opinions are made concerning reports on internal audit results. Also at Audit & Supervisory Board meetings, the Internal Audit Department reports their quarterly audit results that are also reported to the President and CEO.

In addition, Audit & Supervisory Board Members attend the internal auditor liaison meetings of 49 major MC Group companies held by the Internal Audit Department, while the General Manager of the Internal Audit Department attends liaison meetings held by MC’s Audit & Supervisory Board Members with the Audit & Supervisory Board Members of the MC Group companies mentioned above, and all partiescollect audit information and exchange opinions.

* As of July 1, 2022
*1 Number for the fiscal year ended March 31, 2022

*2 Percentage of Independent Audit & Supervisory Board Members

3/5
60%
Overview of Corporate Governance

Independent Directors and Independent Audit & Supervisory Board Members

Independent Directors

Akitaka Saiki
Main career: Former Vice-Minister for Foreign Affairs, Ministry of Foreign Affairs of Japan
Number of years on Board of Directors: 5 years

Mitsubishi Corporation

Mr. Saiki worked with Japan’s Ministry of Foreign Affairs and this has given him sensitive insight into geopolitics. He also possesses keen expertise in corporate risks and a broad network of contacts in that area.

Tsuneo Tatsuoka
Main career: Former Vice-Minister of Economy, Trade and Industry, Ministry of Economy, Trade and Industry of Japan
Number of years on Board of Directors: 4 years

Mr. Tatsuoka brings to MC’s Board keen knowledge about the country’s industrial sector as a whole along with contributing his deep insight into sustainability issues, including those related to environmental and energy policies.

Shunichi Miyanaga
Main career: Chairman of the Board, Mitsubishi Heavy Industries, Ltd
Number of years on Board of Directors: 3 years

Mr. Miyanaga has spent many years at the helm of a listed manufacturing conglomerate that is engaged in businesses all over the world. He brings to MC’s Board global management experience as well as his keen insight into such technologies as decarbonization-related technologies.

Independent Audit & Supervisory Board Members

Rieko Sato
Main career: Partner, SHI LAW OFFICE
Number of years on Audit & Supervisory Board: 5 years

Ms. Sato possesses profound knowledge of corporate law practice (Companies Act, Financial Instruments & Exchange Act, competition, etc.) based on her extensive experience as an attorney, as well as a management perspective she gained through extensive experience as an Independent Director and Independent Audit & Supervisory Board Member.

Takeshi Nakao
Main career: CEO, PARTNERS HOLDINGS, Co., Ltd
Number of years on Audit & Supervisory Board: 2 years

Mr. Nakao possesses profound knowledge of finance and accounting as a certified public accountant, as well as extensive insight gained through many years of experience in advisory work, regarding M&A activity, corporate revitalization, and internal control.

Mari Kogiso
Main career: CEO, SDG Impact Japan Inc
Appointed June 2022

Ms. Kogiso has long accumulated business experience in the financial industry, including operations at an international organization, while taking on diversity promotion and other sustainability-related initiatives at global companies and public interest incorporated foundations. She has handled the establishment and management of the ESG Impact Fund. Through these endeavors, she acquired in-depth insight into ESG and finance.

Articles and Systems Supporting Sustainable Value Creation

3 Main Discussion Themes

1. Initiatives and Systems Supporting Sustainable Value Creation

2. Corporate Governance

3. Financial Structure

Meetings of Independent Directors and Independent Audit & Supervisory Board Members

MC facilitates the exchange of information and sharing of ideas from an independent and objective standpoint in order to sustain growth and enhance corporate value over the medium and long term. These discussions are reported to the Board of Directors as necessary.

Main Discussion Themes (Fiscal Year Ended March 31, 2022)

- Approach to dialogue with stakeholders
- Midterm Corporate Strategy 2024
- Future issues and initiatives based on evaluation of the effectiveness of the Board of Directors

Comments from Newly Appointed Independent Members of the Board

Mari Sagiya
Independent Director

Amid a rapidly changing external environment, in order to improve corporate value over the medium to long term, I believe that it will be even more important to continuously review and evolve governance, as seen in MC’s initiatives to date.

I have worked for several global IT companies, mainly in the areas of human resource development, marketing, and digital transformation. We will work to help solve business challenges facing clients across the wide range of industries. I will offer various perspectives in an effort to contribute to the MC Group’s governance and enhancement of its corporate value.

Mari Kogiso
Independent Audit & Supervisory Board Member

Companies are currently being called on to meet a wide range of demands from society—such as those related to climate change and other environmental issues, diversity, and respect for human rights—and then connecting actions on those fronts to the enhancement of corporate value. Leveraging the knowledge and experience I cultivated at international institutions and in the social sector, I will endeavor to contribute to the MC Group’s governance and enhancement of its corporate value.
Overview of Remuneration Package

**Basic Approach**

Overview of Corporate Governance

- Remuneration levels are set based on the functions and roles of the Directors and Audit & Supervisory Board Members, and the Company's level of performance and outcomes.
- Remuneration levels are globally competitive and based on performance targets to motivate career growth in human resources who will be responsible for the next generation of management and to further raise organizational vitality.
- Remuneration is designed for Directors to focus on increasing medium- and long-term corporate value by more closely linking remuneration to medium- to long-term corporate value and fiscal year earnings, as well as the creation of stock remuneration with stronger ties to shareholder value, in addition to cash compensation. From this perspective, consolidated net income (single year and medium- to long-term), the share price and growth rates in shares (medium- to long-term) are adopted as key performance indicators.
- To ensure the independence of the Chairman of the Board and Independent Directors, who undertake functions of management oversight, and Audit & Supervisory Board Members, who undertake audits, the Company only pays them fixed monthly remuneration.

**Remuneration for Directors and Audit & Supervisory Board Members**

- Remuneration levels are set based on the functions and roles of the Directors and Audit & Supervisory Board Members, and the Company's level of performance and outcomes.
- Remuneration levels are globally competitive and based on performance targets to motivate career growth in human resources who will be responsible for the next generation of management and to further raise organizational vitality.

**Remuneration Package for Directors and Audit & Supervisory Board Members**

<table>
<thead>
<tr>
<th>Remuneration item</th>
<th>Description</th>
<th>Details</th>
<th>Total Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary (fixed)</td>
<td>Monthly</td>
<td>1,990</td>
<td>1,990</td>
</tr>
<tr>
<td>Annual performance bonus</td>
<td>Single year</td>
<td>63</td>
<td>63</td>
</tr>
<tr>
<td>Individual performance bonus</td>
<td>Stock options</td>
<td>118</td>
<td>118</td>
</tr>
<tr>
<td>Performance-linked bonus (short-term)</td>
<td>Total</td>
<td>5,600</td>
<td>5,600</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>6,452</td>
<td>6,452</td>
</tr>
</tbody>
</table>

**Directors’ and Audit & Supervisory Board Members’ Remuneration: Total Amounts and Number of Eligible Persons in the Fiscal Year Ended March 31, 2022**

<table>
<thead>
<tr>
<th>Title</th>
<th>Total Remuneration</th>
<th>Bas salary</th>
<th>Annual performance bonus</th>
<th>Individual performance bonus</th>
<th>Performance-linked bonus (short-term)</th>
<th>Performance-linked bonus (medium- to long-term)</th>
<th>Directors’ and Audit &amp; Supervisory Board Members’ Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6,452</td>
<td>1,990</td>
<td>63</td>
<td>118</td>
<td>5,600</td>
<td>5,600</td>
<td>6,452</td>
</tr>
<tr>
<td>Full-time Audit &amp; Supervisory Board Members</td>
<td>174</td>
<td>2</td>
<td>174</td>
<td>2</td>
<td>174</td>
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<td>174</td>
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<tr>
<td>Independent Audit &amp; Supervisory Board Members</td>
<td>63</td>
<td>3</td>
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<td>63</td>
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Note: The figures above are based on certain values for consolidated earnings and the share price, and are illustrative purposes only. The actual figures can vary depending on changes in the Company’s business results.
Overview of Corporate Governance

Calculation Method for Performance-Linked Remuneration (Fiscal Year Ending March 31, 2023)

Performance-linked bonus (short-term)

- **1. Upper limit on total payment**
  - The upper limit is ¥175 million. However, the upper limit on total number of shares per year is 400,000 shares (4,000 stock options).

Performance-linked bonus (medium- to long-term)

- **1. Upper limit on total payment**
  - The upper limit is ¥175 million. However, the upper limit on total number of shares per year is 400,000 shares (4,000 stock options).

Individual payments

- **1. Performance-linked bonus (short-term)**
  - President: ¥385 million (¥175 million × growth rate in the Company’s shares × vesting ratio)
  - Executive Vice President: ¥175 million (¥175 million × growth rate in the Company’s shares × vesting ratio)

Stock-Based Remuneration Linked to Medium- to Long-Term Share Performances

- **1. Upper limit on total payment**
  - The upper limit is ¥175 million. However, the upper limit on total number of shares per year is 400,000 shares (4,000 stock options).

- **2. Conditions for exercise of stock options**
  - Some or all stock options may be exercised depending on the stock growth rate (market conditions).

Stock Options

- **1. Number of stock options that can be exercised by each position**
  - Number of stock options initially allocated for the position (based on positions as of April 1, 2022) × vesting ratio

- **2. Number of stock options that can be exercised by each position**
  - Number of stock options that can be exercised by each position

- **3. Growth rate in the Company’s shares**
  - Growth rate in the Company’s shares

Governing Remuneration

The Governance, Nomination & Compensation Committee deliberates and the Board of Directors decides the policy for setting Directors’ remuneration and the remuneration amount (actual payment amount). The total remuneration amount (actual payment amount) and individual payment amounts for Directors, excluding individual performance bonuses, are determined by a resolution of the Board of Directors within the upper limits for each type of remuneration decided by resolution of the Ordinary General Meeting of Shareholders held on June 21, 2019. Base salary and annualDeferred for retirement remuneration, forms of stock-based remuneration linked to medium- to long-term share performances are determined, while reflecting key performance indicators (KPIs), based on a formula set by the Board of Directors following deliberation by the Governance, Nomination & Compensation Committee. MC has adopted a clawback policy, applicable to the individual performance bonus, performance-linked bonus (short-term) and performance-linked bonus (medium- to long-term) of Executive Directors, revising the regulations for executive officers by resolution at the Board of Directors’ Meeting held on February 18, 2022.

Board, which also serves as the chair of the Governance, Nomination & Compensation Committee, and Independent Directors sitting on the committee (see page 106). Results of the performance assessment are reported to the Board of Directors and the Governance, Nomination & Compensation Committee to ensure objectivity, fairness and transparency.

Based on the policy for determining remuneration packages (including methods for calculating performance-linked remuneration) that was approved at the ordinary meeting of the Board of Directors held on May 17, 2019, and the extraordinary meeting of the Board of Directors held on June 21, 2019, each year, the Governance, Nomination & Compensation Committee deliberates and the Board of Directors makes a resolution determining that the total amount of director remuneration packages and methods for deciding payments to individual directors are consistent with said policy for determining remuneration packages. Each year, the Governance, Nomination & Compensation Committee deliberates and evaluates the fairness of remuneration levels and composition based on compensation data provided by an external consulting firm, WTW Willis Towers Watson.

Total and individual amounts of remuneration paid to Audit & Supervisory Board Members are determined following deliberations by the Audit & Supervisory Board within the scope of remuneration for Audit & Supervisory Board Members approved at the Ordinary General Meeting of Shareholders held on June 21, 2019.

Stance on Acquisition, Holding and Reduction in Listed Stocks/Reduction in Holdings of Listed Stocks

Stance on acquisition, holding and reduction in listed stocks

MC may acquire and hold shares acquired for other than pure investment as a means of creating business opportunities and building, maintaining and strengthening business and partner relationships. When acquiring these shares, MC confirms the necessity of its acquisition based on the significance and economic rationale of the purchase in accordance with internal company rules. Also, MC periodically reviews the rationality of continuing to hold the shares and promotes reducing holdings of stocks with decreased significance.

Verification policy for holding individual shares

The Board of Directors verifies all of the listed shares (excluding pure investment) held by MC from the perspectives of both economic rationality and qualitative significance of holding them every year. The economic rationale is confirmed by whether or not the related earnings from each stock, such as dividends and related business profits on transactions, exceed MC’s target capital cost (weighted average cost of capital) for the market price of each individual share. The qualitative signification is confirmed by the achievement or status of progress of the expected purpose for holding the stock, etc.

Reduction in holdings of listed stocks

Based on the results of the verification process described above, in the fiscal year ended March 31, 2022, shares were reduced by just over 10% compared to the previous fiscal year as a result of selling shares with a market value of ¥5.9 billion yen. As of the fiscal year ended March 31, 2022, the total market value holding them, numerous shares were identified as candidates for reduction due to a decreased importance of the expected purpose and significance for holding them, etc.