Initiatives and Systems Supporting Sustainable Value Creation

With the increasing uncertainty of the business environment, this section describes how we will adapt to changes in the business environment, and the systems that will support this adaptation.

Sustainability Promotion Framework
Sustainability Initiatives
Supply Chain Management
Risk Management
Corporate Governance

Corporate Governance:
Highlights for the Fiscal Year Ended March 31, 2022
Overview of Corporate Governance
Board of Directors
Board of Directors’ Advisory Bodies
Audit & Supervisory Board Members and Audit & Supervisory Board

Independent Directors and Independent Audit & Supervisory Board Members
Dialogue with Two Independent Directors and an Independent Audit & Supervisory Board Member
Overview of Remuneration Package
Stance on Acquisition, Holding and Reduction in Listed Stocks/Reduction in Holdings of Listed Stocks
Sustainability Initiatives

MC’s Three Corporate Principles call upon us to “strive to enrich society, both materially and spiritually, while contributing toward the preservation of the global environment.” In recent years, expectations and demands for companies to address various societal challenges have been increasing. Guided by our Materiality, a set of crucial societal issues that we will prioritize through our business activities, we aim to continue to grow together with society by continuously creating MC Shared Value, as set forth in Midterm Corporate Strategy 2024.

Furthermore, in order to increase our corporate value in line with the ever-changing demands of society, we have established an effective promotion framework that recognizes the importance of dialogue with our stakeholders and a cycle of business strategy execution based on this dialogue.

Companywide Sustainability Framework

In MC’s management framework, sustainability initiatives are overseen by the Member of the Board/Corporate Functional Officer in charge of Corporate Sustainability and CSR. The Corporate Sustainability & CSR Department plans and drafts related policies and measures. Following deliberations by the Sustainability & CSR Committee, which convenes approximately twice a year, items are put forward or reported to the Executive Committee and the Board of Directors.

The highest-level executive body for decision-making regarding management policies, targets and companywide planning, including companywide strategies for sustainability and CSR, is the Executive Committee. The Executive Committee comprises the President and CEO, Executive Officers, Member Corporate Functional Officers, and employees appointed by the President and CEO.

Executive Committee

- President and CEO
- Executive Committee Members
- Corporate Functional Officer in charge of Corporate Sustainability and CSR
- Corporate Functional Officer (Corporate Sustainability & CSR)
- Board of Directors

Sustainability Advisory Committee

A subcommittee under the Executive Committee that discusses basic policies and initiatives related to sustainability, CSR and corporate philanthropy.

- Chair: Corporate Functional Officer Corporate Sustainability & CSR
- Members: Corporate Functional Officers, CEOs, General Manager of the Corporate Strategy & Planning Department

Sustainability Advisory Committee

- Chair: Corporate Functional Officer Corporate Sustainability & CSR
- Members: (will include representatives from ESG-related departments)

Deliberations including the following perspectives:
- Global environment (climate change, biodiversity, rehabilitation, mine closure, etc.)
- Communities and society (indigenous peoples, cultural heritage, etc.)
- Human rights and labor issues (child labor, occupational health and safety, etc.)

(Please refer to p. 29 for details)

Main Discussion Themes for the Sustainability & CSR Committee

- Climate Change
- GHG emissions management and reductions
- In a portfolio that aligns with climate-change risk reduction measures in line with the Midterm Corporate Strategy 2024
- E&F-related initiatives: Please refer to p. 25 for details.
- Sustainability performance report for the fiscal year ended March 31, 2022: Please refer to p. 53 for details

- Management of climate risks/opportunities
- Please refer to p. 48-51 for details.
- Materiality: Please refer to p. 44-47 for details.
- Supply chain management: Please refer to p. 10-11 for details.
- Stakeholder engagement: Please refer to p. 36-37 for details.
- Corporate philanthropy activities

(Please refer to p. 81 for details)

To continuously create societal value and environmental value through our business activities, we have established a framework through which not only Corporate Departments, but also Business Groups proactively promote sustainability.

Cycle for Integrating Sustainability into Business Strategy

- Following deliberations by the Sustainability & CSR Committee, the President and each Group CEO will hold further Business Strategy Meetings to discuss future strategy.
- In these meetings, policies for businesses that are deemed to be most affected by climate change are checked against the results of a 1.5°C scenario analysis.

Sustainability Promotion Framework in Each Business Group

- To further promote Business Group initiatives, management personnel responsible for promoting business strategy in each Business Group have been appointed as Chief Sustainability Officers.
- To promote collaboration, MC holds meetings for Group Sustainability Managers as needed to share information and explain measures related to sustainability.

Incorporating Sustainability into Individual Projects

Screening process for investment and finance proposals

MC has put in place a screening system to facilitate decision-making that takes into account specialized knowledge, trend analysis, and international organizations, the ESG investment screening process.

Opinion

Executive Committee

Board of Directors

Investment Committee

Applicant department

Proposal application

Corporate Sustainability & CSR Department, and other departments
- Global environment (climate change, biodiversity, etc.)
- Communities and society (indigenous peoples, cultural heritage, etc.)
- Human rights and labor issues (child labor, forced labor, occupational health and safety, etc.)

System for Screening Proposals

Within the Corporate Sustainability & CSR Department, dedicated staff are appointed for each Business Group and are tasked with providing support and checks on both environmental and social risks and opportunities for individual proposals based on the latest external trends, stakeholder demands, and international standards. In addition, by having the General Manager of the Corporate Sustainability & CSR Department serve as a member of the Investment Committee, MC has put in place a screening system to facilitate decision-making that takes into account specialized insight on environmental and social impacts.

Promoting Sustainability Through Business

- Framework for putting forward proposal applications
- MC confirms the significance of each business against our Materiality when screening investment and loan proposals. Environmental and social risks and opportunities (including scenario analysis and carbon pricing impact analysis) are mandatory checks.
Sustainability Promotion Framework

We believe that the cycle of disclosing our sustainability initiatives in a timely and appropriate manner based on the requests of our stakeholders, gaining their understanding, and reflecting their feedback on our initiatives is crucial. We will continue to proactively disclose sustainability-related information based on the recognition that this cycle contributes to enhancing our corporate value over the medium to long term. In addition to this Integrated Report, we also publish a Sustainability Website, which contains more detailed information. Referring to multiple ESG reporting guidelines, the Sustainability Website is organized according to ESG topics for ease of reference. Furthermore, important disclosures are made on this website following approval by the Corporate Functional Officer in charge of Corporate Sustainability & CSR and after reporting to the Disclosure Committee, a subcommittee of the Executive Committee.

Sustainability Website Disclosures by ESG Category

<table>
<thead>
<tr>
<th>Environment</th>
<th>Social</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate Change</td>
<td>Board of Directors and Shares, etc.</td>
<td></td>
</tr>
<tr>
<td>Environmental Management</td>
<td>Audit &amp; Supervisory Board and Audit</td>
<td></td>
</tr>
<tr>
<td>Water Resources</td>
<td>Directors’ and Audit &amp; Supervisory Board Members’ Remuneration, etc.</td>
<td></td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>Water Resources</td>
<td>Risk Management</td>
<td></td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Rights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resource Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversity Management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupational Health and Safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Responsibility</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resource Development</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supply Chain Management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Collecting Sustainability Information on a Consolidated Basis

To fully grasp qualitative and quantitative information around corporate sustainability, MC annually conducts environmental and occupational health and safety surveys targeting all subsidiaries and affiliates on a global, consolidated basis. The aggregated results are reported to management and are used as basic materials when considering sustainability initiatives and other measures.

Main Discussion Topics at the May 2022 Meeting

- Materiality
- Responding to climate change
- Supply chain management
- Stakeholder engagement
- Corporate philanthropy activities (including recovery activities)

On-Site Observation Tour

In the fall of 2021, the Sustainability Advisory Committee visited business sites in Fukuoka and Oita. In Fukuoka, they visited Fukuoka International Airport Co., Ltd. and Next Mobility Co., Ltd., to observe how public transport can be used to create a sustainable society. In Oita, they visited Mitsubishi Shoji & Sun Co., Ltd. and the Taiyo Museum, which work to support the independence of people with impairments, and also participated in volunteer activities at the Oita International Wheelchair Marathon, one of the world’s top para-sports events.

Understanding the latest external trends

In order to keep abreast of the latest international environmental and social trends, we are a signatory of the UN Global Compact and are a member of organizations such as the World Business Council for Sustainable Development (WBCSD). We have also established sustainability departments in regions such as Europe, the Americas, and Southeast Asia, with which we collaborate and gather information.
Supply Chain Management

Basic Approach on Human Rights (Including Response to International Norms)

- MC believes that respect for human rights is fundamental to doing business globally.
- MC recognizes the importance of “Respecting Human Rights in Our Business Operations” as part of its Materiality.
- MC promotes fair and sound business activities based on its Three Corporate Principles, which have been the company’s corporate philosophy since its foundation, and clearly stipulates its respect for human rights in its Corporate Standards of Conduct, Social Charter, and Code of Conduct for Executives and Employees. In so doing, we make clear, both internally and externally, our commitment to cooperate with business partners to avoid complicity in human rights violations.
- MC also supports international norms such as the International Bill of Human Rights (Universal Declaration of Human Rights and International Covenants on Human Rights), the UN Guiding Principles on Business and Human Rights, the core labor standards of the International Labour Organization (ILO), and the Voluntary Principles on Security and Human Rights.
- MC conducts human rights and environmental due diligence based on the understanding of the importance of fulfilling our responsibility to identify, analyze and mitigate the negative impacts of our business on human rights and the environment.

Policy and Structure for Supply Chain Management

Mitsubishi Corporation Policy for Sustainable Supply Chain Management

1. Policy

For MC, as a global company involved in businesses across a wide range of products and services, ensuring sustainable supply chains is a key issue. MC has established the Mitsubishi Corporation Policy for Sustainable Supply Chain Management, which outlines MC’s actions to address human rights, labor rights and environmental issues in the supply chain. This policy serves to convey MC’s fundamental perspective to all its suppliers.


2. Monitoring

MC conducts regular surveys to suppliers to monitor the status of their compliance with the Basic Policy and to strengthen communication with suppliers. Furthermore, MC visits suppliers to confirm the status of their activities when it determines that site visits are necessary based on the results of the surveys. The survey serves to convey MC’s fundamental perspective to all its suppliers.

3. Response to Compliance Violations

If a violation of the Basic Policy is confirmed, MC will demand that the relevant supplier implement corrective measures and will provide guidance and assistance to the supplier as necessary. If MC determines that the supplier is unlikely to implement corrective measures even after providing continuous guidance and assistance, MC will re-evaluate its business relationship with the relevant supplier.

Results of the Sustainable Supply Chain Survey

- In April 2021, MC conducted its annual survey for the fiscal year ended March 31, 2021, targeting 1001 supplier companies (up 236% from the previous fiscal year) in 40 countries and regions including China, Vietnam and Thailand.
- Based on the results of the survey, having taken steps to correct or improve any issues identified, MC re-evaluated its business relationships with relevant suppliers.

Communication and Engagement with Suppliers

In the fiscal year ended March 31, 2022, MC conducted an online meeting and interview with the management team and employees of the Fisheries Cooperative Association of Mitsushima-cho, a supplier of tuna (located in Nagasaki Prefecture, Tsushima City) to one of MC’s subsidiary companies, Toyo Reizo Co., Ltd. The meeting provided an opportunity to deepen their understanding of sustainability and the importance of our company’s initiatives. Furthermore, by sharing the Policy for Sustainable Supply Chain Management in the terms and conditions of purchasing contracts, MC ensures its suppliers abide by the Policy.
Risk Management

The MC Group’s Risk Management Framework

As the MC Group expands its diverse range of businesses globally, it faces a variety of risks. To maintain our financial soundness and improve our sustainable corporate value, it is crucial that we appropriately manage and respond to various risks. This section explains the MC Group’s Risk Management Framework and related response measures.

Risk Management Framework and Organization Model

Business Groups and dedicated corporate departments that deal with specific risks collaborate on the development of operations and management frameworks that enable appropriate response to risk.

1 Responding to Market Risk

MC broadly divides market risk into four types: commodity market risk, foreign exchange risk, interest rate risk and stock price risk. This section explains the impact of these risks on our business as well as our status in managing these risks.


  - The impacts on MC from specific market fluctuations are shown in the table below. Commodity market risks are also reflected in metallicurgical coal, affecting the profit and loss of Mitsubishi Development Ltd. (MDD), an MC subsidiary.
  - With regard to stock price risk, MC holds marketable stocks with a market value of approximately 1.01 trillion yen, and bears stock price fluctuation risk accordingly. The above amount includes a valuation gain of approximately 160 billion yen, and there is a risk that this valuation gain could depend on stock price movements.

2 Responding to Credit Risk

- MC sets upper limits on credit extended to third parties in order to manage the contract and credit risk involved in transaction credit, loans/guarantees and investments in unlisted companies. In addition, each business partner is assigned a business partner rating based on an in-house rating system.

3 Responding to Foreign Exchange Risk

- MC conducts foreign currency-denominated investments in import/export and trade transactions with foreign countries, resulting in exposure to the risk of exchange rate fluctuations. In response, we employ hedging measures such as forward exchange contracts. However, there is no guarantee that MC can fully avoid foreign exchange risk.

4 Responding to Interest Rate Risk

- A significant proportion of the interest-bearing liabilities held by MC corresponds to trade receivables and loans exposed to the effects of interest rate fluctuations. While the interest burden will increase if interest rates rise, income gained from these assets will also increase, offsetting the risk of interest rate fluctuations.

5 Individual Project Approval Authority

- We designate business partners that have a significant impact on the Company as targets for priority management, and regularly monitor our guidelines on risk money limits, returns, credit protection, etc.

6 Approach to Credit Risk Management

- Estimating appropriate credit costs and promoting improvements in the quality of loans through a reserve system that uses ratings.

Note: For more information on climate change risk, refer to p. 48 ff.
MC has established a Regional Strategy Committee and a country risk countermeasure system to properly assess and manage country risk. We also enact appropriate risk hedging measures, such as insuring projects.

**Regional Strategy Committee**
- The Regional Strategy Committee is chaired by the Corporate Functional Officer (Global Strategy). Its responsibilities include assessing the risk situation in various countries and establishing and managing the country risk countermeasure system.

**Members**
- Chairperson: Corporate Functional Officer (Global Strategy)
- Members: General Manager, Audit & Supervisory Board Members Office; General Manager, Global Risk & Insurance Management Department; related corporate general managers; Business Group CEO Office—general manager, etc.

**Country Risk Countermeasure System**
- Under the country risk countermeasure system, MC controls the accumulation of risk through methods such as setting categories and ceilings based on the credit ratings of each country.
- In addition to risk management through the country risk countermeasure system, MC closely monitors the impact of global economic trends and shifts in international affairs on the political and economic situation of each country in order to flexibly respond to risks based on the current international situation.

**Responding to Compliance Risks**
Based on internal rules and regulations related to compliance, MC has established a Compliance Framework and provides support for a Compliance Risk Management Framework on a consolidated basis. Compliance-related measures are enacted through discussions by the Compliance Committee, and these measures are reported to the Board of Directors annually in June.

The Chief Compliance Officer also serves as the chief executive officer for security trade control, trade procedures management, and sanctions management, strengthening the centralized management system for compliance, including trade compliance.

MC has set up various whistleblowing helplines and is working to detect and prevent compliance issues at an early stage.
Responding to Risks from Natural Disasters and Other Types of Disasters
Crisis management on a consolidated basis/business continuity management (BCM)

Crisis Management Structure on a Consolidated Basis

MC has built up a structure for securing the lives and safety of employees and their families as we respond on a consolidated basis to all crises that impact our profit and business continuity (all-hazard approach) by linking together each Business Group and Regional and National Crisis Management Offices under the management and supervision of the Emergency Crisis Management Officer.

Based on the all-hazard approach, MC has built up an internal structure that anticipates all kinds of risks, such as major natural disasters, acts of terrorism, riots, new infectious diseases, supply chain disruptions, legal transgressions, and cyber incidents, etc. Under usual conditions, we build up and establish various crisis management measures and structures needed in the event that a crisis does occur so that we can ensure the safety and ascertain the status of all concerned as part of our initial response and then act promptly to maintain and recover the infrastructure necessary for business continuity.

In particular, in the event of a serious incident impacting the lives and safety of our employees, as well as continuity of critical business operations, we will respond under the companywide direction of the Emergency Crisis Management Officer, while moving forward with our consolidated business continuity management (BCM) process established for major crises.

Business Continuity Management (BCM) on a Consolidated Basis

In 2018, MC adopted “business continuity management (BCM)” for its core business companies (selected from among MC Group companies) to establish and strengthen our consolidated framework designed to equip us with the business continuity capabilities needed to respond appropriately to major crisis situations.

BCM refers to comprehensive management activities based on an all-hazard risk and impact analysis that takes into account the business characteristics (business type and location) of the operating company, which include the formulation of initial response and BCP establishment of a structure, and implementation of an ongoing PDCA cycle through education and training.

All-Hazard Approach
Based on the all-hazard approach, MC has built up an internal structure that anticipates all kinds of risks, such as major natural disasters, acts of terrorism, riots, new infectious diseases, supply chain disruptions, legal transgressions, and cyber incidents, etc. Under usual conditions, we build up and establish various crisis management measures and structures needed in the event that a crisis does occur so that we can ensure the safety and ascertain the status of all concerned as part of our initial response, and then act promptly to maintain and recover the infrastructure necessary for business continuity.

In particular, in the event of a serious incident impacting the lives and safety of our employees, as well as continuity of critical business operations, we will respond under the companywide direction of the Emergency Crisis Management Officer, while moving forward with our consolidated business continuity management (BCM) process established for major crises.

Crisis Response Headquarters, which includes industrial physicians, responds as needed to respond appropriately to major crisis situations.

We conduct analyses of the cause incidents, result incidents, and potential causes of business disruptions while taking into consideration the characteristics of operations at each company.

All-Hazard Approach on a Consolidated Basis

Note: While companies will act to deal with serious incidents that have been declared to the Director of the Crisis Emergency Management Officer, compliance-related incidents shall be dealt with under the direction of the Chief Compliance Officer.

Q: How do you respond when the security situation worsens overseas?
Because the global situation continues to be difficult to predict, it is becoming increasingly important to ensure thorough crisis management overseas to minimize the impact of conflicts, terrorism, demonstrations, riots, etc., in various parts of the world. We have a worldwide crisis management system centered on the Emergency Crisis Management Headquarters. In the event of an emergency, this Headquarters cooperates with the Japanese government and diplomatic missions abroad, as well as with related regions and offices, to respond appropriately to major crisis situations, while placing the highest priority on the safety of employees, and, in response to the status of infection, the requirements of the Japanese government and local authorities, as well as the situation and regulations in each country.

Q: How has the response to COVID-19 been strengthened?
With regard to COVID-19, there are risks such as the emergence of mutant strains, so we believe it is necessary to remain vigilant in our response. We have been working to ensure the safety of our employees, both in Japan and overseas, from the perspectives of preventing both employee infection and the spread of infection and appropriate business continuity. Our activities center on the Emergency Crisis Response Headquarters, which includes medical personnel, while placing the highest priority on the safety of employees. And, in response to the status of infection, the requirements of the Japanese government and local authorities, as well as the situation and regulations in each country, we have been taking thorough infection control measures. During implementing the necessary measures on a case-by-case basis, and confirming their safety to ensure appropriate business continuity. In this period, we believe that we have strengthened our response capabilities on a consolidated basis by reviewing our business structure, establishing backup systems, and revising our BCP and other response manuals to minimize business interruption and the impact on our business activities at our company and each of our group companies.

Q: What do you see as your future priorities in terms of risk management and BCP?
MC faces an increasingly diverse range of risks in the business environment, including COVID-19, worsening security situations in overseas countries and cyber incidents. We must continually strengthen our response capabilities, including our response capability to actual cases. We will further strengthen and enhance our business continuity preparedness at the consolidated level based on an all-hazard approach to apply the lessons learned and experience gained from each crisis.
Corporate Governance: Highlights for the Fiscal Year Ended March 31, 2022

As Chairman of the Board of Directors, I will serve as a bridge between Independent Members of the Board and the executive side of management to achieve sustained enhancement of MC’s corporate value through effective corporate governance, functioning as the foundation of the company.

Takehiko Kakiuchi
Chairman of the Board

Board of Directors and Board of Directors’ Advisory Bodies

Board of Directors

The Board of Directors is responsible for making decisions concerning important management issues and overseeing business execution. In-house Directors utilize their rich experience of working within MC and Independent Directors utilize their practical, objective, and professional perspectives to ensure appropriate decision-making and management oversight.

Support for Independent Members of the Board*

Briefing Sessions Before Board of Directors’ Meetings

Prior to each Board of Directors’ meeting, opportunities are created for the management executives of the Corporate Staff Section and Business Groups to provide explanatory summaries of the agenda items for which they are responsible to Independent Directors and Independent Audit & Supervisory Board Members in order to facilitate substantive deliberations at the meetings. The sessions are also utilized to appropriately share timely information that helps enhance deliberations.

* Directors and Audit & Supervisory Board Members

Overview of sessions (Track records in the fiscal year ended March 31, 2022)

- Frequency: Whenever the Regular Board of Director’s Meetings are held (Total: 11 times)
- Length of Meetings: 2 to 3 hours for a meeting (total: 28 hours)

Discussion between Independent Members of the Board and Officers and Employees

MC has set up dialogues with the Business Group CEOs and Business Division COOs, small-group opinion-exchange meetings with Executive Vice Presidents, and opportunities for dialogues with mid-level and young employees to strengthen contacts between Independent Members of the Board and officers and employees.

Dialogues with and Site Visits to Business Subsidiaries and Affiliates

Every year Independent Directors and Independent Audit & Supervisory Board Members participate in site visits to business subsidiaries and affiliates in Japan and overseas, and hold dialogues with their management.

Orientation upon Assumption of Office

To deepen understanding of MC, the entire Corporate Staff Section and Business Groups conduct orientation sessions for newly appointed Independent Directors and Independent Audit & Supervisory Board Members.
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 seeks strengthening corporate governance on an ongoing basis as an important subject concerning management since it is the foundation for ensuring sound, transparent, and efficient management. Therefore, MC is working to put in place a corporate governance system that is even more effective based on the Audit & Supervisory Board System. This includes strengthening management supervision through such measures as (i) appointing Independent Members of the Board who satisfy MC’s Selection Criteria for Independent Directors and Independent Audit & Supervisory Board Members, and (ii) establishing advisory bodies to the Board of Directors where the majority are Independent Members of the Board and other experts from outside MC. At the same time, MC uses the executive officer system, etc., for prompt and efficient decision-making and business execution.

Corporate Governance Framework (As of July 1, 2022)

Board of Directors
The Board of Directors deliberates on important management issues, and supervises business execution through 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 2024 throughout the year at the Board of Directors’ 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.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Agenda Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Strategy and Sustainability-related items</td>
<td>• Business Strategy Committee report&lt;br&gt;• The Roadmap to a Carbon Neutral Society&lt;br&gt;• ESG report for FY2021&lt;br&gt;• Sustainability-related measure decisions&lt;br&gt;</td>
</tr>
<tr>
<td>Governance-related and corporate-related items</td>
<td>• Governance, Nomination &amp; Compensation Committee report&lt;br&gt;• Evaluation of the effectiveness of the Board of Directors in the fiscal year ended March 31, 2022&lt;br&gt;• Appointments of the Board of Directors, and Audit &amp; Supervisory Board Members, Appointments of the Chairman of the Board and the President, Appointments of Executive Officers&lt;br&gt;• Remuneration for Directors and Audit &amp; Supervisory Board Members&lt;br&gt;• Financial Statements&lt;br&gt;• Business plans&lt;br&gt;• Verification of the list of shareholding interest&lt;br&gt;</td>
</tr>
<tr>
<td>Investment and finance proposals</td>
<td>• Related to the Tengッシュ-UNG expansion project&lt;br&gt;• Breakthrough Energy Catalyst&lt;br&gt;• USD Canada project&lt;br&gt;• Mitsubishi Development Pty Ltd&lt;br&gt;• Chiyoda Corporation&lt;br&gt;</td>
</tr>
<tr>
<td>Ordinary General Meeting of Shareholders related items</td>
<td>• Ordinary General Meeting of Shareholders related items&lt;br&gt;• Compliance report&lt;br&gt;• Internal control systems&lt;br&gt;• Company indemnification agreements&lt;br&gt;• Items related to directors and officers’ D&amp;O liability insurance&lt;br&gt;</td>
</tr>
<tr>
<td>Ordinary General Meeting of Shareholders related items</td>
<td>• Ordinary General Meeting of Shareholders related items&lt;br&gt;• Compliance report&lt;br&gt;• Internal control systems&lt;br&gt;• Company indemnification agreements&lt;br&gt;• Items related to directors and officers’ D&amp;O liability insurance&lt;br&gt;</td>
</tr>
<tr>
<td>PSPO time sharing project</td>
<td>• PSPO time sharing project&lt;br&gt;• Domestic offshore wind power generation business&lt;br&gt;</td>
</tr>
<tr>
<td>Business Execution reporting by conventional corporate officers and such Business Group CEO</td>
<td>• Management Strategy and Sustainability-related items&lt;br&gt;</td>
</tr>
</tbody>
</table>
Overview of Corporate Governance

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

The composition and size of the Board of Directors is appropriately determined to help in optimal management, for timely and decisive 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, seven 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 company management so that they can fully leverage their vast 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 to deliberation.

Appointment process

In line with policies described above, the President and CEO proposes a list of nominated Directors, which is then deliberated at the Governing, Nomination & Compensation Committee and received 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.

<table>
<thead>
<tr>
<th>Skill Area</th>
<th>Reasons for adoption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Management and Organizational Management</td>
<td>The Board of Directors must deliberate and make comprehensive decisions from an organizational management perspective. As such, business management or organizational management that is not bestowed give any individual specialty has been designated as a necessary area of expertise.</td>
</tr>
<tr>
<td>Risk Management</td>
<td>In order to make the company grow, it is important to establish and operate internal controls that comply with laws and regulations and the Articles of Incorporation and to enhance corporate value through appropriate and efficient business execution, as well as to manage various risks related to MC’s business. Therefore, items that require a wide scope of experience, insight and expertise covering all aspects of risk management have been selected. In addition, these items encompass the following elements, which are indicated in parentheses for the applicable persons.</td>
</tr>
<tr>
<td>Innovation</td>
<td>In the Roadmap to a Carbon-Neutral Society, MC has declared the goal of net zero greenhouse gas (GHG) emissions by 2050, and have set forth “Creating the future through the integrated promotion of DX and CSR” as a business promotion theme for the entire company. Accordingly, experience, insight, and other expertise, related to innovation, necessary for monitoring the progress of such transformation, are selected as important items.</td>
</tr>
<tr>
<td>Energy</td>
<td>MC is taking on the challenge of achieving both a stable supply of energy and resources and the lowering of carbon and decarbonization of social and economic activities, and the refers to experience, insight, and expertise in energy-related innovations that are necessary to monitor the progress of these efforts.</td>
</tr>
<tr>
<td>Digital</td>
<td>MC operates globally and reflects aims to create a cross-industry digital ecosystem with optimized business models, and this refers to the experience, insight, and expertise in digital-related innovation necessary to monitor the progress of this transformation.</td>
</tr>
<tr>
<td>Global Intelligence</td>
<td>Since MC operates globally and reflects intelligence on geopolitics, economic conditions, policy trends, etc. in the management strategies in a timely manner, experience, insight and expertise in such matters have been selected as important items.</td>
</tr>
</tbody>
</table>

Human Resource Strategy

The company’s most valuable asset is human resources, and it is essential that MC continues to produce human resources with a management mindset and commitment to increasing the value of business. With a view to creating MC Shared Value, which is one of the objectives of the Midterm Corporate Strategy, experience, insights and expertise, etc. of “human resource strategy” serves to optimize the value of our human capital have been selected as important factors. This includes strategies related to organizational structure and organization.

Environment and Society

Since MC defines material issues as important social issues to be solved through business activities and aims to realize a carbon-neutral society and lifestyles that are rich both materially and spiritually, experience, insight, and expertise in environmental and social matters have been selected as important items to be considered.

Notes:

- The table below does not represent the experience, knowledge or expertise of the Directors or Audit & Supervisory Board Members.
- The applicability of skill area in the table below is judged based mainly on the individual’s experience in certain fields, their current positions and their formal qualifications.

Position Name Responsibilities/Main career experience Gender

Chairman of the Board

Takeshi Kakuuchi

Chairman of the Board

Katsuyu Nakamura

Director President and CEO

Noriko Tanaka

Director, Executive Vice President, Group CEO, Mineral Resources Group, E&P Task Force Leader

Akitaka Saiki

Independent Director

Yuzo Nouchi

Director, Executive Vice President, Corporate Functional Officer, CFO

Taro Kashiwagi

Director, Executive Vice President, Corporate Functional Officer, Head of Group Materials Business

Takashi Nouchi

Independent Director

Akira Saki

Independent Director

Tunaseichi Tatsukawa

Independent Director

Shunichi Miyagami

Chairman of the Board, Mitsubishi Heavy Industries, Ltd.

Sakae Akiyama

Independent Director

Mori Suga

Independent Director

Hajime Hinano

Executive Vice President, Group CEO, Energy Business Group

Mitsumasa Ito

Executive Vice President, Group CEO, Urban Development Group

Reiko Sato

Partner, GHI LAW OFFICE

Takehiro Nakao

CEO, PARTNERS HOLDINGS, Co. Ltd.

Mari Koike

CEO, SDI Impact Japan Inc.

Chairman of the Board

Norikazu Tanaka

CEO, PARTNERS HOLDINGS, Co. Ltd.

Mari Sagiya

Former CEO, Saki Corporation

Rieko Sato

Former CEO, Saki Corporation

Yuzo Nouchi

Former CEO, Saki Corporation

Akitaka Saiki

Former CEO, Saki Corporation

Tunaseichi Tatsukawa

Former CEO, Saki Corporation

Shunichi Miyagami

Former CEO, Saki Corporation

Takashi Nishioka

Former CEO, Saki Corporation

Takeshi Kakuuchi

Former CEO, Saki Corporation

Katsuyu Nakamura

Former CEO, Saki Corporation

Ikuo Yamamoto

Former CEO, Saki Corporation

Overview of Corporate Governance

Percentage of Independent Directors among Total Directors

Percentage of Women among Total Directors and Audit & Supervisory Board Members

45%

25%
Evaluation of the Effectiveness of the Board of Directors

Through the process below, for the evaluation of the effectiveness of the Board of Directors in the fiscal year ended March 31, 2022, it was confirmed that the effectiveness of the Board of Directors is adequately ensured. The evaluation results and policy going forward are shown below.

**Specific Process**

After thoroughly reviewing the fairness of the evaluation process, including the necessity of third-party evaluation, it was determined that a self-evaluation process led by Independent Directors and Independent Audit & Supervisory Board Members would be effective, so the same format as in the previous fiscal year was used for this fiscal year. In addition to Independent Directors and Independent Audit & Supervisory Board Members leading the evaluation, objective advice from external consultants was sought in formulating the questionnaires, gathering the results, and drafting a disclosure proposal, with the aim of ensuring objectiveness and neutrality of the process.

**Evaluation Results and Policy for the Fiscal Year Ending March 31, 2023**

The results were analyzed and evaluated in the meetings of Independent Directors and Independent Audit & Supervisory Board Members, as well as the Governance, Nomination, and Compensating Committee, then deliberated by the Board of Directors.

**Overview of Corporate Governance**

**STEP 1**

The Governance, Nomination, and Compensation Committee discussed this year’s implementation methods and processes.

**STEP 2**

Independent Director Shunichi Miyagawa and Independent Audit & Supervisory Board Member Takeshi Nakao led an evaluation of the effectiveness of the Board of Directors, formulating survey questions, conducting interviews, and then analyzing and evaluating the responses.***

***To ensure objectiveness from outside the Board of Directors and Audit & Supervisory Board Members and ensure multidisciplinary analysis, the Business Group CEOs were also surveyed.

**STEP 3**

The questionnaire covered the size and composition, operations, and agenda items of the Board of Directors; the support system for the Board of Directors, including the establishment of individual achievement; the composition and operation of the Governance, Nomination & Compensation Committee; the operation of meetings of Independent Directors and Independent Audit & Supervisory Board Members; engagement with shareholders and investors; and medium- to long-term issues that pertain to corporate governance.

**Successor Selection Process**

Since Former President Kakucho 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 Nakashima.

**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.

---

*MITUBISHI CORPORATION*
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)

- Independent Director: Akitaka Saiki
- Independent Director: Tauneoyoshi Tatsukawa
- Independent Director: Shunichi Miyamaga
- Independent Director: Sakie Akiyama
- Independent Director: Mari Sagiya
- Chairman of the Board: Takehiko Kakuchi

In-house Members (5)

- Director, President and CEO: Katsuya Nakanishi
- Full-time Audit & Supervisory Board Member: Hajime Hirano

Number and Percentage of Independent Directors*

- Independent Directors: 6
- In-house Members: 1
- Total: 7
- Percentage of Independent Directors: 63%
- Number of Independent Directors: 6
- In-house Members: 1

Note: The members removed their face masks only when this picture was taken, and ensured proper distance between their seats during the meeting.

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

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.

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>
</tr>
</thead>
<tbody>
<tr>
<td>Richard Armitage</td>
<td>United States of America</td>
<td>Former United States Deputy Secretary of State</td>
</tr>
<tr>
<td>Joseph S. Nye</td>
<td>United States of America</td>
<td>Harvard University Distinguished Service Professor</td>
</tr>
<tr>
<td>Ratan N. Tata</td>
<td>India</td>
<td>Chairman, Tata Trusts</td>
</tr>
<tr>
<td>George Yeo</td>
<td>Singapore</td>
<td>Former Chairman, Kerry Logistics Network</td>
</tr>
<tr>
<td>Niall FitzGerald, KBE</td>
<td>Ireland</td>
<td>Former CEO and Chairman, Unilever</td>
</tr>
<tr>
<td>Jaime Augusto Zobel de Ayala</td>
<td>The Philippines</td>
<td>Chairman, Ayala Corporation</td>
</tr>
</tbody>
</table>

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

- Chairman of the Board: Takehiko Kakuchi
- Director, President and CEO: Katsuya Nakanishi
- Director, Executive Vice President: Yasuteru Hirai
- Independent Director: Akitaka Saiki
- Independent Director: Tauneoyoshi Tatsukawa

Main Topics

- Impact of the COVID-19 pandemic on the situation in various countries
- Geopolitical trends due to U.S.-China relations
- Global issues and trends

*Based on status as of July 1, 2022
Audit & Supervisory Board Members and Audit & Supervisory Board

The Audit & Supervisory Board comprises all of the Audit & Supervisory Board Members responsible for auditing and supervising the company’s financial management, as well as independent Audit & Supervisory Board Members to ensure the independence and objectivity of the audit process.

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's optimization
   - Progress of asset optimization based on the Value-Added Cyclical Growth Model
   - Implementation of the new HIF 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.

Audit & Supervisory Board Members
- Hajime Hirano (Chairman of the Audit & Supervisory Board)
- Mitsumasa Ichin (Executive Officer, Corporate Audit Department)

Audit & Supervisory Board Members and Audit & Supervisory Board

Mitsubishi Corporation
Mitsubishi Corporation

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 Staff Section.

2. Attendance at Important Meetings
   - The Audit & Supervisory Board meets with the CEOs and executive officers of the MC Group companies at least four times a year. In addition to the Audit & Supervisory Board, the Independent Audit & Supervisory Board Members attend meetings of major internal management bodies, including Board of Directors, Governance, Nomination and Compensation Committee, Executive Committee, and Business Strategy Committee.

3. Onsite Audits and Observations
   - In the fiscal year ended March 31, 2022, we had dialogues with CEOs and executive officers of the MC Group companies in Japan and 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 onsite audits to the Chairman of the Board, the President and CEO, and the relevant executive officers.

4. Reinforcement of Group Corporate Governance
   - In addition to the dialogue sessions, the Audit & Supervisory Board Members participated in meetings of the MC Group companies to discuss the progress of audits in key audit areas.

5. Enhancing the Effectiveness of the Audit & Supervisory Board and Its Members
   - To increase the effectiveness of the audits performed by Audit & Supervisory Board Members, we have further enhanced the reviews of the activities of the Audit & Supervisory Board Members in previous years. Specifically, the secretariat held mid-year and year-end hearings with the Audit & Supervisory Board Members to identify risks and areas for improvement in the upcoming year. The results of these hearings were shared at the Audit & Supervisory Board meeting.

Enhancement of Tripartite Audits
Audit & Supervisory Board Members strive to further strengthen 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 our dialogue 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 the MC Group companies in Japan and overseas.

With regard to performance evaluations of Independent Auditors, we keep track of evaluation data for the fiscal year from regular audit reports and other sources, 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.

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 on 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 in Japan held by the Internal Audit Department, while the General Manager of the Internal Audit Department attends liaison meetings held by the Audit & Supervisory Board Members with the Audit & Supervisory Board Members of the MC Group companies mentioned above, and all parties collect audit information and exchange opinions.
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

Tsuneo Tatsukawa
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

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.

Sakie Akiyama
Main career: Founder and Former CEO, Saki Corporation
Number of years on Board of Directors: 2 years

After working as an international business consultant, Ms. Akiyama founded a firm specializing in robotic inspection systems for the electronics assembly markets and developed it into a global enterprise. Ms. Akiyama brings to MC’s board of directors her in-depth insight into the digital and IT spaces that was accumulated over the course of the above endeavors in addition to contributing a wealth of know-how in innovation.

Mari Sagiya
Main career: Former Senior Vice President, IBM Japan
Appointed June 2022

Ms. Sagiya has worked in top management at multiple global IT companies and has extensive expertise in leading corporate transformations. She brings to MC’s Board of Directors a wealth of know-how in digital transformation (DX).

Independent Audit & Supervisory Board Members

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

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

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

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.

Attendances at Board of Directors’ meetings in the fiscal year ended March 31, 2022

- Attendance at Board of Directors’ meetings in the fiscal year ended March 31, 2022
- Attendance at Governance, Nomination & Compensation Committee meetings in the fiscal year ended March 31, 2022
- Attendance at Audit & Supervisory Board meetings in the fiscal year ended March 31, 2022

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 management
- Midterm Corporate Strategy 2024
- Future issues and initiatives based on evaluation of the effectiveness of the Board of Directors

Initiatives and Systems Supporting Sustainable Value Creation

- Midterm Corporate Strategy 2024
- Approach to dialogue with management
- 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 support to help solve business challenges facing clients across a wide range of industries. I will utilize this experience to contribute to MC’s sustainable growth going forward.

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 offer various perspectives in an effort to contribute to the MC Group’s governance and enhancement of its corporate value.
As Independent Members of the Board, we will contribute to MC’s efforts to address societal challenges based on solid governance.

Reflections on the Series of Processes for the Evaluation of the Effectiveness of the Board of Directors in the Fiscal Year Ended March 31, 2022

Miyanaga: At MC, the effectiveness of the Board of Directors is evaluated by Independent Directors and Independent Audit & Supervisory Board Members. Last year, Mr. Nakao and I took the lead in formulating the questions and analyzing and evaluating the responses. Looking back on the effectiveness evaluation process, I think that businesses such as MC’s are unique to Japan. In addition, as Japan has moved from a period of rapid economic growth to a period of maturity, and from now on towards an era of uncertainty in which it will be difficult to predict how things will change, I believe that MC is currently in the most susceptible position to the various influences of the times. In light of this, we devised a series of processes to evaluate the effectiveness of MC’s Board of Directors and devised our own approach to objectivity and neutrality.

Nakao: In addition to its large size, MC has a very diverse range of business areas. Because of this, to ensure that the supervisory function is properly executed, a considerable number of opportunities are provided for information gathering. I think this is a major characteristic of MC’s governance. In addition to dialogues with the Group CEO of each Business Group, opportunities are provided for dialogues with each COO, and there are also opportunities to hear the opinions of employees of various levels, including on-site inspections and dialogues with the MC Staff Union. I think that having Independent Members of the Board take the lead in verifying whether the Board is functioning adequately through information obtained through such dialogue is effective as a method of evaluating the effectiveness of the Board of Directors.

Miyanaga: During the effectiveness evaluation, we also asked the Group CEO of each Business Group for their input. I think this was a very valuable initiative, as it proved to be extremely helpful in understanding the actual situation on the business execution side. The previous fiscal year was the final year of Midterm Corporate Strategy 2021 as well as the year of the nomination of a new President, and we were able to have intensive discussions on these topics through the effectiveness evaluation process.

Review of Midterm Corporate Strategy 2021

Akiyama: The fiscal year ended March 31, 2022 was the final year of Midterm Corporate Strategy 2021, and we were able to close the year with outstanding financial results. One of the reasons for these outstanding financial results is the significant impact of external environmental factors. We can also say that not only did we achieve strong overall financial results, but also each Business Group achieved unprecedented figures, which reflect each of their respective improved capabilities as well as their firm commitment to optimizing their business portfolios under the overall policies of the previous corporate strategy. These policies have been carried over to the new midterm corporate strategy, and I expect further improvement without becoming complacent with these favorable results.

Miyanaga: Looking back on Midterm Corporate Strategy 2021, MC was able to achieve the targets in a numerical sense. Although external environmental factors such as high resource prices played a role, I believe that MC’s approach of reorganizing its portfolio in a balanced and flexible manner without concern for immediate market conditions has gradually worked well. Going forward, I feel that the time has come for us to consider the company’s resilience, including how to respond flexibly to external environmental changes, in light of intensifying tensions between the US and China, the situation with Russia and Ukraine, and other setbacks in globalization that will occur in the future.

Nakao: I understand that former President Kakiuchi’s goal was for each Business Group to continue to generate a certain level of profit without being affected by market conditions and to create new value by eliminating barriers between the Business Groups. It is noteworthy that in the fiscal year ended March 31, 2022, MC also made solid gains in areas other than natural resources. As we will continue to drive in this direction, I have the impression that the review of Midterm Corporate Strategy 2021 is leading seamlessly to Midterm Corporate Strategy 2024.

Akiyama: Today, the business environment is changing extremely quickly, and the degree of change is also increasing. New technologies are influencing the speed and magnitude of this change, which is also contributing to the advancement of DX. In the past, MC’s style has been to be an important player in large-scale business areas such as natural resources. People who are active in new and growing fields of technology, such as IT, are young and vibrant and are different types of business people from those that have been traditionally valued in Japan, so there may be a culture gap for people in a traditional large company like MC to communicate with them. However, despite its long tradition, MC is a company with a very high capacity for self-change. I believe that discussion and action will be important in terms of how we can incorporate new elements through dialogue with a diverse range of people.

Miyanaga: When I speak with younger employees at MC, I find that they are not only talented, but also that many have an awareness of what they can do and what kind of value they can create within a rapidly changing world, rather than simply being satisfied with being part of a large company with a long history. As Midterm Corporate Strategy 2024 calls for further advancement of EX and DX, I would like to see MC’s employees tackling the EX and DX initiatives while taking advantage of the fact that we have the fortune of...
Special Feature: Dialogue with Two Independent Directors and an Independent Audit & Supervisory Board Member

Facing a major turning point like this, one that may only occur once every 100 years, and having an active exchange of opinions between employees, regardless of their level of experience in the company.

Reflections on the Successor Selection Process

Miyanaga: We believe that involvement in the selection of a successor is one of the greatest responsibilities of Independent Directors. In conventional Japanese companies, the process of deciding on a successor was generally done through a process in which the current President consults with the Chairman and makes a proposal. However, due to demands for transparency in the selection process and other factors, MC also held vigorous discussions on the necessary requirements for the next president, mainly through the Governance, Nomination, and Compensation Committee. Considerable information about the candidates was provided, and each Independent Member of the Board was able to use this information to provide their opinions. I believe that the selection process was conducted in a manner that reflected the various perspectives and ideas of the Independent Members of the Board.

Akiyama: Being involved in the most important succession process for a company is a heavy responsibility for an Independent Director. The new process for selecting a successor has been transformed to further enhance existing efforts. The process provided various opportunities to meet with potential successors both within the Board of Directors, and also outside the Board. We continued to discuss succession requirements in the Governance, Nomination, and Compensation Committee, in which Independent Directors make up the majority. As a result, I feel that the process of selecting a successor was given thorough and thoughtful consideration, and I was able to appreciate MC’s capacity for self-improvement, which I mentioned previously.

What kind of leader is MC looking for?

Miyanaga: Growing a company in times of rapid change requires not only the ability to weather change while minimizing damage, but a range of other abilities as well. It is essential for us to always keep in mind that even if things are going well now, it is impossible to predict what will happen next. We need to hone our ability to foresee situations, to be flexible in our organizations, to aim for a higher level, and to be able to motivate and encourage others while being strict with ourselves.

Akiyama: MC is a complex and challenging business entity that incorporates new elements in a wide range of business fields and seeks to create businesses that are aligned with the times. I believe the most important requirement for the top management of MC is the ability to gather the knowledge of the many, and then to make decisions and execute them based on that knowledge. I believe this is a crucial factor in ensuring the stable growth of MC.

Gathering the knowledge of many people requires a certain element of psychological safety. I think it is important that the company provides a foundation for communication that allows everyone to speak up and that top management has the ability to embrace any and all opinions.

Miyanaga: It is preferable that the leader himself/herself has had the experience of facing several difficult problems earlier in their careers and solving or overcoming some or all of them. Such experience will bring a certain gentleness in dealing with people when they are faced with various challenges and difficult problems. Having the ability to accept, rather than just be kind, naturally makes it easier to be more self-disciplined and persuasive when making decisions after listening to people’s opinions. That power of persuasion does not come from harshness alone.

Nakao: As you both mentioned, harshness alone is not enough to attract people to follow you. The larger the organization, the more essential it is to gather information from the frontlines, on a daily basis, in order to make the right decisions. President Nakahashi does not just interact with top management; he also actively engages with staff at various levels, including young and mid-level employees, and I feel that he has a good understanding of the importance of the frontlines.

Formulation of Midterm Corporate Strategy 2024

Akiyama: President Nakahashi was appointed last December, and Midterm Corporate Strategy 2024 was released in May of this year. Despite the time constraints, President Nakahashi explained the draft at meetings of the Board of Directors and made use of other opportunities to capture the opinions of Independent Members of the Board and officers. These took place about four times before the final decision, and I believe that we were able to have quite intensive discussions toward the finalization of Midterm Corporate Strategy 2024.

Nakao: In formulating Midterm Corporate Strategy 2024, based on the review of the previous midterm corporate strategy, we had requested more transparency in the process. Opportunities for explanation were established from the early draft stages, and through repeated exchanges, the President’s thinking became clearer and the Independent Members of the Board were able to further their understanding. The fact that we were able to transform the process in this way was a very positive achievement.

The president’s enthusiasm for change was evident in the transparency of the process used to formulate Midterm Corporate Strategy 2024 and in the many rounds of communication with Independent Members of the Board and officers.

Miyanaga: Thanks in part to President Nakahashi’s proactive disclosure of information, I believe we were able to have productive discussions even within the limited time available. I feel that Midterm Corporate Strategy 2024 is mainly focused on EX, based on the Roadmap to a Carbon Neutral Society, announced earlier, and is also crafted with a view toward the formulation of future midterm corporate strategies.

What are the mid to long-term expectations for MC?

Nakao: As Group CEO of the Power Solution Group, Mr. Nakahashi initiated the acquisition of Eneco, an integrated energy company in Europe, and the successful bid for three offshore wind farms in Japan. In the Roadmap to a Carbon Neutral Society, announced in October 2021, MC set a goal of expanding EX-related investment to 2 trillion yen by the fiscal year ending March 31, 2031. I believe that Mr. Nakahashi’s appointment as president is also a way of showing people inside and outside the company the strong will that MC has to become a leader in a carbon neutral society. I hope that MC will continue to work on addressing various societal challenges by further improving its branding and pushing forward as a leading company for the realization of a carbon neutral society.

Akiyama: Three of the key priorities set forth in the Roadmap to a Carbon Neutral Society: Optimize supply chains; Enhance industry competitiveness and collaborate where appropriate; and Deliver data sharing and optimized services, can be summed up by the phrase: creating societal change. Generally speaking, DX means transforming the analog world into a digital one, but creating societal change is the very essence of DX. By leveraging MC’s tremendous influence within and across various industries and regions, and by advancing the initiatives of Midterm Corporate Strategy 2024, I expect that we will be able to accomplish major societal change.

Miyanaga: With regard to EX, it is difficult to predict how far industrial and scientific technologies will evolve, and even if we can predict, to some extent, 10 years into the future, it is difficult to foresee 20 or 30 years into the future. Under such circumstances, I believe that one of MC’s roles is to create business models that are able to respond to anything that may happen 30 years from now, and to search for better solutions to contribute to society. To this end, it is important to deepen our learning and hone our skills in EX-related fields, and to use this knowledge and information to collaborate outside the company. I believe that we, as Independent Members of the Board, have an important role in checking on the progress of these efforts. In addition, young people are essential for the company to keep up with the next generation of technology and change. I hope that the younger generation will be conscious that it is out of the principle of competition that good things are born, and I encourage them to work for change to achieve sustainable growth.

I believe that one of MC’s roles is to create a business model that is able to respond to anything that may happen in the future, and to search for better solutions to contribute to society.
Overview of Remuneration Package

Basic Approach

Remuneration levels
- 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 others.
- 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 for Directors is designed for greater focus on increasing medium- to 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.

Remuneration composition
- Remuneration of Directors is composed of fixed compensation, variable compensation, and stock-based remuneration linked to medium- to long-term performance.
- Stock-based remuneration linked to medium- to long-term share performances is up to ¥100 million annually.

Governance of remuneration
- The Governance, Nomination & Compensation Committee, where a majority of the members are Independent Directors and Independent Audit & Supervisory Board Members, continuously deliberates and monitors methods for deciding remuneration packages, the fairness of remuneration levels and compositions, and the status of implementation.

Remuneration Package for Directors and Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Remuneration package</th>
<th>Details</th>
<th>Percentage of total compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base salary (fixed)</td>
<td></td>
<td>(about 20%)</td>
</tr>
<tr>
<td>Annual deferral for retirement remuneration</td>
<td></td>
<td>(about 30%)</td>
</tr>
<tr>
<td>Performance-linked bonus</td>
<td></td>
<td>(about 40%)</td>
</tr>
<tr>
<td>Stock-based remuneration linked to medium- to long-term share performances</td>
<td></td>
<td>(about 10%)</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 (Unit: millions of yen)</th>
<th>Stock-based remuneration linked to medium- to long-term share performances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive Officer</td>
<td>1,449</td>
<td>20</td>
</tr>
<tr>
<td>Independent Directors</td>
<td>212</td>
<td>3</td>
</tr>
<tr>
<td>Full-time Audit &amp; Supervisory Board Members</td>
<td>174</td>
<td>2</td>
</tr>
<tr>
<td>Independent Audit &amp; Supervisory Board Members</td>
<td>63</td>
<td>3</td>
</tr>
</tbody>
</table>

Note: The proportions shown above are based on certain values for consolidated earnings and the share price, and are for illustrative purposes only. The actual amounts may vary depending on changes in the Company’s performance, the market price of the Company’s shares, and other factors. The amounts paid for the fiscal year ended March 31, 2020 will be disclosed in the FY2021 Business Report.

Conceptual Image of Payment Mix for Remuneration of Executive Directors

- Stock-based remuneration linked to medium- to long-term share performances: ¥353 million
- Performance-linked bonus: ¥1,067 million
- Annual deferral for retirement remuneration: ¥1,221 million

Note: The proportions shown above are based on certain values for consolidated earnings and the share price, and are for illustrative purposes only.
Overview of Corporate Governance

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

Performance-linked bonus (short-term)

<table>
<thead>
<tr>
<th>Position</th>
<th>Maximum Payment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>President and CEO</td>
<td>¥175 million</td>
<td>¥175 million</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>¥385 million</td>
<td>¥385 million</td>
</tr>
<tr>
<td>Total</td>
<td>¥560 million</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Position</th>
<th>Maximum Payment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>President and CEO</td>
<td>¥448 million</td>
<td>¥448 million</td>
</tr>
<tr>
<td>Executive Vice President</td>
<td>¥441 million</td>
<td>¥441 million</td>
</tr>
<tr>
<td>Total</td>
<td>¥889 million</td>
<td></td>
</tr>
</tbody>
</table>

Governance of 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 annual referral for retirement remuneration, forms of fixed remuneration, are paid in amounts determined by the Board of Directors. As for variable remuneration, payments of performance-linked bonuses (short-term), performance-linked bonuses (medium- to long-term) and 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 ordinary meeting of the Board of Directors held on June 21, 2019.

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

(1) Upper limit on total payment

The upper limit is ¥600 million. However, the upper limit on total number of shares per person is 400,000 shares (5,000 stock options).

(2) Conditions for exercise of stock options

- Number of stock options that can be exercised at each position
- Number of stock options initially allocated by position
- Stock options initially allocated by position
- Meeting ratio: The meeting ratio is set in each case depending on the stock price ratio of the Company’s shares over the three-year period from the allocation date.
- Growth rate in the Company’s shares: Growth rate in the Company’s shares (3-year TIR) (market capital)

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 and holding shares held by MC from the perspectives of both economic rationale 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 cost of capital) for the market price of each individual share. The qualitative significance is confirmed by the achievement or status of progress of the expected purpose and significance 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, MC’s holdings were reduced by just over 10%, compared to the previous fiscal year as a result of selling shares with a market value of 57.9 billion yen. As of the fiscal year ended March 31, 2022, the total market value of holdings was 437.4 billion yen (excluding deemed shareholdings). Past reduction results are as follows.

Matters verified by the Board of Directors

Verification was conducted by the Board of Directors for all listed shares held by MC as of March 31, 2022. As a result of verification from the perspectives of both economic rationale and qualitative significance of 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.

Board, who 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 and holding shares held by MC from the perspectives of both economic rationale 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 cost of capital) for the market price of each individual share. The qualitative significance is confirmed by the achievement or status of progress of the expected purpose and significance 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, MC’s holdings were reduced by just over 10%, compared to the previous fiscal year as a result of selling shares with a market value of 57.9 billion yen. As of the fiscal year ended March 31, 2022, the total market value of holdings was 437.4 billion yen (excluding deemed shareholdings). Past reduction results are as follows.

Matters verified by the Board of Directors

Verification was conducted by the Board of Directors for all listed shares held by MC as of March 31, 2022. As a result of verification from the perspectives of both economic rationale and qualitative significance of 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.