

# 04

## Initiatives and Systems Supporting Sustainable Value Creation

This section describes how MC will adapt to changes in the business environment amid increasing uncertainty, and the systems that will support this adaptation.

*MC Shared Value*

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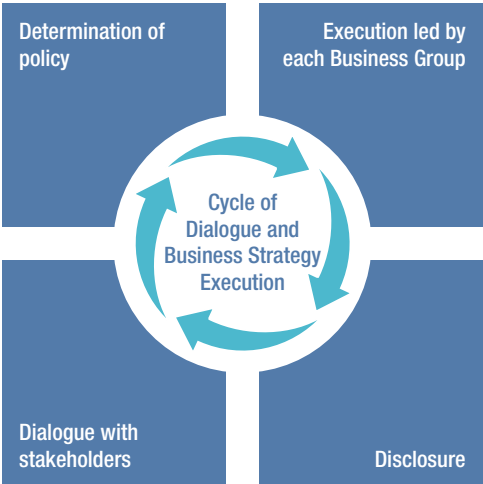
Sustainability Promotion Framework

Sustainability Initiatives

MC's Three Corporate Principles call upon us to "strive to enrich society, both materially and spiritually, while contributing towards conserving the global environment."

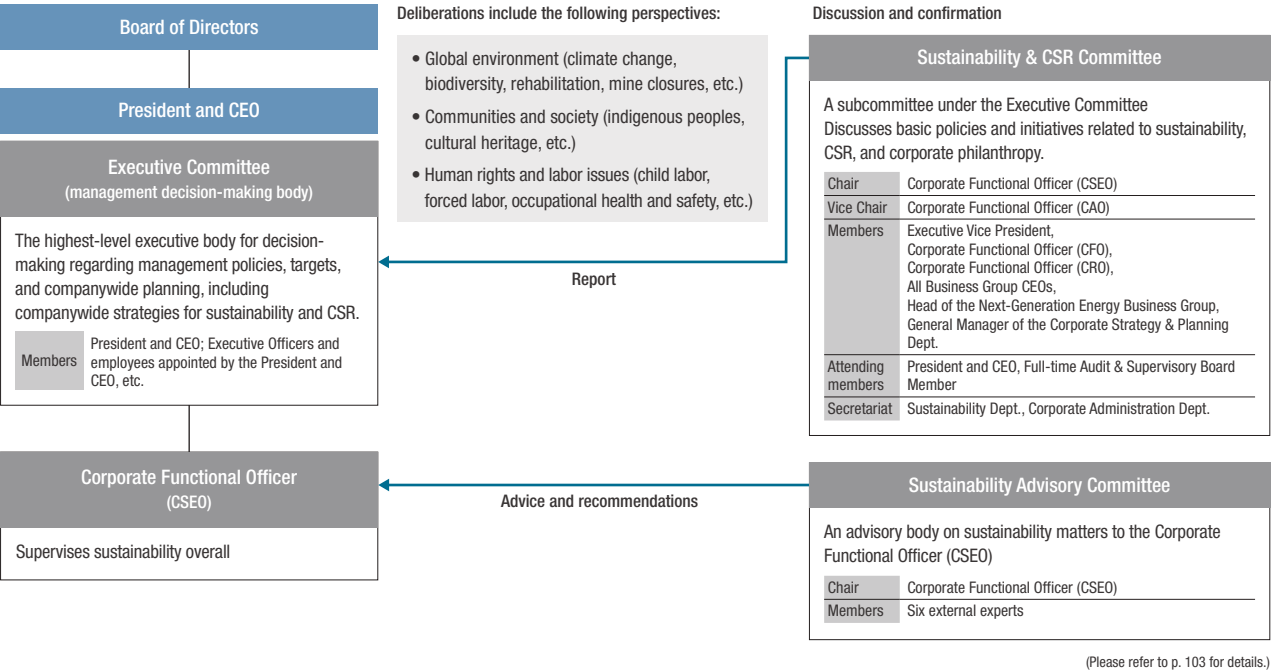
In recent years, expectations and demands for companies to address various societal challenges have been increasing. Guided by our Materiality, a set of crucial societal issues that we will prioritize through our business activities, we aim to continue to grow together with society by creating MC Shared 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 emphasizes the importance of dialogue with our stakeholders and a cycle of business strategy execution based on this dialogue.

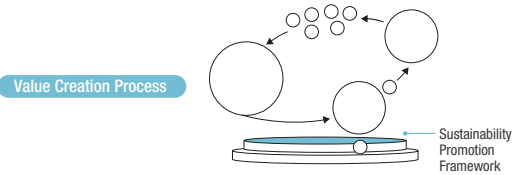


Companywide Sustainability Framework

In MC's management framework, sustainability initiatives are overseen by the Corporate Functional Officer (Chief Stakeholder Engagement Officer [CSEO]). The Sustainability 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.



Main Discussion Topics for the Sustainability & CSR Committee	
• Climate change: Please refer to ► p. 50-53 for details.	• Biodiversity and environmental conservation initiatives: Please refer to ► p. 54-55 for details.
• Materiality: Please refer to ► p. 48-49 for details.	• Corporate philanthropy activities
• Human rights and supply chain management: Please refer to ► p. 104-105 for details.	



Promoting Sustainability Through Business

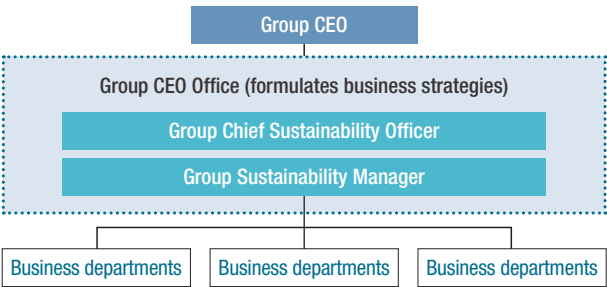
In order to continuously create societal and environmental value through our business activities, we have established a framework through which both Corporate Staff Departments as well as Business Groups proactively promote sustainability.

Cycle for Integrating Sustainability into Business Strategy



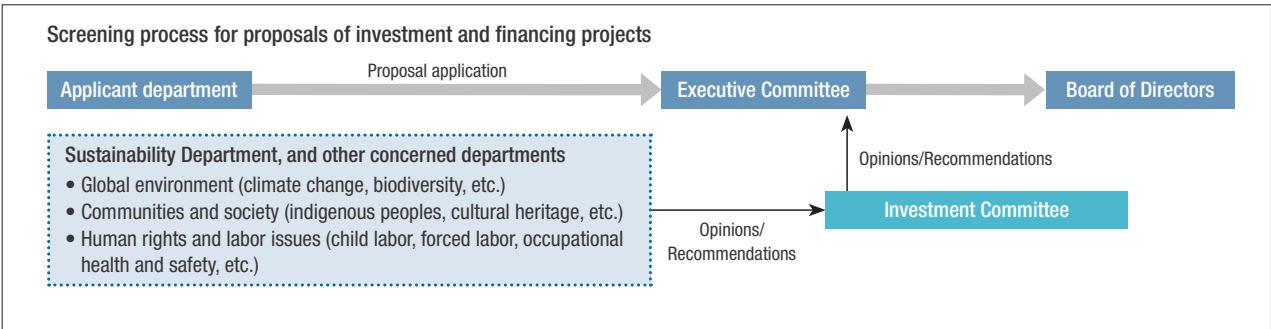
- Following deliberations by the Sustainability & CSR Committee, the President and CEO as well as each Group CEO hold further Business Strategy Committee Meetings to discuss future strategy.
- In these meetings, policies for businesses that are deemed to be most affected by climate change are checked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

Sustainability Promotion Framework in Each Business Group



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

Incorporating Sustainability into Individual Projects



- **Framework for Putting Forward Proposal Applications**  
MC confirms the significance of each business against our Materiality when screening proposals of investment and financing proposals. Identification of environmental and social risks and opportunities (including scenario analysis and carbon pricing impact analysis) is mandatory.
- **System for Screening Proposals**  
Within the Sustainability 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 Sustainability Department serve as a member of the Investment Committee, MC has put a screening system in place to facilitate decision-making that takes into account specialized insight on environmental and social impacts.



Disclosure (Sustainability Website)

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 disclose sustainability-related information proactively 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 make available 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 (CSEO) and after reporting to the Disclosure Committee, a subcommittee of the Executive Committee.

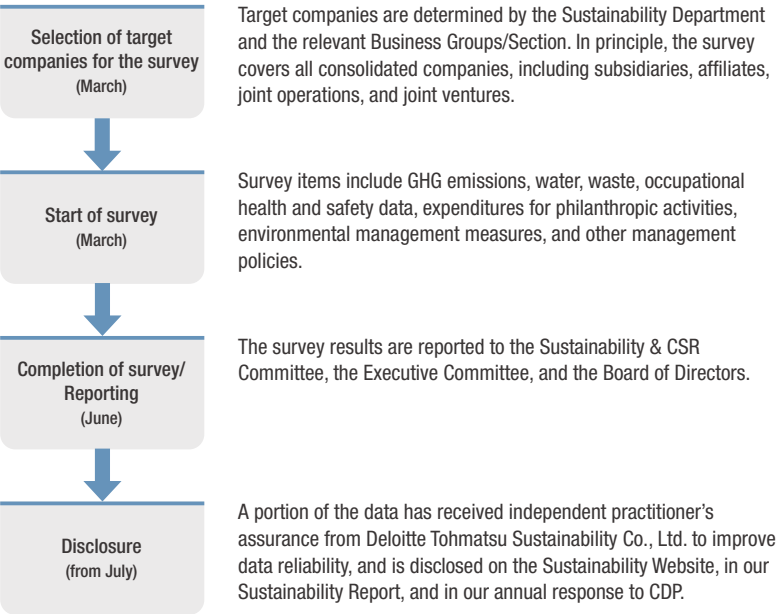
Sustainability Website Disclosures by ESG Category

Environment	Social	Governance
<ul style="list-style-type: none"><li>Climate Change</li><li>Environmental Management</li><li>Water Resources</li><li>Biodiversity</li><li>Prevention of Pollution</li><li>Efficient Use of Resources</li><li>Environmental Data</li></ul>	<ul style="list-style-type: none"><li>Human Rights</li><li>Labor Practices</li><li>Diversity Management</li><li>Well-being (Health &amp; Productivity Management, Occupational Safety and Health)</li><li>Human Resource Development</li><li>Customer Responsibility</li><li>Community</li><li>Supply Chain Management</li></ul>	<ul style="list-style-type: none"><li>Board of Directors and Shares, etc.</li><li>Audit &amp; Supervisory Board and Audit</li><li>Directors' and Audit &amp; Supervisory Board Members' Remuneration, etc.</li><li>Compliance</li><li>Risk Management</li></ul>

Collecting Sustainability Information on a Consolidated Basis

To fully grasp qualitative and quantitative information around sustainability, MC annually conducts environmental and occupational health and safety surveys targeting all consolidated companies. The

aggregated results are reported to management and used as basic information for planning sustainability initiatives and other measures.



Dialogues with Stakeholders (Incorporating External Perspectives)

Dialogues with Stakeholders in FY2022

Through direct discussions with investors and NGOs, we have received valuable insight and opinions from the perspective of each stakeholder regarding expectations in relation to our strategies toward the transition to a low-carbon/global decarbonization and our policies for individual fossil fuel projects. We will reflect the suggestions we receive in our policy planning and disclose these policies in a timely and appropriate manner.

Number of discussions held in FY2022

- Direct discussions with investors on sustainability matters: Approx. 40
- Direct discussions with NGOs: 85 (Japan: 9, Europe: 32, The Americas: 44)

Sustainability Advisory Committee

MC established the Sustainability Advisory Committee in 2008 as an advisory body to the Corporate Functional Officer (CSEO), which consists of six external experts representing the perspectives of MC's diverse stakeholders including international agencies, the ESG investment sector, etc. MC conveys its approach on sustainability policies to committee members twice a year and receives advice and recommendations from them. In FY2023, the committee discussed issues such as our Materiality and climate change initiatives.

Moreover, MC conducts observation tours of business sites for committee members in order to deepen their understanding of MC's businesses.

Sustainability Advisory Committee Members

Eiichiro Adachi	Senior Counselor, The Japan Research Institute, Limited Director of the Institute for Societal Values in Future Generations
Peter D. Pedersen	Professor, Graduate School of Leadership and Innovation, Shizenkan University
Masaru Arai	Chair, NPO Japan Sustainable Investment Forum
Miwa Yamada	Director-General, Inter-disciplinary Studies Center, Institute of Developing Economies, Japan External Trade Organization (IDE-JETRO)
Tokutaro Nakai	Executive Advisor Nippon Steel Corporation
Soichi Noguchi	CEO, Mirai Space Co., Ltd Astronaut

On-Site Observation Tour

In the fall of 2022, we visited Akita Prefecture, where MC and Mitsubishi Corporation Offshore Wind Ltd. have started development of Japan's first large-scale fixed-bottom offshore wind power project. MC also set up its first new domestic branch office in 35 years. To share our policy of promoting initiatives for regional co-existence and regional co-creation, we also paid a courtesy visit to the Governor of Akita Prefecture, Mr. Norihisa Satake; took an observation tour of the Akita Katagami Wind Farm (66MW onshore wind power project), operated commercially by Mitsubishi Corporation Clean Energy Co., Ltd. since 2020; and exchanged views with our joint venture partner, Venti Japan, Inc.



On-site Observation Tour of Katagami Onshore Wind-Farm in Akita

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 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.


Human Rights and Supply Chain Management

Basic Approach on Human Rights

- MC believes that respect for human rights is fundamental to doing business globally.
  - MC has identified “Promoting Stable, Sustainable Societies and Lifestyles” and “Respecting Human Rights in Our Business Operations” as part of its Materiality. MC also clearly stipulates its respect for human rights in its Corporate Standards of Conduct, Social Charter, and the Mitsubishi Corporation Code of Conduct. 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.
- Reference

Please refer to Mitsubishi Corporation’s Corporate Standards of Conduct, the Mitsubishi Corporation Code of Conduct, and the Mitsubishi Corporation Social Charter. FY2022 Modern Slavery Statement:  
<https://www.mitsubishicorp.com/jp/en/csr/modern-slavery-statement/>

Human Rights and Environmental Due Diligence



The diagram illustrates the integration of Human Rights Due Diligence into Business Management and Supply Chain. At the center is a circle labeled 'Human Rights Due Diligence'. To its left is a circle labeled 'MC & MC Group', and to its right is a circle labeled 'Supply Chain'. Below the central circle are two circles: 'Business Management' on the left and 'Supply Chain' on the right. Arrows indicate a flow from 'MC & MC Group' and 'Supply Chain' towards 'Human Rights Due Diligence', and from 'Business Management' and 'Supply Chain' towards 'Human Rights Due Diligence'.

- MC conducts human rights and environmental due diligence based on the understanding of the importance of fulfilling our responsibility to identify, analyze, and avoid/mitigate the negative impacts of our business on human rights and the environment.
- MC and the MC Group are strengthening Groupwide efforts to respect human rights through employee training and sustainability surveys on a consolidated basis.
- When reviewing investment and loan proposals, MC conducts a comprehensive screening process which considers not only economic factors, but also ESG impacts. In April 2023, MC formulated environmental and human rights due diligence guideline when implementing investment proposals.
- MC and the MC Group also recognize the importance of working to prevent and remedy the negative impacts on human rights and the environment in its supply chain. Supply chain management initiatives being implemented are described below.

Supply Chain Management Policy

Mitsubishi Corporation Policy for Sustainable Supply Chain Management

Basic Policy

Since its foundation, MC has adhered to the Three Corporate Principles which have guided its corporate philosophy and which place considerable emphasis on the importance of its corporate social responsibilities. Moreover, our Corporate Standards of Conduct outline our commitment to comply with all relevant laws and international regulations and to act responsibly with respect to the highest social standards. Our Corporate Standards of Conduct further elaborate on our commitment to preserving the global environment and pursuing sustainable development through all aspects of our business activities.

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 identified “Promoting Stable, Sustainable Societies and Lifestyles” and “Respecting Human Rights in Our Business Operations” as part of its Materiality. 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 and expects their support, understanding, and implementation of this policy.

Reference

Please refer to the following website for further information.  
<https://mitsubishicorp.disclosure.site/en/themes/126#1147>
2. Monitoring

MC conducts regular surveys of its suppliers to monitor the status of their compliance with the Basic Policy and to strengthen communication with suppliers. Furthermore, MC conducts site visits of suppliers to confirm the status of their activities and provide on-site guidance when it determines that site visits are necessary based on the regions where suppliers are active and their business activities.
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.

Supply Chain Management Initiatives

Sustainable Supply Chain Survey

In order to monitor compliance with the Mitsubishi Corporation Policy for Sustainable Supply Chain Management, MC has identified products with high environmental and social risk (“products to be monitored”) in FY2016, and in FY2020, with advice from consultants and external advisors. MC conducts annual surveys of suppliers (Sustainable Supply Chain Survey), with a focus on those in industries where social risks including human rights and labor conditions, as well as environmental risks, are considered higher.

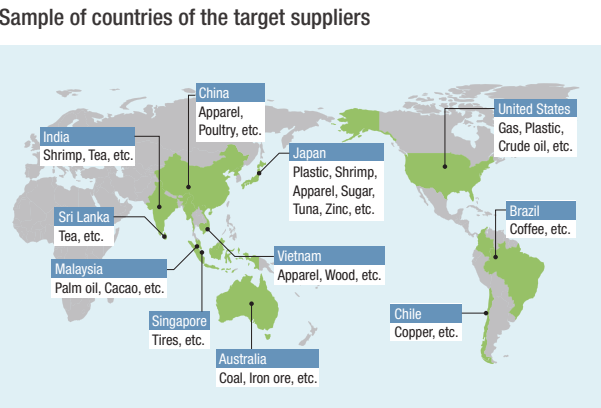


Sustainable Supply Chain Survey, FY2021 Results

- In April 2022, MC conducted its annual survey for FY2021, targeting 1,016 supplier companies in 50 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 relations with relevant suppliers.

Target products and number of suppliers

Target products	FY2019*1	FY2020*1	FY2021*1
LNG	—	7	16
Plastic (PP, PE, etc.)	—	50	50
Wood	—	2	3
Crude oil	—	3	1
Copper	—	—	25
Zinc	—	—	8
Coal	—	—	9
Iron Ore	—	—	23
Poultry	15	17	75
Sugar	—	12	8
Shrimp	19	84	78
Tuna (Tier 1 & 2)*2	22	85	92
Cacao	6	7	6
Coffee	22	35	35
Palm oil (Tier 1 & 2)*2	8	8	9
Tires	—	1	1
Apparel (Tier 1 & 2)*2	328	573	540
Tea	5	6	37
Total	425	890	1,016
(Number of responses)	(415)	(812)	(896)



Communication/Engagement with Suppliers

Through regular communication with its suppliers, MC gains their understanding and support of the Mitsubishi Corporation Policy for Sustainable Supply Chain Management. For example, in FY2022, MC conducted a site visit of a domestic meat processing company that is a poultry supplier for MC’s subsidiary Foodlink Corporation. An inspector from a third-party auditing organization accompanied MC and evaluated the supplier’s sustainability management system through an inspection

of the factory by interviewing the supplier’s management and employees. MC also held a human rights seminar for suppliers in FY2022. The seminar gave an overview of various global human rights due diligence standards, in addition to MC’s fundamental perspective regarding human rights and related initiatives.

Introduction of a Grievance Mechanism

MC established a grievance mechanism in February 2023 to handle consultations from external stakeholders regarding potential negative impacts on human rights and the environment caused by the MC Group’s business activities, including within its supply chains. MC has set up a consultation desk point of contact on its website to handle

consultations regarding cases where the MC Group’s business activities are causing, or could potentially cause, specific negative impacts on human rights and the environment in violation of international norms and national laws of countries.





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

Takehiko Kakiuchi  
Chairman of the Board

The Evolution of MC's Corporate Governance

Since the 2000s, MC has engaged in building the foundations of its corporate governance. In recent years, MC has been steadily advancing measures to strengthen the monitoring functions of the Board of Directors, incorporating the results of annual evaluations of the effectiveness of the Board of Directors.

2001

- “Strengthen corporate governance” is held up as a key part of Midterm Corporate Strategy 2003
  - Adopted an executive officer system to separate oversight and execution functions
  - Established the Governance Committee and International Advisory Committee, comprising of a majority of Independent Members, as advisory bodies to the Board of Directors

2006

Enforcement of the Companies Act began

2007

- Established Selection Criteria for Outside Directors

2008

- Appointed Outside Directors, and Outside Audit & Supervisory Board Members as more than one-third of all Directors

2010

- Renamed the Governance Committee as the Governance & Compensation Committee in light of its role in the reinforcement of disclosure of executive compensation

2015

Application of Japan's Corporate Governance Code began

- Renamed the Governance & Compensation Committee as the Governance, Nomination and Compensation Committee in light of its role in the selection of candidates for Director and Audit & Supervisory Board and deliberation on requirements for President and Chief Executive Officer successor candidates

2018

Midterm Corporate Strategy 2021

Governance reforms

- Enhanced monitoring
  - Expanded Business Execution Reports from Section/Business Groups. Began discussions of strategy and governance at key business subsidiaries and affiliates.
- Revision of the rules for the Board of Directors
  - Raised the quantitative standards for investment and finance proposals to twice their previous levels.
  - Set up the Board of Directors to focus on deliberations of management strategy and major projects.
- Enhanced briefing sessions before the Board of Directors meetings
  - Prior to each Board of Directors meeting, Section/Business Groups management executives provide briefing sessions for the Independent Directors and Independent Audit & Supervisory Board Members in order to further enhance the quality of discussions at the Board of Directors meetings.

2019

- New framework for Business Execution Reports
  - Independent Directors began participating in dialogues with the Corporate Staff Section and Business Groups, which were previously held only with the Audit & Supervisory Board Members, so that the Board of Directors meetings can focus on discussion about the broad direction of corporate strategy and monitoring of the system that supports appropriate risk-taking.

2022

Midterm Corporate Strategy 2024

Monitoring the major items of Midterm Corporate Strategy 2024

Quantitative Targets/  
Shareholder Returns

Growth Strategies  
(EX Strategy/DX Strategy/Creating a New Future)

Business Management

Management Mechanisms

HR Policies

Sustainability Policies

Building Corporate Governance Foundations

Strengthening Monitoring Functions

Record of Meetings Held in FY2022

● Meetings of the Board of Directors

■ Meetings of the Governance, Nomination and Compensation Committee

◆ Meetings of Independent Directors and Independent Audit & Supervisory Board Members

Board of Directors and  
Advisory Bodies to the Board of Directors

The Board of Directors >P.108

The Board of Directors is responsible for making decisions concerning important management issues and overseeing business execution. By utilizing both In-house Directors' rich experience of working within MC and Independent Directors' practical, objective, and professional perspective, MC ensures appropriate decision-making and management oversight.

Governance, Nomination and  
Compensation Committee >P.114

June July Oct. Jan. Mar.

Advisory body to the Board of Directors with a majority of Independent Directors



President's Performance Evaluation Committee

May

A subcommittee to the Governance, Nomination and Compensation Committee

International Advisory Committee >P.115

Nov.

An advisory body to the Board of Directors made up of non-Japanese experts

Outside of Meetings of the Board of Directors  
and its Advisory Bodies

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.

Overview of sessions (FY2022 results)

Frequency	Whenever meetings of the Board of Directors are held (total: 14 times)
Length of sessions	2.5 to 3 hours for a meeting (total: 39 hours)

Discussion between Independent Members of the  
Board and Officers and Employees

MC has set up dialogues with the General Managers of the Corporate Staff Section, Business Group Heads, Business Group CEOs and Business Division COOs, small-group discussions with Executive Vice Presidents, and dialogues with mid-level and young employees to strengthen interaction between Independent Members of the Board and officers and employees.

Meetings of Independent Directors and  
Independent Audit & Supervisory Board Members

Apr. May Sep. Nov. Dec. Feb.

Meetings are held regularly to provide a forum for free discussion amongst Independent Directors and Independent Audit & Supervisory Board Members on a wide range of topics.

Main Discussion Themes

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

Dialogues with and Site Visits to  
Business Subsidiaries and Affiliates >P.117

Every year, Independent Directors and Independent Audit & Supervisory Board Members participate in site visits to business subsidiaries and affiliates both 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.

Fiscal Year  
Schedule

2022

Apr. May June July Aug. Sep. Oct. Nov. Dec.

2023

Jan. Feb. Mar.

04 Initiatives and Systems Supporting Sustainable Value Creation

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MITSUBISHI CORPORATION

MITSUBISHI CORPORATION

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Approaches to Corporate Governance

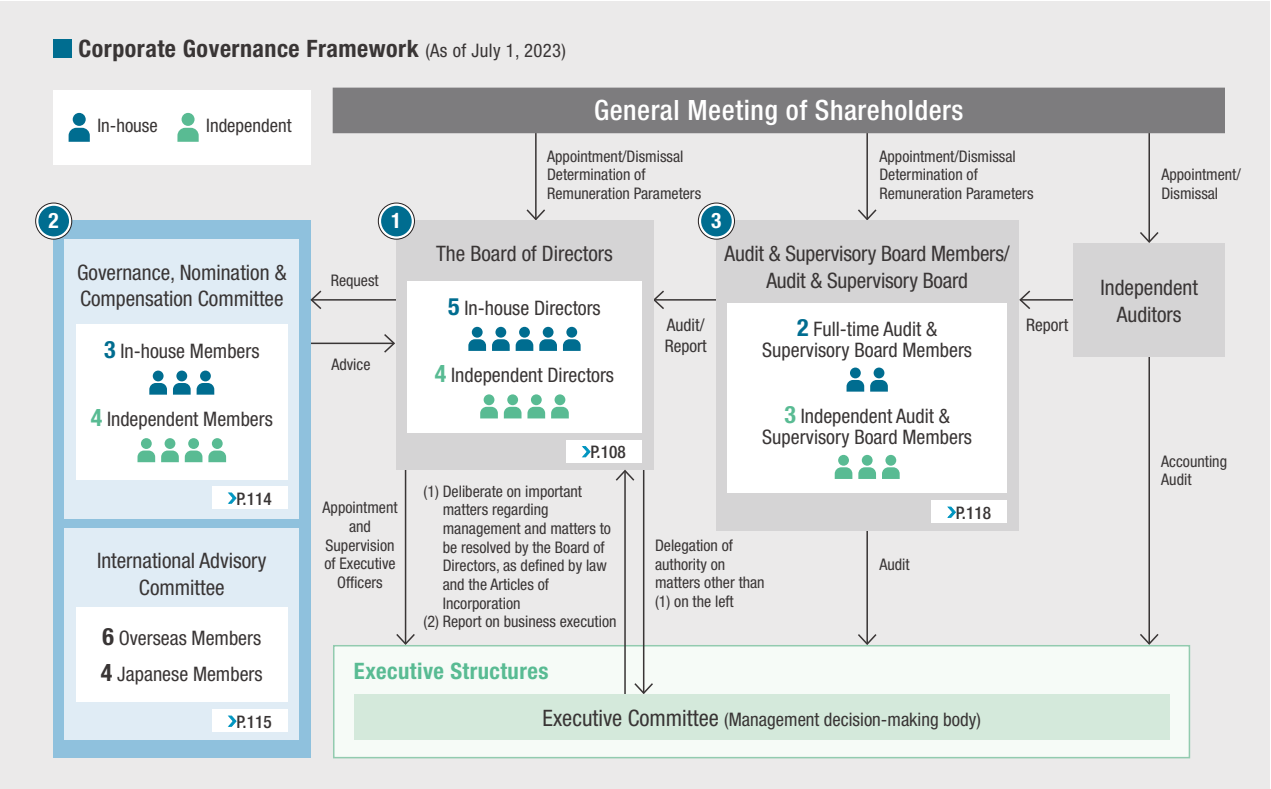
—MC’s Corporate Governance System Supporting Sustainable Growth

Basic Policy

MC strives to continuously raise corporate value through corporate activities rooted in the principles of fairness and integrity with the Three Corporate Principles for a corporate philosophy. MC believes that by helping to enrich society, both materially and spiritually, it will also meet the expectations of its shareholders, customers, and all other stakeholders.

In order to achieve these goals, MC recognizes 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 Outside Directors and Outside 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, this also includes implementation of MC’s prompt and efficient decision-making and business execution through enhancing the monitoring function of the Board of Directors.



1 Board of Directors

The Board of Directors deliberates on important management issues, and supervises business execution through reports on major items of the current 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 the quantitative standards set by MC are deliberated and resolved with an emphasis on not only 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 those matters for resolution by the Board of Directors, is entrusted to the 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.

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 it maintain transparent, fair, 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 from the perspective of ensuring diverse standpoints, several Directors are appointed from both within and outside MC with the depth of experience and high level of knowledge and expertise needed for fulfilling their duties.
In-house Directors	In addition to the Chairman of the Board and the president & Chief Executive Officer, MC’s in-house Directors are elected from Executive Officers (Senior Executive Vice Presidents & Executive Vice Presidents) 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 the policies described above, the President & Chief Executive Officer proposes a list of nominated Directors, which is then deliberated at the Governance, Nomination and 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 judged to be important for MC’s Board of Directors and the reasons for their adoption 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.

Skill Area		Reasons for Adoption
Basic Items	Business Management and Organizational Management	The Board of Directors must deliberate and make comprehensive decisions from an organizational management perspective. As such, experience in business management or organizational management that is not skewed toward any individual specialty, as well as knowledge of corporate governance based on such experience, have been designated as necessary skill areas.
	Risk Management	In order to make the Company to 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 range 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 appropriate person(s). <ul style="list-style-type: none"><li>• (Legal) Management of overall corporate legal affairs</li><li>• (Finance and Accounting) Management of overall financial affairs and accounting</li></ul>
Management Strategy	Innovation	In the Roadmap to a Carbon-Neutral Society, MC has declared the goal of net zero GHG emissions by 2050, and has set forth “Creating the future through the integrated promotion of EX and DX” 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.
	Energy	MC is taking on the challenge of achieving both a stable supply of energy and resources, and the lowering carbon and decarbonization of social and economic activities, and this refers to the experience, insight, and expertise in energy-related innovations that are necessary to monitor the progress of these efforts.
	Digital	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 initiative.
	Global Intelligence	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.
	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 toward creating MC Shared Value, which is one of the objectives of Midterm Corporate Strategy 2024, experience, insights, and expertise, etc., of “human resource strategy” that strives 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 societal 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.



Directors and Audit & Supervisory Board Members (As of July 1, 2023)

Skills Matrix of Directors and Audit & Supervisory Board Members		Director						Audit & Supervisory Board Member									
		 Takehiko Kakiuchi Chairman of the Board	 Katsuya Nakanishi Representative Director, President and CEO	 Norikazu Tanaka Representative Director	 Yutaka Kashiwagi Representative Director	 Yuzo Nouchi Representative Director	 Tsuneyoshi Tatsuoka Independent Director* <sup>1</sup>		 Shunichi Miyanaga Independent Director* <sup>1</sup>	 Sakie Akiyama Independent Director* <sup>1</sup>	 Mari Sagiya Independent Director* <sup>1</sup>	 Mitsumasa Icho Full-time Audit & Supervisory Board Member	 Akira Murakoshi Full-time Audit & Supervisory Board Member	 Rieko Sato Independent Audit & Supervisory Board Member* <sup>2</sup>	 Takeshi Nakao Independent Audit & Supervisory Board Member* <sup>2</sup>	 Mari Kogiso Independent Audit & Supervisory Board Member* <sup>2</sup>	
Responsibilities/ Main career				Senior Executive Vice President, Energy Transformation	Executive Vice President, Corporate Functional Officer, IT, CAO, Chief Compliance Officer, Officer for Emergency Crisis Management Headquarters	Executive Vice President, Corporate Functional Officer, CFO	Former Vice Minister, Ministry of Economy, Trade and Industry		Chairman of the Board, Mitsubishi Heavy Industries, Ltd.	Founder, Saki Corporation	Former Senior Vice President, IBM Japan, Ltd.	Former Executive Vice President, Group CEO, Urban Development Group	Former Executive Vice President, Corporate Functional Officer, CDO, CAO, Corporate Communications, Corporate Sustainability & CSR	Partner, ISHII LAW OFFICE	CEO, PARTNERS HOLDINGS, Co. Ltd.	CEO, SDG Impact Japan Inc.	
Experience, knowledge, and expertise																	Total (persons)
Business management/Organizational management		●	●	●	●	●	●		●	●	●	●	●	●	●	●	14
Risk Management		●	●	●	● (Legal)	● (Finance/Accounting)	●		●	●	●	● (Finance/Accounting)	●	Attorney ● (Legal)	Certified public accountant ● (Finance/Accounting)	●	14
Innovation	Energy	●	●	●			●		●								5
	Digital	●	●							●	●						4
Global Intelligence		●	●	●					●								4
Human Resource Strategy		●	●		●					●		●				●	6
Environment and Society		●	●		●		●									●	5

Note: The table above does not represent all the experience, knowledge or expertise of the Director or Audit & Supervisory Board Members.  
The applicability of each skill area in the table above is judged based mainly on the individuals' experience in former positions, their current positions, and their formal qualifications.

Reasons for the Appointment as Independent Directors

Tsuneyoshi Tatsuoka

Number of years on Board of Directors: 5 years

B 13/14 G 5/5

Having worked at Japan's Ministry of Economy, Trade and Industry, Mr. Tatsuoka brings to MC's Board extensive know-how with respect to strategies in resources, energy, manufacturing, and other industries, as well as sustainability insight through his knowledge on environmental and energy policies.

Main career

1980 Joined the Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry [METI])  
2015 Retired from METI  
2018 Director, MC (present position)

Sakie Akiyama

Number of years on Board of Directors: 3 years

B 12/14 G 5/5

Backed by her far-reaching expertise in the digital and tech spaces, Ms. Akiyama has worked as an international business consultant and is the founder of Saki Corporation, a firm that specializes in robotic inspection systems for the electronics assembly markets. She brings to MC's board a wealth of know-how in digital technologies and IT, as well as innovation and its role in growing global enterprises.

Main career

1987 Joined Arthur Andersen & Co. (currently Accenture PLC) (resigned in April 1991)  
1994 Founder and CEO, Saki Corporation  
2018 Founder (advisor), Saki Corporation (present position)  
2020 Director, MC (present position)

B Attendance at Board of Directors meetings in FY2022  
G Attendance at Governance, Nomination and Compensation Committee meetings in FY2022  
A Attendance at Audit & Supervisory Board meetings in FY2022

Note: Indicating attendance after appointment as Director/Audit & Supervisory Board Member on June 24, 2022

Shunichi Miyanaga

Number of years on Board of Directors: 4 years

B 14/14 G 4/5

Mr. Miyanaga has spent many years at the helm of a listed manufacturing conglomerate that is engaged in business all over the world. In addition to his global management experience and practical insight, he brings to MC's Board extensive know-how in the tech sector, including a keen understanding of the latest trends in net-zero, clean technologies.

Main career

1972 Joined Mitsubishi Heavy Industries, Ltd. (MHI)  
2013 Director, President, MHI  
2014 Director, President and CEO, MHI  
2019 Chairman of the Board, MHI (present position), Director, MC (present position)

Mari Sagiya

Number of years on Board of Directors: 1 year

B 10/10\* G 4/4\*

Ms. Sagiya has served on the boards of several globally active tech companies and is highly experienced in corporate reforms. Her vast knowledge of DX, as well as HR strategies including diversity, promises to be of great benefit to MC's Board.

Main career

1985 Joined IBM Japan, Ltd.  
2005 Senior Vice President, IBM Japan, Ltd. (resigned in July 2014)  
2014 Executive Vice President, SAP Japan Co., Ltd. (resigned in December 2015)  
2016 Executive Vice President, Salesforce.com Co., Ltd. (currently Salesforce Japan Co., Ltd.) (resigned in August 2019)  
2022 Director, MC (present position)

Member of the Governance, Nomination and Compensation Committee  
Member of the International Advisory Committee

Reasons for Appointment as Independent Audit & Supervisory Board Members

Rieko Sato

Number of years on Audit & Supervisory Board: 3 years

B 14/14 A 12/12

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

Main career

1984 Admitted to the Bar of Japan  
1990 Shearman & Sterling LLP (resigned in July 1990)  
1998 Partner, ISHII LAW OFFICE (present position)  
2020 Audit & Supervisory Board Member, MC (present position)

Mari Kogiso

Number of years on Audit & Supervisory Board: 1 year

B 10/10\* A 9/9\*

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.

Main career

1990 Joined The Long-Term Credit Bank of Japan, Ltd.  
1998 Joined World Bank (resigned in 2010)  
2019 General Manager, CEO Office, FAST RETAILING CO., LTD. (resigned in December 2020)  
2021 Founder and CEO, SDG Impact Japan Inc. (present position)  
2022 Audit & Supervisory Board Member, MC (present position)

\*1 Indicates the fulfillment of the conditions for Outside Directors as provided for in Article 2, Item 15 of the Companies Act. Also indicates the fulfillment of the conditions for Independent Directors/Auditors as specified by Tokyo Stock Exchange, Inc. as well as Selection Criteria for Independent Directors specified by Mitsubishi Corporation.  
\*2 Indicates the fulfillment of the conditions for Outside Audit & Supervisory Board Member as provided for in Article 2, Item 16 of the Companies Act. Also indicates the fulfillment of the conditions for Independent Directors/Auditors as specified by Tokyo Stock Exchange, Inc. as well as Selection Criteria for Independent Audit & Supervisory Board Members specified by Mitsubishi Corporation.

Takeshi Nakao

Number of years on Audit & Supervisory Board: 3 years

B 14/14 A 12/12

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.

Main career

1989 Joined KPMG Minato Audit Corporation (currently KPMG AZSA LLC) (resigned in March 1996)  
1993 Admitted to Certified Public Accountant of Japan  
2006 CEO, PARTNERS HOLDINGS, Co. Ltd. (present position)  
2020 Audit & Supervisory Board Member, MC (present position)



Special Feature Deliberations at the Board of Directors for Realizing Effective Corporate Governance

The Board of Directors deliberates important management issues, and supervises business execution through reports on major items of Midterm Corporate Strategy 2024, each Business Group’s business strategy, etc. The results of the deliberations in FY2022 are as follows.

Themes	Main Discussion Themes	
Management Strategy and Sustainability-Related Items	<ul style="list-style-type: none"><li>Formulation of Midterm Corporate Strategy 2024 <b>FOCUS</b> ▶P113</li><li>Business Strategy Committee report</li><li>Management Strategy Meeting report</li><li>EX progress report <b>FOCUS</b> ▶P113</li></ul> <ul style="list-style-type: none"><li>Business Execution reports (non-financial and financial risk management, HR strategy, regional strategy, and sustainability-related measures [including regarding shareholder proposals])</li></ul>	
Governance- and Corporate-Related Items	<ul style="list-style-type: none"><li>Governance, Nomination and Compensation Committee report</li><li>International Advisory Committee report</li><li>Evaluation of the effectiveness of the Board of Directors <b>FOCUS</b> ▶P116</li><li>Remuneration for Directors and Audit &amp; Supervisory Board Members</li><li>Organizational structure</li><li>Rules and regulations</li><li>Financial statements</li></ul> <ul style="list-style-type: none"><li>Fund procurement policy</li><li>Verification of holding policy for listed shares <b>FOCUS</b> ▶P112</li><li>Ordinary General Meeting of Shareholders’ related items</li><li>Compliance report</li><li>Internal control systems</li><li>Company indemnification agreements</li><li>Items related to directors and officers (D&amp;O) liability insurance, etc.</li></ul>	
Investment and Finance Proposals	<ul style="list-style-type: none"><li>Donations for the establishment of incubation program with Kyoto University</li><li>HERE Technologies</li><li>EX funds</li><li>Sakhalin 2 project</li></ul> <ul style="list-style-type: none"><li>Onahama Petroleum Co., Ltd. Distribution Terminal</li><li>Chiyoda Corporation</li><li>N.V. Eneco offshore wind power generation business</li><li>Mitsubishi Auto Leasing Corporation, etc.</li></ul>	

FOCUS

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. Also, MC periodically reviews the rationality of continuing to hold the shares and promotes reducing holdings of stocks with decreased significance.

Reduction in holdings of listed stock

Based on the results of the above verification, in FY2022, MC sold approximately 39.6 billion yen of its shareholdings (including 13.8 billion yen in deemed holding shares), a decrease of approximately 10% from the previous fiscal year. As of March 31, 2023, the total market value was approximately 0.5 trillion yen (including deemed holding shares). Past reduction in holdings are shown below.

FY2020	FY2021	FY2022
¥91.5 billion	¥85.2 billion	¥39.6 billion

(Market value basis and including deemed holding shares)

Verification policy for holding individual shares

The Board of Directors verifies all of the listed 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 Average 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 for holding the stock, etc.

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, 2023 (market value was approximately 0.5 trillion yen).

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 factors such as a decreased importance of the expected purpose and significance for holding them.

MC’s Board of Directors from the Perspective of Independent Directors

In order to realize effective corporate governance, MC utilizes the practical, objective, and professional perspectives of Independent Directors and the neutral perspectives based on the extensive knowledge and experience of Independent Audit & Supervisory Board Members to deliberate at meetings of the Board of Directors and in other opportunities for discussion.

FOCUS

Monitoring of “Midterm Corporate Strategy 2024”

In May 2022, we formulated and announced “Midterm Corporate Strategy 2024.” Independent Directors and Independent Audit & Supervisory Board Members shared the opinion, which was gathered in advance through meetings of the Board and the Evaluation of the Effectiveness of the Board of Directors, that we should be firmly involved in the process of formulating the midterm strategy, in accordance with the Corporate Governance Code. This opinion was reflected in the formulation process. Specifically, we reviewed the previous midterm strategy, and Independent Directors and Audit & Supervisory Board Members voiced objective criticisms from an external viewpoint, including comments that may have been difficult to voice internally. In the process of formulating Midterm Corporate Strategy 2024, we had direct discussions with President Nakanishi on several occasions, and the opinions of Independent Directors and Independent Audit & Supervisory Board Members are reflected in it.

In this way, as involvement of Independent Directors and Independent Audit & Supervisory Board Members starts from the process of formulating the midterm strategy, I feel we are able to perform our monitoring function at a very high level of effectiveness by not just listening to reports and remarking on points that catch your attention, but considering the deliberations behind the strategy, the assumptions upon which it was created, and the progress toward implementing the strategy.

We also spend enough time outside of regular Board meetings talking with top executives and other members of management in offices. I feel like MC’s emphasis on building ties of trust is very much apparent on these occasions.

Sakie Akiyama  
Independent Director



FOCUS

EX Strategy Discussion

As part of our efforts toward a Carbon-Neutral Society, MC disclosed its GHG emissions-related indicators and data on avoided emissions in February 2023 (see page 53 for details). We engaged in extensive deliberations with the executive side of management about how and to what extent we should handle Scope 3 emissions and the topic of internal carbon pricing, as I felt it was a valuable step in the sense of understanding where MC stands on this.

In addition to these discussions, I would like to highlight two points in particular on the Board’s EX-related deliberations.

The first is to how to consider carbon neutrality as a *sogo shosha* (trading company), which in many ways is an entirely unique business entity. MC is developing a remarkable range of operations and creating diverse business models. Since it is involved in supplying energy, which is indispensable for human activities, I would like MC to have a presence that fulfills its role in providing solutions to Japan and the rest of the world by utilizing all of the various means at our disposal. And by extension, I believe it will also contribute to MC’s sustainability in global markets.

The second point is management during the transition period. Currently, MC has selected EX-related potential projects to a point

where we will not regret working on them, regardless of what changes there are in the external environment, and I think this is a reasonable approach. Moving forward, amid times of great uncertainty, the key question is to determine when the timing is right and what moves to make for advancing projects. The catalyst for sparking change in the business environment will be geopolitical risk, technological innovation (or some sudden, unforeseen development), and reforms of government regulations and regulatory systems. We need to be able to detect and understand these developments while also showing foresight. At the same time, we must look to stay a half step ahead of the curve in this respect. In FY2022, efforts have begun to develop a framework for acquiring, organizing, sharing, and utilizing internal intelligence. As a Board of Directors, we will closely monitor and support if the information produced under this framework leads to concrete actions in the area of our EX Strategy and if it functions as an approach for addressing societal challenges, that is, if it leads to the creation of MCSV, and will support it.

Tsuneyoshi Tatsuoka  
Independent Director





2 Board of Directors' Advisory Bodies

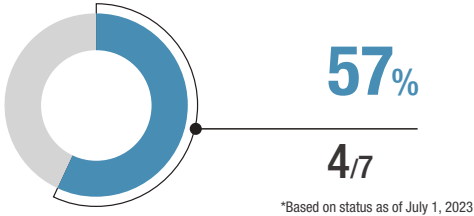
Governance, Nomination and Compensation Committee

The majority of the Committee's members are Independent Directors. It deliberates on matters related to governance, nomination, and compensation.

Composition of Committee (\*Committee Chairman) (As of July 1, 2023)

Independent members (4)		In-house members (3)	
Independent Director	Tsuneoyoshi Tatsuoka	Chairman of the Board	Takehiko Kakiuchi*
Independent Director	Shunichi Miyanaga	Director, President and CEO	Katsuya Nakanishi
Independent Director	Sakie Akiyama	Full-time Audit & Supervisory Board Member	Mitsumasa Icho
Independent Director	Mari Sagiya		

Number and Percentage of Independent Members\*



\*Based on status as of July 1, 2023

Main discussion themes

- The corporate governance system (roles, functions, and selection methods of the Directors and Audit & Supervisory Board Members, etc.)
- Evaluation of the effectiveness of the Board of Directors
- Successor requirements and basic policies concerning the appointment and dismissal of the President and Chief Executive Officer
- Review of the remuneration package including the policy for setting remuneration, appropriateness of remuneration levels and composition, and linkage to sustainability factors

President's Performance Evaluation Committee

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

Special Feature

Efforts to Improve the Effectiveness of the Governance, Nomination and Compensation Committee

Since the establishment of the Governance Committee in 2001, MC has deepened the structure and content of deliberations of the committee in response to changes in the internal and external environments. Since 2015, the Governance, Nomination and Compensation Committee, has the structure where the three issues, that is governance, nomination, and compensation, are discussed together to enhance the effectiveness of management supervision.

The majority of the committee members in charge of deliberation are Independent Members with various expertise and experience, thereby ensuring objectivity and transparency. The Chairman of the Board chairs the committee and leads deliberations in an impartial manner, taking into account the realities of the executive side, allowing for a more thorough deliberation.

In recent years, each of the governance, nomination, and compensation issues has been deliberated more carefully, with time allocated for deliberation extended. The content of the deliberations includes, in terms of governance, various issues

such as confirmation of the roles and functions of the Board of Directors and Directors (in-house and independent), and the Selection Criteria. In terms of nomination, requirements for the President are deliberated on an ongoing basis to realize a careful selection process for the position. With respect to compensation, appropriate remuneration packages for Directors and Audit & Supervisory Board Members are deliberated on an ongoing basis. Most recently, in June 2023, following deliberations by the committee, new sustainability factors were added as performance-linked indicators to the KPIs used to calculate performance-linked bonus (medium to long term). A newly established evaluation subcommittee of the Governance, Nomination and Compensation Committee comprehensively evaluates initiatives related to maximizing the Value of Human Capital and Contributing to Decarbonized Societies. The members of the subcommittee are the Chairman of the Board and Independent Directors, to whom this form of remuneration does not apply, and the committee is chaired by an Independent Director.



International Advisory Committee

Comprises overseas experts from various backgrounds, including industry, government, and academia, and provides recommendations and advice from an international perspective through exchange of opinions and discussions on the external environment with a focus on world affairs.

International Advisory Committee (6) (As of July 1, 2023)

	Member	Nationality	Title	Principal area of specialization and background
	Mr. Jaime Augusto Zobel de Ayala II	The Philippines	Chairman, Ayala Corporation	Mr. Zobel has experience in growing a global business launched from the ASEAN region, and therefore has thorough knowledge of various geopolitical and industry trends in Asia, particularly in the ASEAN region.
	Professor Joseph S. Nye	United States of America	Harvard University, Distinguished Service Professor	Professor Nye is a globally renowned scholar in the field of geopolitics. He has held important positions in multiple presidential administrations, including Chairman of the National Intelligence Council of the United States. He is well known for proposing and establishing "Soft Power" as the foundation of a stable world order.
	Mr. Niall FitzGerald, KBE	Ireland	Former CEO and Chairman, Unilever plc	Mr. FitzGerald, KBE has served as Chairman of several major companies such as Unilever plc, as well as the British Museum. He has outstanding knowledge and expertise at the intersection of both industry and geopolitics in both emerging and developed countries.
	Mr. Natarajan Chandrasekaran	India	Chairman, Tata Sons. Pvt. Ltd.	Mr. Chandrasekaran brings immense knowledge of myriad industries around the world in addition to his many years of management experience within the Tata Group, India's largest conglomerate.
	Sir Rod Eddington	Australia	Former CEO, British Airways	As CEO, Sir Rod Eddington successfully steered Cathay Pacific Airways Limited and British Airways through reformative and challenging periods. He has a wealth of experience in this and other infrastructure industries, having led major shift projects.
	Ambassador Bilahari Kausikan	Singapore	Former Permanent Secretary, Ministry of Foreign Affairs Singapore	Ambassador Kausikan has a wealth of diplomatic experience, having held senior positions such as Ambassador to the Russian Federation, Permanent Representative to the United Nations, Ambassador-at-Large etc., for geopolitically sensitive Singapore.

Japanese Members (4) (\*Committee Chairman) (As of July 1, 2023)

Takehiko Kakiuchi* Chairman of the Board	Katsuya Nakanishi Director, President and CEO	Norikazu Tanaka Director, Senior Executive Vice President	Tsuneoyoshi Tatsuoka Independent Director
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Main discussion themes

- U.S.-China intensified competition/decoupling crisis: Future of the Chinese economy
- Conflict in Europe: Russia-Ukraine situation and its impact on decarbonization
- Emerging economies: Weathering a global downturn and the impact of ideology and demography



FOCUS

Evaluation of the Effectiveness of the Board of Directors

Since 2015, MC has evaluated the effectiveness of the Board of Directors every year. Since FY2018, MC has carried out a self-evaluation led by Independent Directors and Independent Audit & Supervisory Board Members. The results of the evaluation for FY2022 and policy going forward are as follows.

Evaluation Approach	<p>In FY2022, to verify the appropriateness of the evaluation process and further enhance its usefulness, MC arranged for an outside consultant to review the methods and processes of the evaluations for FY2019 through FY2021.</p> <p>The review confirmed that the self-evaluation process led by Independent Directors and Independent Audit &amp; Supervisory Board Members was effective. As a result of the review, the questionnaires and interviews were improved to focus more on reflection on the roles and functions of Directors and Audit &amp; Supervisory Board Members, the degree to which these roles were accomplished, and the quality and quantity of their deliberations.</p>
Evaluation Process	<p><b>STEP 1</b> The Governance, Nomination and Compensation Committee discussed the evaluation's implementation methods and processes.</p> <p><b>STEP 2</b> Independent Director Sakie Akiyama and Independent Audit &amp; Supervisory Board Member Rieko Sato led the evaluation, formulating survey questions, surveying all Directors and Audit &amp; Supervisory Board Members, and analyzing and evaluating the responses. In addition, the opinions from the Business Group CEOs, which are opinions from outside the Board of Directors and Audit &amp; Supervisory Board Members, were also surveyed to make a multifaceted analysis possible and to ensure objectivity and independence.</p> <p><b>STEP 3</b> The results were analyzed and evaluated in the meetings of Independent Directors and Independent Audit &amp; Supervisory Board Members as well as the Governance, Nomination and Compensation Committee, then deliberated by the Board of Directors.</p>
Questionnaire	<p>The questionnaire covered the size, composition, and agenda items of the Board of Directors; the roles and functions of the Directors and Audit &amp; Supervisory Board Members (including the quality of their contributions); the operations and practical tasks of the Board of Directors; the composition and operation of the Governance, Nomination and Compensation Committee; the operation of meetings of Independent Directors and Independent Audit &amp; Supervisory Board Members; and measures and operations of dialogues with Executive Officers.</p>
Evaluation Results and Policy Going Forward	<p>The evaluation, carried out through the abovementioned processes, confirmed that the effectiveness of the Board of Directors remained adequately secure through sufficient information disclosure and open communication based on relationships of trust under the Company's new administration following the change of Chairman of the Board and President and CEO. The results of the evaluation and policy going forward are as follows.</p>

	FY2022 Consideration and Policy	Major Initiatives in FY2022	FY2022 Consideration and Policy	FY2023 Policy
Role, Functions, Size, and Composition of the Board of Directors	<ul style="list-style-type: none"><li>The functions, size, and composition of the Board of Directors, beyond succession planning and the successor selection process, shall be continuously deliberated leveraging the Governance, Nomination and Compensation Committee with the aim of ongoing corporate value enhancement.</li></ul>	<ul style="list-style-type: none"><li>Reconfirmed the roles and functions of the Board of Directors, Directors, and Audit &amp; Supervisory Board Members.</li><li>A self-evaluation, in light of the functions of Directors and Audit &amp; Supervisory Board Members, was conducted through the process of evaluating the effectiveness of the Board of Directors.</li></ul>	<ul style="list-style-type: none"><li>The evaluation praised the Board's active discussions and deliberations based on diverse perspectives, including those of the Independent Directors and Independent Audit &amp; Supervisory Board Members.</li><li>The evaluation confirmed the importance of continuing to provide sufficient information to the Independent Directors and Independent Audit &amp; Supervisory Board Members and of the use of such information by the Independent members to deepen their understanding of business activities and contribute to deliberations to enhance discussions at the Board of Directors.</li></ul>	<p>Continue to consider the optimal governance system and the ideal roles and functions of the Board of Directors, Directors themselves, and Audit &amp; Supervisory Board Members in light of changes in the internal and external environment.</p>
Agenda Items	<p>Midterm Corporate Strategy 2024</p> <ul style="list-style-type: none"><li>Continuously exchanging views from the planning stage of Midterm Corporate Strategy 2024 onward and monitoring major items at the Board of Directors.</li></ul> <ul style="list-style-type: none"><li>Supplementing Board of Directors discussions with other opportunities for discussion to enhance dialogue and exchange views on major Company policy, such as corporate strategy.</li></ul>	<ul style="list-style-type: none"><li>The President and CEO, Independent Directors, and Independent Audit &amp; Supervisory Board Members actively discussed Midterm Corporate Strategy 2024, leading to its final formulation and publication.</li><li>The Board of Directors carefully monitored major items of Midterm Corporate Strategy 2024.</li><li>Further increased dialogues with Executive Officers, expanding opportunities for discussion of broad Company direction, such as corporate strategy.</li></ul>	<ul style="list-style-type: none"><li>Both management and supervision sides highly praised in the evaluation for the close exchange of views with the Independent Directors and Independent Audit &amp; Supervisory Board Members from the planning stage of Midterm Corporate Strategy 2024 onward.</li><li>The first year of Midterm Corporate Strategy 2024 was appropriately monitored.</li><li>The evaluation confirmed the need to continue ongoing monitoring of Midterm Corporate Strategy 2024, as underlying assumptions vary in light of major changes in the external environment.</li><li>The evaluation found that the effective interplay between the content of discussions at the Board of Directors and elsewhere led to a wealth of opportunities for discussion and information provision.</li></ul>	<ul style="list-style-type: none"><li>Continue to monitor progress of the major items of Midterm Corporate Strategy 2024, centered on the creation of MC Shared Value through reporting to the Board of Directors.</li><li>Carefully monitor the progress of growth strategies, including the progress of investment plans, while grasping changes of its initial assumptions.</li><li>Continue to effectively utilize opportunities both inside and outside Board of Directors meetings to discuss broad Company direction. Management continues to provide various information to facilitate such discussions.</li></ul>

Comments from Independent Members of the Board and Officers Responsible for Evaluating Board Effectiveness



Sakie Akiyama  
Independent Director

Having evaluated a wide range of agenda items, from the review of FY2022 to the consideration of medium- to long-term issues, it is confirmed that the effectiveness of the Board of Directors remained secure. I believe that the many opportunities for dialogue with the executive side, which are provided on multiple levels throughout the year, serve as the foundation for ensuring Board effectiveness. MC has an environment in which we can gain a three-dimensional awareness of the realities of management through dialogue and conducting open discussions based on mutual understanding between the executive and monitoring sides of management. As this was the first evaluation since the change in President and CEO, I would like to strive for even further governance improvements under this environment.

In FY2022, the Board of Directors was under the Company's new administration following the change of Chairman of the Board and President and CEO. Nevertheless, it is confirmed that Board effectiveness remained properly secured. I believe that only through providing information and enhancing two-way communication would the Board of Directors be able to fulfill its role and expectations. In MC, I am seeing more opportunities than ever for information provision, dialogue with executives, and various forms of communication. As a result, I feel that an appropriate relationship of trust has been fostered as well as a healthy level of tension with the executive side. I will continue to work on improving governance based on this relationship.



Rieko Sato  
Independent Audit & Supervisory Board Member

Dialogues with and Site Visits to Business Subsidiaries and Affiliates

For further understanding of MC's wide-ranging businesses, every year the Independent Directors and Independent Audit & Supervisory Board Members visit business sites of subsidiaries and affiliates and hold dialogues with their management and executives. In FY2022, overseas site visits were resumed after a three-year suspension. In October 2022, Independent Members of the Board visited Australia to observe a currently operating metallurgical coal mine owned by BMA and a silica sand mine owned by Cape Flattery Silica Mines, among other sites. Through dialogue with top management of those companies, the visitors learned more about the status of operational digitalization, environmental considerations, and initiatives aimed at harmony with local communities. In November 2022, they visited automotive-related business sites in Thailand and Indonesia. In addition to observing the status of efforts to promote DX in the value chain by leveraging the customer base built up through sales activities over the years, they discussed the future of the automotive business with local top management.



BMA Metallurgical Coal Mining Site  
(October 2022)



Tri Petch Isuzu Sales Co., Ltd (Thailand)  
(November 2022)

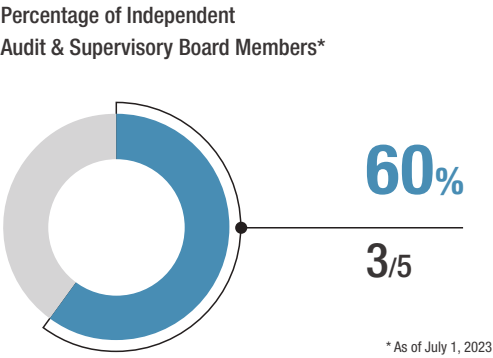
FY2022 Visits

October 2022	Metallurgical coal mines and silica mines in Australia
November 2022	Dialogue with management executives of Automotive-related business companies in Thailand and Indonesia
March 2023	Shonan Health Innovation Park (Shonan iPark)



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 of Directors in compliance with the Companies Act and other laws and regulations as well as MC's Articles of Incorporation and internal rules and regulations. Full-time Audit & Supervisory Board Members and Independent 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 having neutral and objective perspectives, 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 of key areas.  
In FY2022, the following three key audit areas were selected for the monitoring of specific progress in management and execution.

1

Following-Up Midterm Corporate Strategy 2024

- Progress of major items in Midterm Corporate Strategy 2024

2

Enhancing MC Group Management

- Establishment of self-sustaining governance at MC Group companies
- Risk management and compliance framework on a consolidated basis

3

Initiatives to Strengthen Corporate Governance

- Further enhancement of deliberations at Board of Directors
- Ensuring the effectiveness of remote audits/internal controls

Toward Sustainable Growth on a Consolidated Basis

In FY2022, the first year of Midterm Corporate Strategy 2024, one of the key audit areas was to follow up on Midterm Corporate Strategy 2024 to confirm the initiatives for Creating MC Shared Value, such as progress on the growth strategies (EX, DX, and Creating a New Future) and the reallocation of managerial resources by accelerating the Value-Added Cyclical Growth Model. Having taken into consideration the ongoing impact of the COVID-19 pandemic and the easing of travel restrictions, we conducted face-to-face dialogues, onsite audits and observations, including overseas, to actively gather information and assess conditions in a rapidly changing business environment.

We will continue to strengthen collaboration with Independent Auditors and the Internal Audit Department to enhance corporate governance, as well as closely monitor its sustainable growth under appropriate risk management on a consolidated basis.

Mitsumasa Icho  
Full-time Audit & Supervisory Board Member

Akira Murakoshi  
Full-time Audit & Supervisory Board Member

Main Activities of 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 dialogues with the Chairman of the Board, President and CEO, Corporate Functional Officers, Business Group Heads/CEOs, Business Division COOs, General Managers of Administrative Departments, General Manager of Internal Audit Department, General Manager of the Corporate Strategy & Planning Department, and General Managers of the Corporate Staff Section.

Number of dialogues with CEOs and other Executive Officers\*1

67

2 Attendance at Important Meetings

Besides the Audit & Supervisory Board, Full-time Audit & Supervisory Board Members attend meetings of major internal management bodies—including the Board of Directors; Governance, Nomination and Compensation Committee; Executive Committee; and Business Strategy Committee—and provide opinions as necessary. Besides the Audit & Supervisory Board, the Independent Audit & Supervisory Board Members attend meetings of the Board of Directors after being briefed on discussions in the Executive Committee and lower conference bodies, and provide opinions as necessary.

Number of important meetings attended\*1

132

3 Onsite Audits and Observations

In light of the relaxation of restrictions on overseas travel, the Audit & Supervisory Board resumed overseas onsite audits and observations, which they worked to enhance while striving to prevent the spread of COVID-19. In FY2022, the Audit & Supervisory Board Members met with the CEOs and Executive Officers of 24 MC Group companies in seven locations overseas and 19 domestic MC Group companies, as well as the regional chiefs of 10 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 relevant executive officers.

Number of onsite audits and observations\*1

53 companies/locations

Seven locations overseas/24 companies  
19 domestic companies  
Regional chiefs of 10 offices

4 Reinforcement of Group Corporate Governance

In addition to dialogues with the CEOs and other Executive Officers of the MC Group companies, opportunities are arranged for the exchange of information every quarter with the Audit & Supervisory Board Members of 37 major Group companies in Japan, and Audit & Supervisory Board Members of the MC Group companies also convene subcommittees to provide opportunities to share information and exchange opinions. MC also provides assistance in training for those who will be assigned to the MC Group companies as Full-time Audit & Supervisory Board Members. We will continue working to strengthen the Group corporate governance through regular monitoring.

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, in FY2022, continuing initiatives implemented in FY2021, we further enhanced the reviews of the activities of the Audit & Supervisory Board. Specifically, as in previous years, the Audit & Supervisory Board held mid-year and year-end reviews of audit progress, focusing mainly on key audit areas. In addition, the Audit & Supervisory Board carried out an evaluation of its effectiveness, mainly through a survey of its members and hearings about the survey results. The Audit & Supervisory Board discussed the findings of this evaluation in order to review its auditing methods and reflect the results in the audit plan for the coming fiscal year. The evaluation found that the audits performed by the Audit & Supervisory Board functioned adequately, that ongoing efforts are being made to enhance the Audit & Supervisory Board's effectiveness, and that it will continue to bolster its effectiveness going forward by working to enhance operations in such areas as efficiently setting up dialogues.

Onsite audit of MC Data Plus, Inc.

Onsite audit of Mitsubishi Company (Thailand) Ltd. / Thai-MC Company Limited

\*1 Number for FY2022

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 their outline 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 during 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 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 45 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 MC's 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 Remuneration Package

Basic Approach

Remuneration levels	<div>• Remuneration levels are set based on the functions and roles of Directors and Audit &amp; Supervisory Board Members and the Company's level of performance, etc.</div> <div>• 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.</div>
Remuneration composition	<div>• Remuneration for Directors is designed for greater 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, profit (single year and medium to long term), sustainability factors (medium to long term), and the share price, and share growth rates (medium to long term) are adopted as key performance indicators.</div> <div>• To ensure the independence of the Chairman of the Board and Independent Directors, who undertake functions of management oversight, and Audit &amp; Supervisory Board Members, who undertake audits, the Company only pays them fixed monthly remuneration.</div>
Governance of remuneration	<div>• The Governance, Nomination and Compensation Committee, where a majority of the members are Independent Directors and Independent Audit &amp; Supervisory Board Members, continuously deliberates and monitors methods for deciding remuneration packages, the fairness of remuneration levels and compositions (including components of remuneration subject to clawback policy), and the status of implementation.</div>

Remuneration Package for Directors and Audit & Supervisory Board Members

Remuneration Type/ Portion of Total	Payment Form	KPI		Performance Period	Remuneration Details	Limit			
						Executive Directors	Chairman of the Board	Outside Directors	Audit & Supervisory Board Members
Base salary	Fixed; About 20-50%			Year 1	<div>• An amount determined by the Board of Directors according to position, paid monthly.</div>	①			⑤
Annual deferral for retirement remuneration					<div>• Fixed amount of annual deferral for retirement remuneration set aside each year; to be paid in full retirement, with Board of Directors' approval of payment amounts.</div> <div>• By resolution of the Board of Directors, non-payment or reduction of the amount is possible in the event of a serious violation of a delegation agreement, etc.</div>				
Individual performance-linked remuneration*	Variable (single year); About 25-30%	Individual performance (single year)			<div>• Payment amount determined for each Director and Executive Officer based on assessments of performance in both financial and non-financial terms by the President, with the authority delegated by the Board of Directors.</div> <div>• The assessment on the President's performance is determined by the President's Performance Evaluation Committee.</div> <div>• Performance assessment results are reported to the Board of Directors and Governance, Nomination and Compensation Committee.</div>				
Performance-linked bonus (short term)*	Cash	Profit for the year (single year)		Year 1	<div>• The amount paid is determined in line with profit for the relevant fiscal year based on formula resolved by the Board of Directors following deliberation by the Governance, Nomination and Compensation Committee.</div> <div>• No bonus is paid if profit for the year is below the profit threshold resolved ahead of time by the Board of Directors based on consolidated capital cost.</div>	②			
Performance-linked bonus (medium to long term)*	Variable (medium to long term); About 25-50%	Profit for the year (medium to long term)		Year 1 Year 2 Year 3	<div>• The amount paid is determined in line with the average profit for the relevant three fiscal years based on formula resolved by the Board of Directors following deliberation by the Governance, Nomination and Compensation Committee.</div> <div>• No bonus is paid if the average for the relevant three fiscal years is below the average profit threshold resolved ahead of time by the Board of Directors based on consolidated capital cost.</div> <div>• In addition, the amount varies in accordance with the results of evaluations of initiatives related to optimizing the Value of Human Capital and Contributing to Decarbonized Societies. These evaluations are carried out by the Governance, Nomination and Compensation Committee, which comprehensively examines initiatives over the relevant three fiscal years while also considering longer-term impact in both quantitative and qualitative terms. The evaluation results are reported to the Board of Directors and disclosed to the public.</div>	③			
		Sustainability factors (medium to long term)	Optimizing the value of human capital Contributing to Decarbonized Societies						
Stock-based remuneration linked to medium- to long-term share performances	Shares (stock options)	Share price/ Growth rate in shares (medium to long term)		Year 1 Year 2 Year 3	<div>• The Board of Directors determines the number of shares allocated to each person.</div> <div>• No allocated stock options can be exercised for a three-year performance period. Based on a remuneration formula decided by the Board of Directors following deliberation by the Governance, Nomination and Compensation Committee, the number of stock options that can be exercised at the end of this period varies between 40% and 100% according to the share growth rate [calculated as Total Shareholder Return (TSR) divided by the TOPIX benchmark growth rate over the same period].</div> <div>• The basic policy is that Directors are obliged to hold any shares while in office. Sales of such shares are restricted until their aggregate market value exceeds approximately 300% of the base salary of each position.</div>	④			

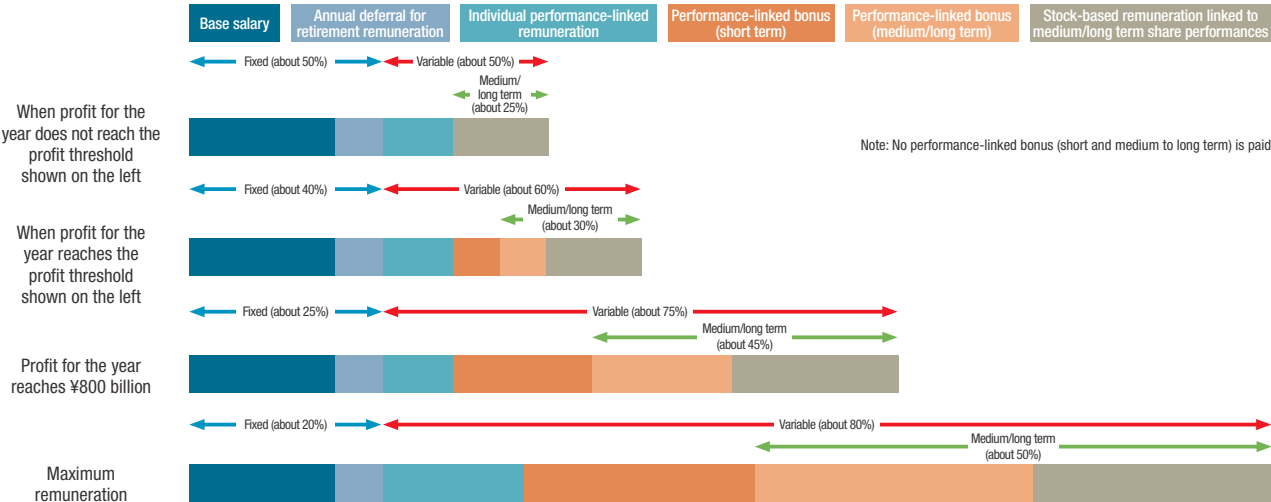
Note 1: 1 to 5 in the table indicate the number of limits on remuneration that correspond to each remuneration item. See the next page for details.  
Note 2: Remuneration items with an asterisk are subject to the clawback policy. See page 123 for details.

(Figures rounded down to nearest million yen)

	Item Type	Item Details	Total Remuneration* <sup>2</sup> (FY2022)
①	Director remuneration* <sup>1</sup>	Base salary, annual deferral for retirement remuneration, and individual performance bonus totaling up to ¥1.5 billion annually (for Independent Directors, base salary totaling up to ¥180 million)	¥986 million (of which, ¥150 million for Independent Directors)
②		Performance-linked bonus (short term) up to 0.06% of profit (attributable to owners of the Parent) for the relevant fiscal year (annual amount)	¥385 million
③		Performance-linked bonus (medium to long term) up to 0.06% of the average of profit (attributable to owners of the parent) for the relevant fiscal year and subsequent two fiscal years (annual amount)	¥385 million
④		Stock-based remuneration linked to medium- to long-term share performances up to ¥600 million annually (up to 400,000 shares annually)	¥199 million (100,250 shares)
⑤	Audit & Supervisory Board Member remuneration* <sup>1</sup>	Base salary for Audit & Supervisory Board Members totaling up to ¥250 million annually	¥237 million (of which, ¥63 million for Independent Audit & Supervisory Board Members)
Total			¥2,192 billion

\*1 Approved at the 2019 Ordinary General Meeting of Shareholders held on June 21, 2019. The number of directors to whom the above amounts of director remuneration (excluding stock-based remuneration linked to medium- to long-term share performance) applied was 13 (including five Independent Directors); the number of directors to whom the above amount of stock-based remuneration linked to medium- to long-term share performance applied was seven; and the number of Audit & Supervisory Board Members to whom the above amount of Audit & Supervisory Board Member remuneration applied was five (including three Independent members).  
\*2 Please see the bottom of the page for details on remuneration of Directors and Audit & Supervisory Board Members.

Remuneration Payment Mix (Conceptual Image)



The above diagram shows a remuneration mix calculated based on certain values for consolidated earnings and the share price for illustrative purposes only. The actual mix will vary depending on changes in the Company's consolidated performance, stock market conditions, and other factors.

Total Amounts of Remuneration for Directors and Audit & Supervisory Board Members and Number of Eligible People in FY2022

(Millions of yen)

Title	Total Remuneration	Base salary		Annual deferral for retirement remuneration		Individual performance bonus		Performance-linked bonus (short term)		Performance-linked bonus (medium to long term)		Stock-based remuneration linked to medium- to long-term share performances	
		Eligible Persons	Total	Eligible Persons	Total	Eligible Persons	Total	Eligible Persons	Total	Eligible Persons	Total	Eligible Persons	Total
In-house Directors	1,805	9	554	5	61	5	220	5	385	5	385	5	199
Independent Directors	150	6	150	—	—	—	—	—	—	—	—	—	—

Title	Total Remuneration	Base salary		Annual deferral for retirement remuneration		Individual performance bonus		Performance-linked bonus (short term)		Performance-linked bonus (medium to long term)		Stock-based remuneration linked to medium- to long-term share performances	
		Eligible Persons	Total	Eligible Persons	Total	Eligible Persons	Total	Eligible Persons	Total	Eligible Persons	Total	Eligible Persons	Total
Full-time Audit & Supervisory Board Members	174	3	174	—	—	—	—	—	—	—	—	—	—
Independent Audit & Supervisory Board Members	63	4	63	—	—	—	—	—	—	—	—	—	—

(Figures less than one million yen are rounded down.)  
Notes:  
1. The above figures include four Directors and one Audit & Supervisory Board Member who retired, and one Audit & Supervisory Board Member who resigned during FY2022. Furthermore, there were 11 Directors (including five Independent Directors) and five Audit & Supervisory Board Members (including three Independent Audit & Supervisory Board Members) as of March 31, 2023.  
2. The above figures of individual performance bonus represent the amounts recorded as provisions granted for FY2022.  
3. The above figures for performance-linked bonus (short term) are determined based on profit for the year of 1,180.7 billion yen for FY2022 based on a formula confirmed in advance by the Governance, Nomination and Compensation Committee and resolved by the Board of Directors.  
4. The above amounts for performance-linked bonus (medium to long term) are paid on an average of the profit for the year over FY2022 to FY2024, but as this cannot be decided currently, the amount shown is provisions for such bonuses as of FY2022. The actual amount paid for FY2022 will be based on a formula confirmed in advance by the Governance, Nomination and Compensation Committee and resolved by the Board of Directors, and the amount for FY2022 will be disclosed in the Fiscal 2024 Business Report. The actual amount paid for FY2020 was based on a formula confirmed in advance by the Governance, Nomination and Compensation Committee and resolved by the Board of Directors. The amount was paid on the average of 763.6 billion yen in

profit for FY2020 to FY2022, totaling 254 million yen for five Directors in FY2020. The actual amount paid for FY2021 will be paid on an average of the profit for the year over FY2021 to FY2023 but as this cannot be decided currently, a total of 385 million yen for five Directors in FY2021 was recorded as provisions in FY2022 but was not included in the table. The actual amount paid for FY2021 will be disclosed in the Fiscal 2023 Business Report.  
5. The above figures for stock-based remuneration linked to medium- to long-term share performance (stock-linked compensation plan with market conditions) is the amount recorded as an expense granted for FY2022. In regard to stock-based remuneration linked to medium- to long-term share performance, the number of exercisable shares will be determined according to the growth rate in MC's shares over three years from being granted, based on a formula confirmed in advance by the Governance, Nomination and Compensation Committee and resolved by the Board of Directors.  
6. In addition to the above, MC paid executive pensions to retired Directors and Audit & Supervisory Board Members. The amounts paid in FY2022 were as follows:  
The retirement bonus system, including executive pensions for Directors and Audit & Supervisory Board Members, was abolished at the close of the Ordinary General Meeting of Shareholders held on June 26, 2007. MC paid 80 million yen to 49 Directors (Independent Directors were ineligible for payment). MC paid 3 million yen to four Audit & Supervisory Board Members (Independent Audit & Supervisory Board Members were ineligible for payment).



Calculation Method for Performance-Linked Remuneration (FY2023)

Performance-linked bonus (short term)

1) Upper limit on total payment

The upper limit is the lower of i) ¥648 million or ii) the maximum total of individual payment amounts prescribed in (2) below

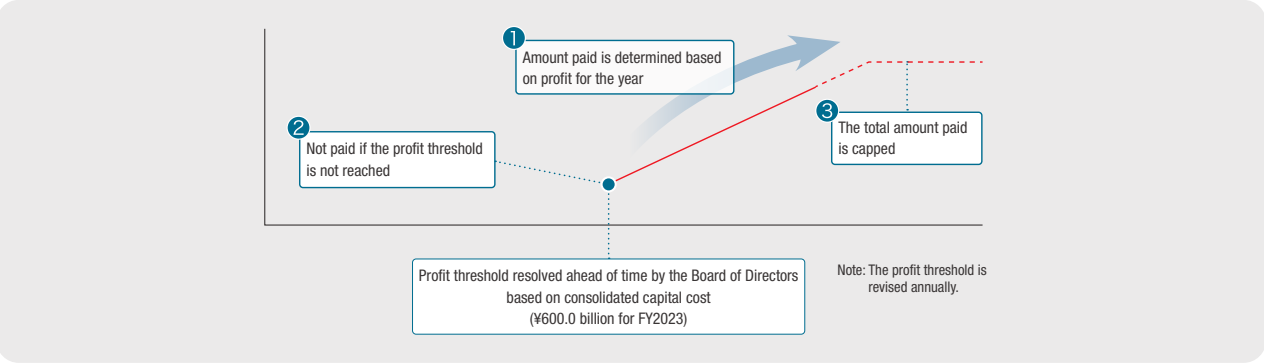
2) Individual payments

President and CEO	(Consolidated net income [attributable to owners of MC] in FY2023 - ¥520 billion) x 0.025% + 0.35 (¥100 million)
Senior Executive Vice President	(Consolidated net income [attributable to owners of MC] in FY2023 - ¥520 billion) x 0.01% + 0.14 (100 million)
Executive Vice President	(Consolidated net income [attributable to owners of MC] in FY2023 - ¥520 billion) x 0.0075% + 0.105 (100 million)

Maximum Payment and Total for Each Position

Position	Maximum payment amount	Number of persons	Total
President and CEO	¥175 million	1	¥175 million
Senior Executive Vice President	¥70 million	1	¥70 million
Executive Vice President	¥52.5 million	2	¥105 million
Total		4	¥350 million

Note: If below the profit threshold resolved ahead of time by the Board of Directors based on consolidated capital cost, the payment amount is zero. For FY2023, the threshold was 600.0 billion yen.



Performance-linked bonus (medium to long term)

1) Upper limit on total payment

The upper limit is the lower of i) 648 million yen or ii) the maximum total of individual payment amounts prescribed in (2) below

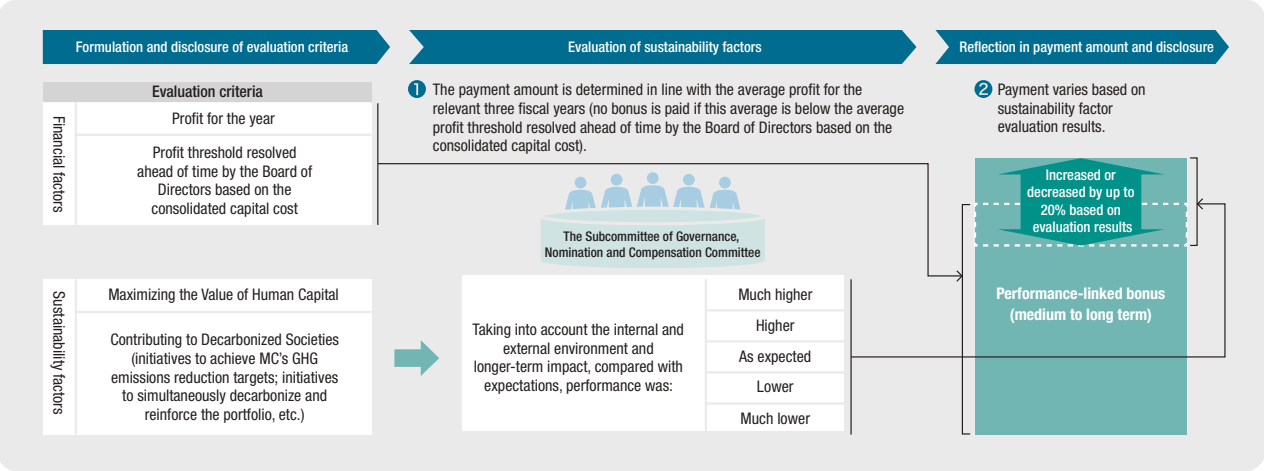
2) Individual payments

President and CEO	$\left( \begin{array}{l} \text{(Average profit for the relevant three fiscal years from consolidated net income} \\ \text{[attributable to owners of MC] in FY2023 to FY2025 - ¥520 billion)} \times 0.025 + 0.35 \end{array} \right) \times$ sustainability factor initiative evaluation results (80~120%) (100 million)
Senior Executive Vice President	$\left( \begin{array}{l} \text{(Average profit for the relevant three fiscal years from consolidated net income} \\ \text{[attributable to owners of MC] in FY2023 to FY2025 - ¥520 billion)} \times 0.01 + 0.14 \end{array} \right) \times$ sustainability factor initiative evaluation results (80~120%) (100 million)
Executive Vice President	$\left( \begin{array}{l} \text{(Average profit for the relevant three fiscal years from consolidated net income} \\ \text{[attributable to owners of MC] in FY2023 to FY2025 - ¥520 billion)} \times 0.0075 + 0.105 \end{array} \right) \times$ sustainability factor initiative evaluation results (80~120%) (100 million)

Maximum Payment and Total for Each Position

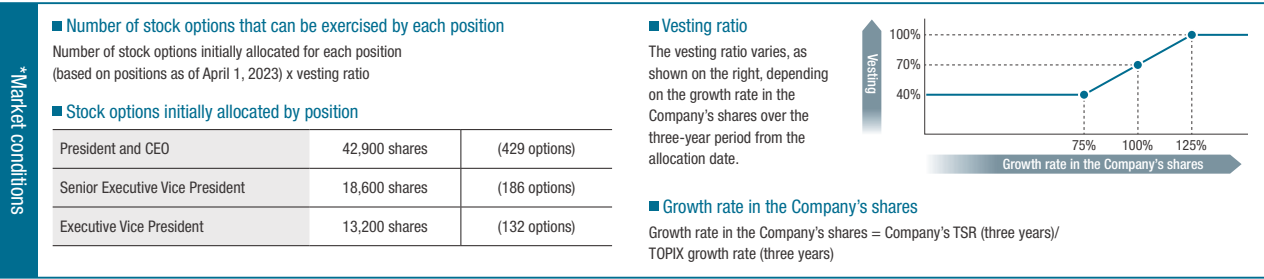
Position	Maximum payment amount	Number of persons	Total
President and CEO	¥210 million	1	¥210 million
Senior Executive Vice President	¥84 million	1	¥84 million
Executive Vice President	¥63 million	2	¥126 million
Total		4	¥420 million

Note: If below the average profit threshold for the three fiscal years, the payment amount is zero.



Stock-Based Remuneration Linked to Medium- to Long-Term Performance

- (1) Upper limit on total payment
- The upper limit is ¥600 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\*)



Governance of Remuneration

In deciding the policy for the remuneration package and the total remuneration amount (actual payment amount), the Governance, Nomination and Compensation Committee deliberates the matter, and then the Board of Directors goes through the process of making a decision.

The total remuneration amount (actual payment amount) and individual payment amounts for Directors, excluding individual performance-linked remuneration, are determined by a resolution of the Board of Directors within the upper limits for each type of remuneration decided by resolution at the 2019 Ordinary General Meeting of Shareholders held on June 21, 2019. Base salary and annual deferral 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 performance are determined, while reflecting KPIs, based on a formula set by the Board of Directors following deliberation by the Governance, Nomination and Compensation Committee.

MC has adopted a clawback policy\*, applicable to the individual performance-linked remuneration, performance-linked bonuses (short term), and performance-linked bonuses (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.

\* In the event that an executive officer causes any loss or damage to the Company from willful misconduct or negligence, a serious violation of a delegation agreement, or a serious accounting error/ex-post revision of a financial report due to misconduct resolved by the Board of Directors, non-payment or reduction of the amount/reclaiming of the paid amount is possible by resolution of the Board of Directors.

The payment amounts of individual performance-linked remuneration paid to Directors based on their individual performance assessment, including qualitative assessment, are determined and paid on an individual basis, reflecting the President's yearly assessment of performance in both financial and non-financial terms of each Director for the relevant fiscal year (the Board of Directors delegates authority to the President for deciding the individual payment amounts). Performance evaluations of Executive Directors comprehensively take into account their contributions to the organizations and businesses

they oversee; their contributions to management of the entire Company, Corporate Staff Section, Business Groups, and offices; and the state of initiatives related to value creation that leads to sustainability.

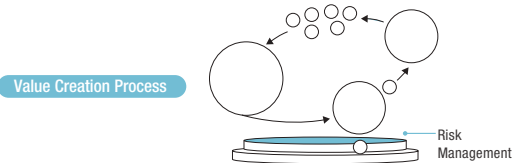
The annual assessment on the President's performance is decided by the President's Performance Evaluation Committee, which is delegated this authority by the Board of Directors (and is a subcommittee of the Governance, Nomination and Compensation Committee). The subcommittee is comprised of the Chairman of the Board, who also serves as the chair of the Governance, Nomination and 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 and Compensation Committee to ensure objectivity, fairness, and transparency.

Based on the policy for determining remuneration packages (including methods for calculating performance-linked bonuses) 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 and 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.

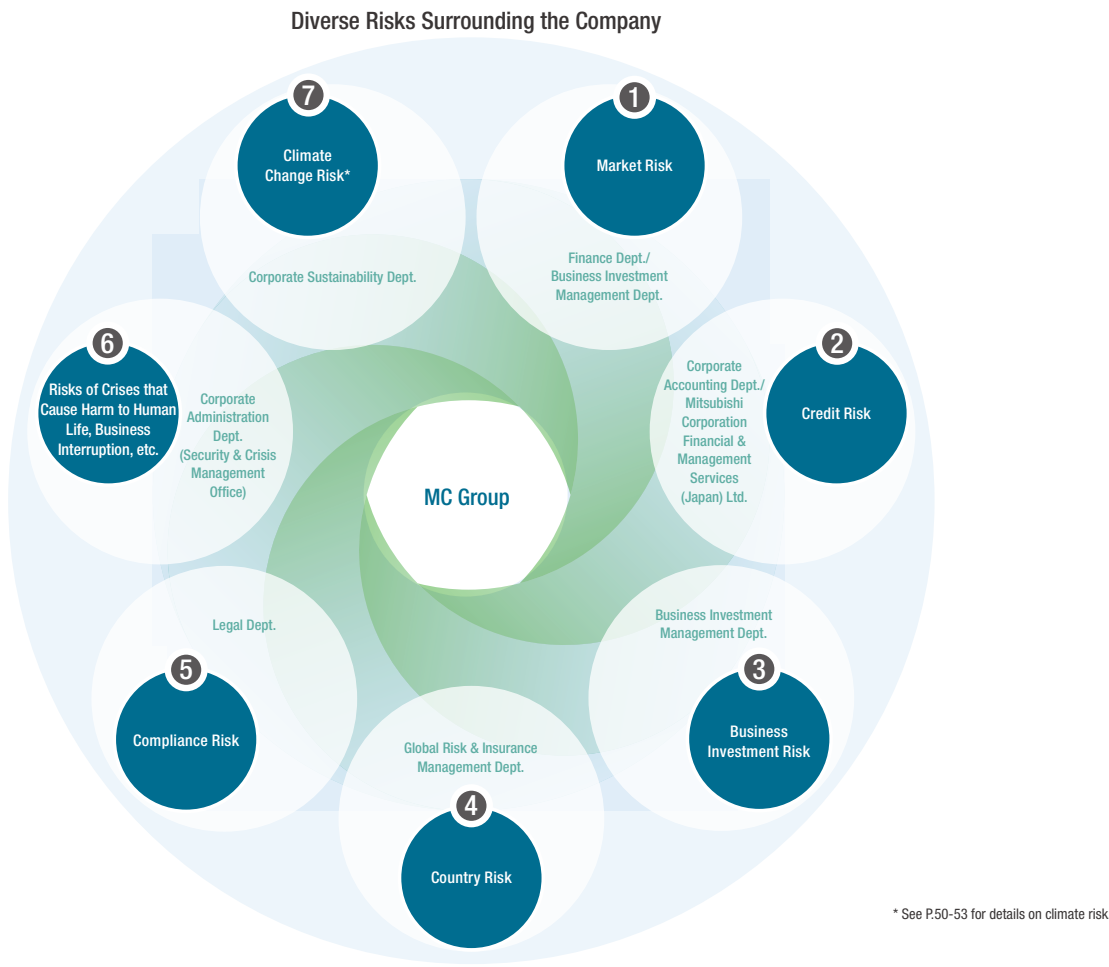
Each year, the Governance, Nomination and Compensation Committee deliberates and monitors the fairness of remuneration levels and composition (including components of remuneration subject to the clawback policy) as well as the operational status of remuneration systems. This is done with reference to data on remuneration levels and composition ratios provided by an external consulting firm (Willis Towers Watson Public Limited Company).

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 2019 Ordinary General Meeting of Shareholders held on June 21, 2019.



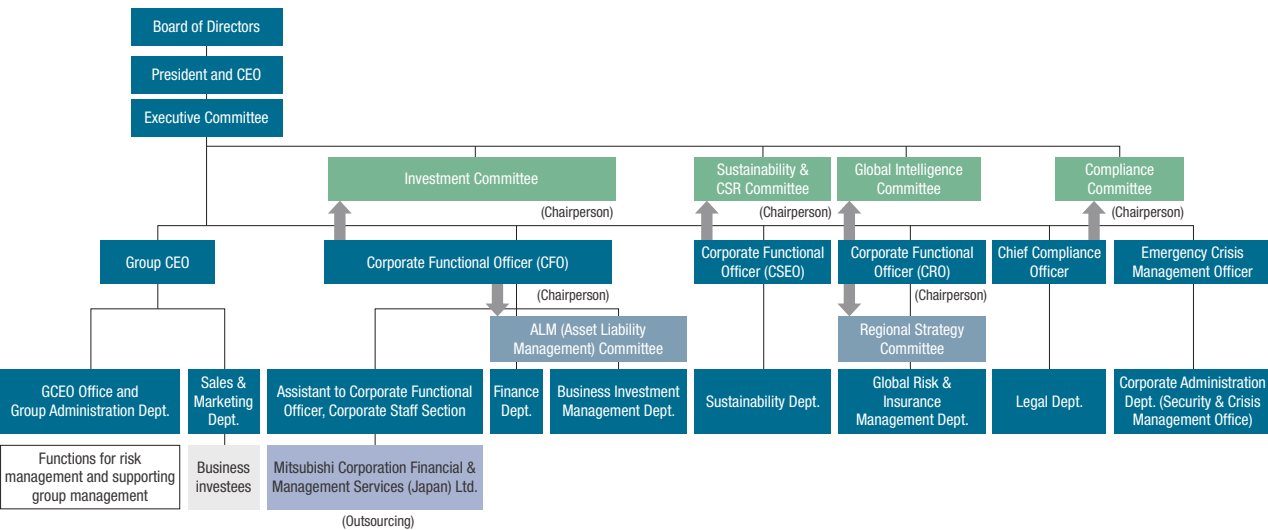
The MC Group's Risk Management Framework

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.



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 currency risk, interest rate risk, and stock price risk.

Financial Impacts of Commodity Market Conditions/ Exchange Rates/Interest Rates/Stock Price Risks

- The impacts on MC from specific market fluctuations are shown in the table below. Commodity market risk is also reflected in metallurgic coal, affecting the profit and loss of Mitsubishi Development Pty Ltd (MDP), an MC subsidiary.
- With regard to stock price risk, MC holds marketable stocks with a market value of approximately 1.1076 trillion yen, and bears stock price fluctuation risk accordingly. The above amount includes a valuation gain of approximately 149.5 billion yen, and there is a risk that this valuation gain could decrease depending on stock price movements.

	Fiscal year ending March 31, 2024 Assumptions behind results forecasts	Profit and loss impact on the fiscal year ending March 31, 2024 results forecast
Exchange rate (yen/US\$)	130.00	±5.0 billion yen (±1 yen/US\$) per year
Oil price (Brent) (US\$/BBL)	83 [Apr.-Dec. 2023: 83]	±1.5 billion yen (±1 US\$/BBL) per year*1
Copper ore (US\$/MT) (US\$/lb)	8,378 [380]	±2.9 billion yen (±100 US\$/MT) per year*2 ±6.4 billion yen (±10 US\$/lb) per year
Yen interest rate (%) TIBOR 3M	0.15	The impact of rising interest rates is largely offset by profits on transactions and investments. If interest rates rise sharply, however, profit and loss will be temporarily affected.
US dollar interest rate (%) LIBOR 3M	4.80	

\*1 Taking into account differences in accounting periods of consolidated companies and the time lag before oil prices are reflected in LNG selling prices, the average oil price from six months earlier (October-September average for the whole year) and three months earlier (January-December average for the whole year). However, as there are impacts not only from oil price fluctuations, but also from factors such as foreign exchange rates and production/sales volumes, the profit impact is not determined by oil prices alone.

\*2 However, as there are impacts not only from copper price fluctuations but also from factors such as ore grade, production/operational status, and reinvestment plans, the profit impact is not determined by copper prices alone.

Response to Foreign Currency Risk

- MC conducts foreign currency-denominated settlements 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 currency risk.
- In addition, hedging is used as required for some foreign currency-denominated investments to companies that are included in the consolidation. However, there is a risk that other investments will make reductions in equity capital due to exchange differences on translating foreign companies.

Response to Interest Rate Risk

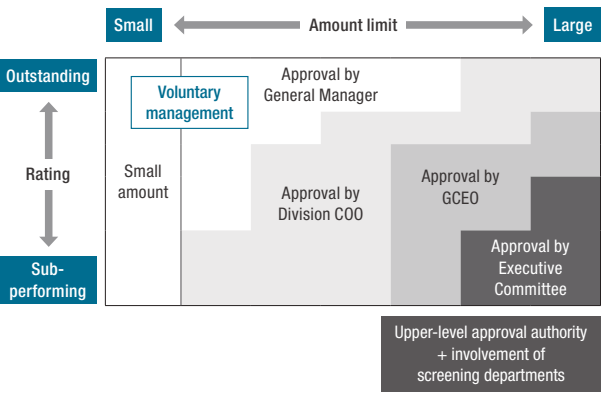
- A significant proportion of the interest-bearing liabilities held by MC corresponds to trade receivables and loans exposed to the effects of interest rate fluctuations. While the interest burden will increase if interest rates rise, income gained from these assets will also increase, offsetting the risk of interest rate fluctuations.
- However, if interest rates rise rapidly, the interest burden could increase beforehand, temporarily affecting MC's business performance negatively.

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.
- 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 (limit), returns, credit protection, etc.

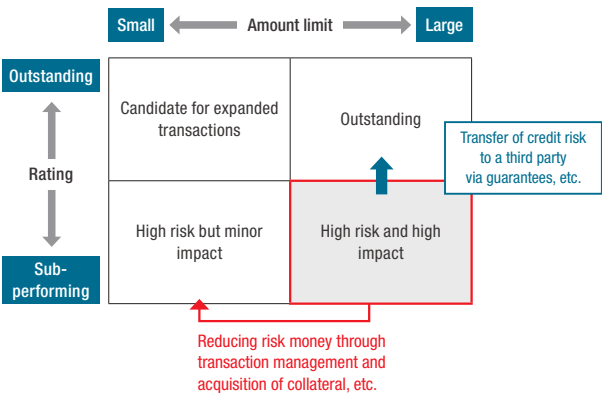
Individual Project Approval Authority

- Approval authority is categorized according to amount limits and ratings.



Approach to Credit Risk Management

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



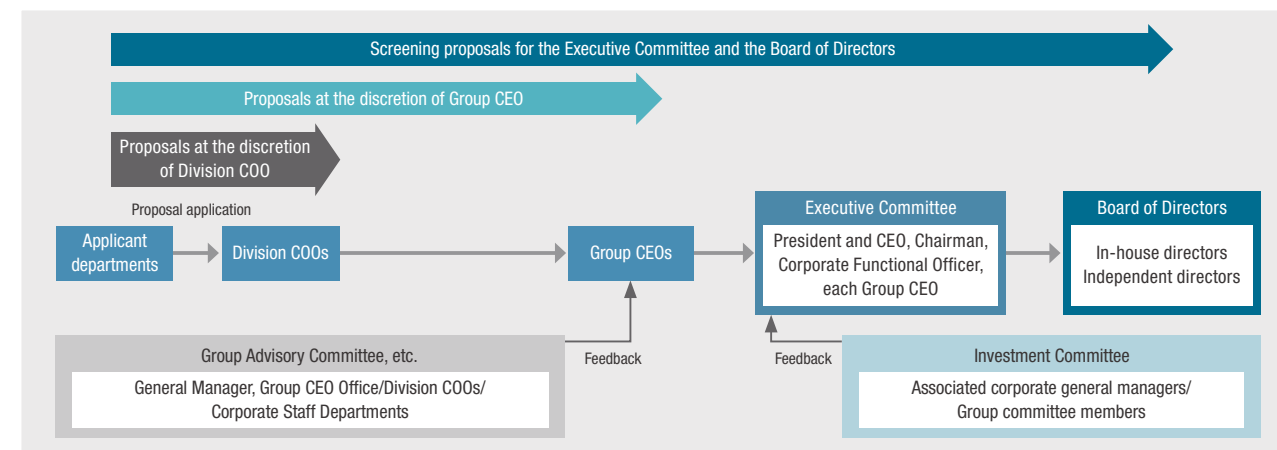


### ③ Responding to Business Investment Risk

To manage business investment risk properly, MC has established a deliberation and screening process for individual projects, including new, existing, and replacement projects. In addition, from a companywide management perspective, we monitor the risk/return and risk tolerance of the entire portfolio, as well as concentrated risk, etc.

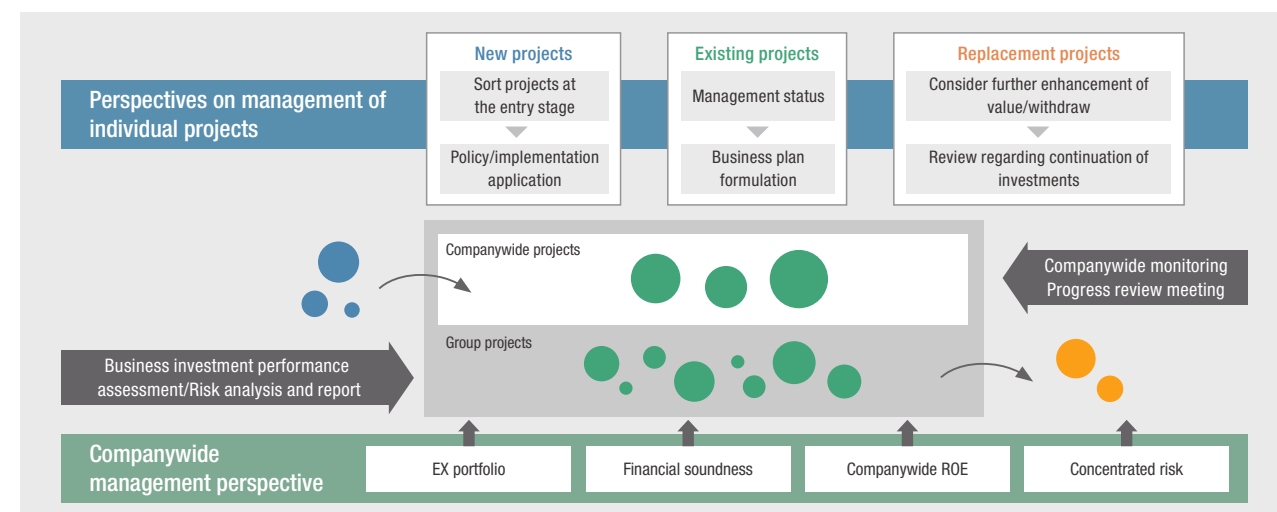
Management of individual projects	New projects	Policy/ implementation application	Narrow down new investment and finance proposals by comprehensively evaluating quantitative aspects in terms of the invested capital and its return determined on the basis of the characteristics of each business, in addition to evaluation of qualitative aspects, including consistency with the business strategy of each Business Group, as well as risk locations and countermeasures
	Existing projects	Business plan formulation	Once a year, review investees' management issues and initiatives as well as MC's functions and business life cycle
	Replacement projects	Review regarding continuation of investments	Conduct qualitative and quantitative evaluations from the same perspective as new investment and finance proposals based on the priority order of Business Group strategies to promote a healthy business metabolism

## Screening Process for Proposals



MC delegates authority according to the financial scale of each Business Group, while the Investment Committee discusses all new investment and finance proposals as well as sales and withdrawal proposals prior to deliberation by the Executive Committee and the Board of Directors. The Corporate Functional Officer (CFO) serves as the chairman of the Investment Committee. To make full use of the knowledge of each Business Group and the expert viewpoints of each corporate department, the Company selects representatives from among associated corporate general managers and within each Business Group to serve as committee members and comprehensively consider proposals, including non-financial aspects.

Companywide management	Overall portfolio	Business investment performance assessment/ Risk analysis and report	Analysis results on the risk/return of business investments, companywide risks and risk tolerance are reported to the Executive Committee, and the risk report is utilized to ascertain the overall status of the businesses and determine policies for capital allocation
	Companywide monitoring	Business plan formulation/ Progress review meeting	Business plans for select subsidiaries and affiliates are reported to the Executive Committee. This information is used in processes that promote business growth and value creation, including the monitoring of business management effectiveness, and the discussion of medium- to long-term growth strategies, as well as timely replacement of projects



#### 4 Responding to Country Risk

MC has established the 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 (Chief Regional Officer [CRO]). Its responsibilities include assessing the risk situation in various countries and establishing and managing the country risk countermeasure system.

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

### Country Risk Countermeasure System

- Under the country risk countermeasure system, MC controls the accumulation of risk through methods such as categorizing each country based on various risk factors and setting ceilings.
- 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.

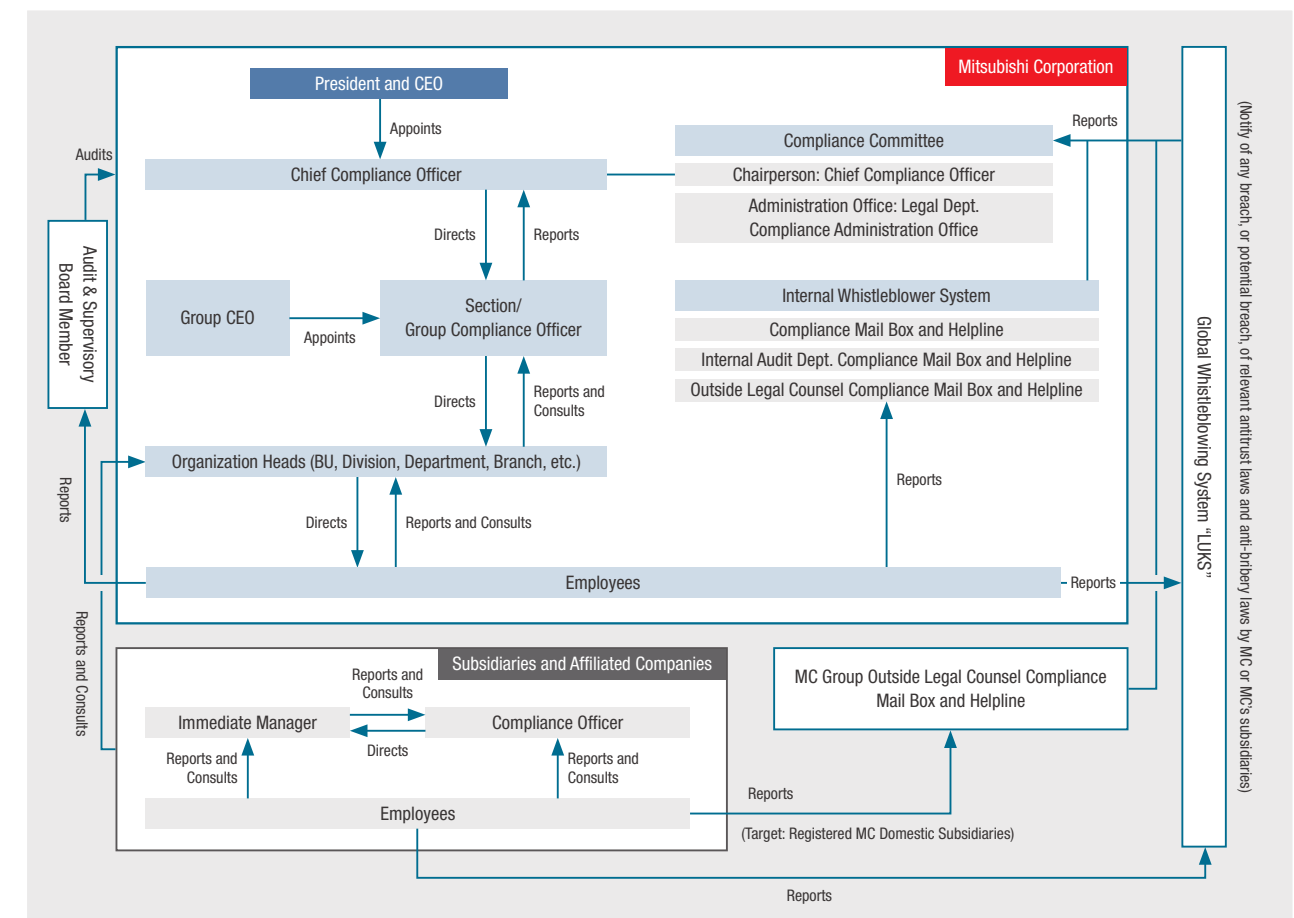
## 5 Responding to Compliance Risks

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 also set up various whistleblowing helplines and is working to detect and prevent compliance issues at an early stage.

## Compliance Framework

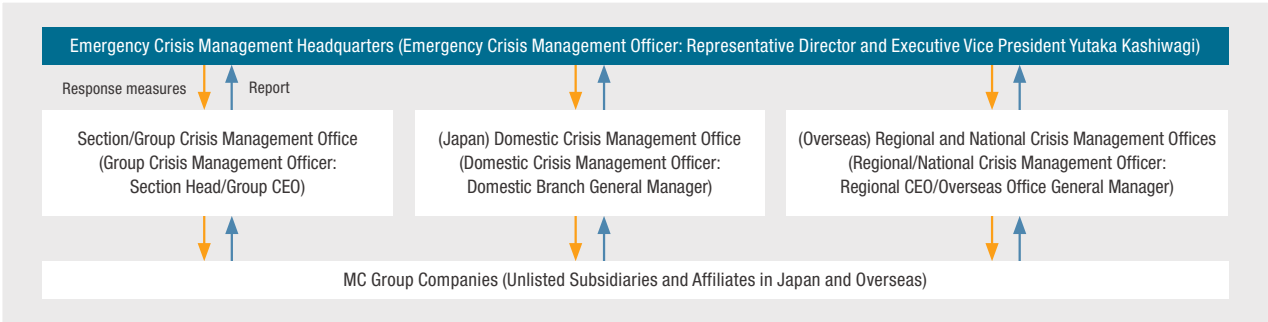


6 Responding to Risks of Crises that Cause Harm to Human Life, Business Interruption, etc.

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 Section/Group/Regional and National Crisis Management Offices under the management and supervision of the Emergency Crisis Management Officer.



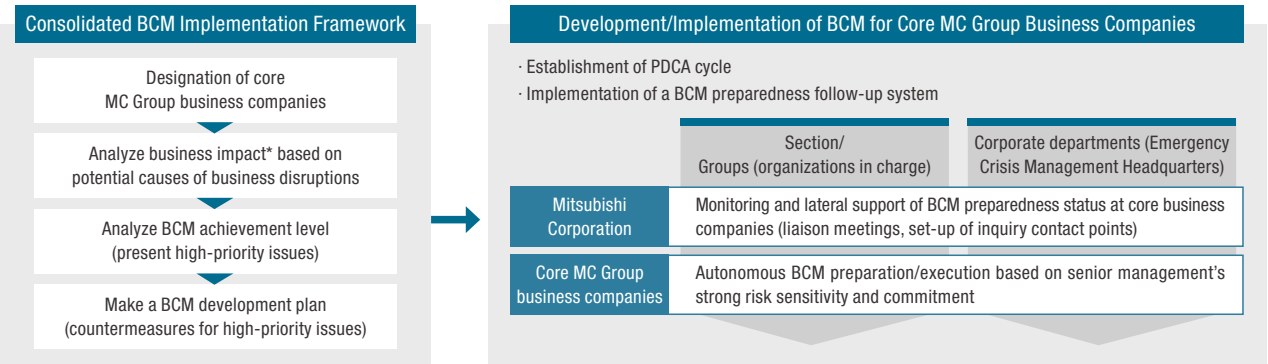
All-Hazard Approach

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, emerging infectious diseases, supply chain disruptions, legal transgressions, cyber incidents, etc. Under usual conditions, in cooperation with the organizations in charge (related Corporate Staff Departments and Section/Groups), we build 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, for a serious incident impacting the lives and safety of our employees, as well as continuity of critical business operations, we have a structure in place in which we will respond under the companywide direction of the Emergency Crisis Management Officer, in accordance with our BCM process on a consolidated basis.

BCM on a Consolidated Basis

In FY2018, MC adopted 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



\* Business impact analysis framework  
We conduct analyses of the "cause incidents" that disrupt core operations and trigger "result incidents," while taking into consideration the characteristics of operations at each company.

Cause incidents	Natural disasters, infectious diseases, technology-related, external incidents, internal faults, legal issues, third-party related
Result incidents	Human resources (death/unconfirmed safety, inability to report/commute to work), physical resources (damage to manufacturing/distribution or other facilities), supply chains (disruption of distribution channels, disruption of material/fuel supply), information (breakdown of IT systems or damage to electronic data, data manipulation/alteration, information leakage), reputation (product or service quality issues, environmental problems, administrative penalties, suspension of business), money (suspension of cash withdrawals, remittances and/or payments)

FOCUS: Integrated Risk Management and Monitoring

MC implements integrated risk management and monitoring in addition to responding to risks individually. As an example, we comprehensively identify non-financial risks, which have become increasingly important in recent years. Every year, we report our evaluation of these risks to the Board of Directors, which is based on unified standards, as well as on the establishment and operation of risk management systems, taking into account future changes in the external environment. In FY2022, we conducted the following three-step evaluation and reported the results to the Board of Directors.

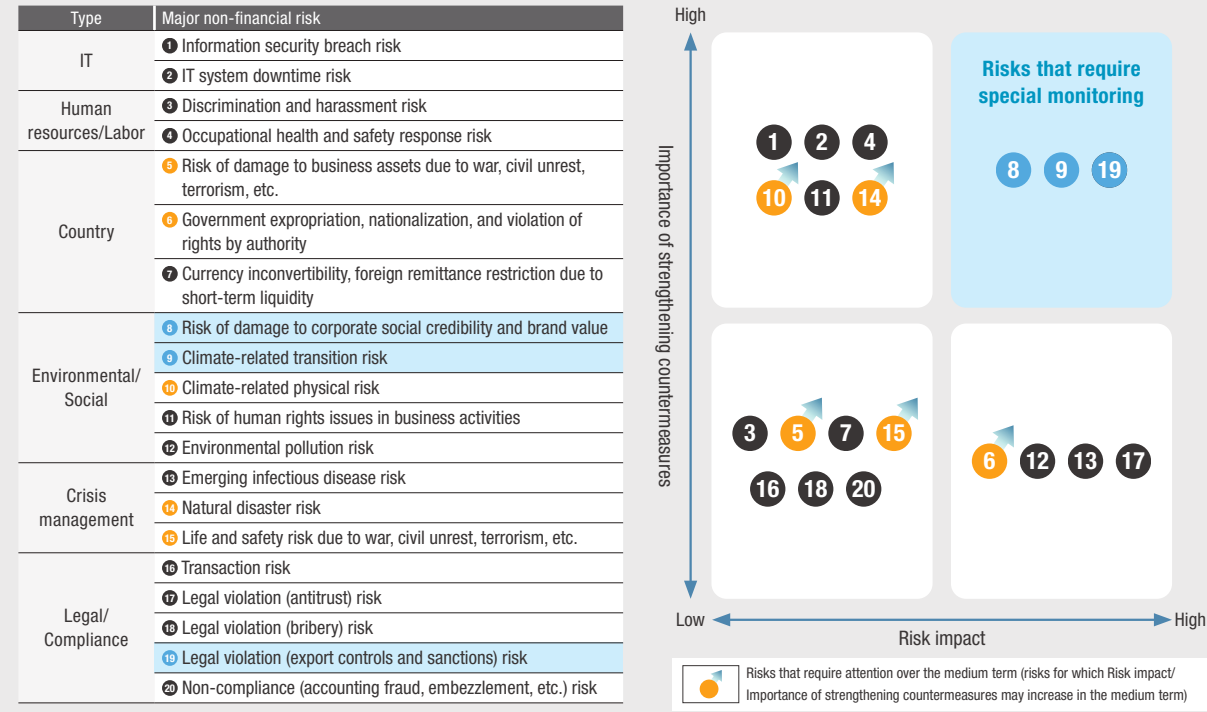
- STEP 01

Evaluation of the current situation by developing a risk map

MC identifies the major non-financial risks in the Company and then evaluates the risks on a consolidated basis in accordance with unified standards, before listing them as a risk map as follows. We identify "Risks that require special monitoring" (located in the upper right hand corner of the risk map), and the Board of Directors monitors the countermeasures.
- STEP 02

Medium-term evaluation taking into account the external environment

In addition to evaluating the current situation (Step 01), MC identifies external environmental factors (geopolitics, the environment, etc.) that may affect major non-financial risks in order to take into account changes in the external environment over the medium term. We identify non-financial risks that are particularly susceptible to such factors as "Risks that require attention over the medium term" since they may shift to "Risks that require special monitoring" in the future (see 5, 6, 10, 14, and 15 below).



- STEP 03

Addressing risks that require attention over the medium term

In addition to "Risks that require special monitoring," MC also positions "Risks that require attention over the medium term" as risks for which we should especially strengthen our responses in the future. We arrange the countermeasures for these risks as follows, and the Board of Directors monitors them.

- 5 Risk of damage to business assets due to war, civil unrest, terrorism, etc.

In addition to the existing country risk countermeasure system, under Midterm Corporate Strategy 2024, MC has strengthened the system that enhances the timely integration of global intelligence into companywide management through the GI Committee, etc.
- 6 Government expropriation, nationalization, and violation of rights by authority

MC has developed risk management systems for the lives and safety of our employees on a consolidated basis both in Japan and overseas. We conduct regular reviews in preparation for emergencies.
- 15 Life and safety risk due to war, civil unrest, terrorism, etc.

MC has developed risk management systems for the lives and safety of our employees on a consolidated basis both in Japan and overseas. We conduct regular reviews in preparation for emergencies.
- 10 Climate-related physical risk

MC conducts the verification of countermeasures for high-priority risk assets.
- 14 Natural disaster risk

MC conducts the verification of countermeasures for high-priority risk assets.