

Reinforcing Compliance

Toward the Ensuring Compliance

"Compliance" is an important part of the foundation for the sustainable development of a company. The Group implements measures for spreading and establishing an awareness of "compliance" as a means to fostering an ethical corporate and organizational culture. The "Code of Conduct" is overseen by the Board of Directors, and the establishment and revision of it are also determined and decided by the Board of Directors.

Spreading and Establishing an Awareness of Compliance

Our broad view of compliance encompasses such elements as corporate ethics and social norms in addition to legal compliance, reflecting our sincere determination to live up to our stakeholders' expectations.

We are continually implementing new measures to enhance our Group-wide compliance framework, including domestic and overseas training, aimed at realizing improved compliance awareness among individual Group employees. We will continue these initiatives with the aim of further spreading and establishing compliance awareness.

In addition, our Chief Governance Officer (CGO), who is one of our Executive Officers, oversees compliance, and under supervision of the CGO, efforts are made to comply with the Code of Conduct and report to the Board of Directors.

Initiatives Conducted to Raise Compliance Awareness

Since 2006, the Mitsubishi Materials Group has designated October as Corporate Ethics Month. Each October, the CEO posts a message on the Company intranet, and business sites and Group companies plan and conduct unique activities.

Recognizing the importance of establishing our Corporate Philosophy, Vision, Mission, Values, Code of Conduct and Our Commitment among all our employees, we have produced cards, posters and the handbooks for our Group employees (basic edition) in 20 languages. By distributing the cards and posters to sites around the world and making the handbooks for our Group employees (basic edition) available on the Company intranet, we ensure that these concepts are shared among Group employees around the world. Our Code of Conduct also clearly states the need to comply with antitrust laws. Furthermore, for domestic use, we distribute an employee handbook - Case Study Edition - (for domestic use) on the company's intranet, covering examples such as the prohibition of forced labor, prevention of power harassment, sexual harassment, labor safety and health management, quality control, corruption prevention including embezzlement and bribery, compliance with laws such as the Antimonopoly Act, Subcontract Act, Foreign Exchange and Foreign Trade Act, etc. This handbook is utilized for educational activities by various domestic Group companies.

We are working to spread awareness of the SCQDE through training, education, posters and cards, etc.

Across the Group we are striving to build an organization and corporate culture with good and healthy communication where employee has unrestricted communication, and we see these efforts as further enhancing Group governance and preventing compliance violations. To this end, we are working to strengthen communication through dialogue-focused town hall meetings, training and other measures.

Additionally, through small group compliance activities, we are working to foster compliance awareness and improve workplace communication by having each employee share a healthy sense of urgency, view issues as those that affect them, and exchange opinions.

Expanding and Reinforcing Compliance Education

We provide compliance education and training for Mitsubishi Materials Group employees in Japan and overseas by utilizing external instructors, e-learning, etc.

We have constructed a framework that enables every employee in every domestic Group company to participate in compliance and risk management training once a year. From fiscal 2021, we have been promoting online participation in this training. In fiscal 2023, sessions were conducted on the themes of "Explanation of the In-house Reporting System," "Prevention of Power Harassment," "Compliance with Antimonopoly Laws," and "Reaffirmation of Entertainment Expense Management Regulations." We also regularly conduct training by job grade, etc.

For overseas education and training on compliance, we consider training content while taking into account the circumstances in each region of the world. In addition to the distribution of training videos in multiple languages, we efficiently conduct training in a wide range of regions through interactive training that places an emphasis on communication.

Since fiscal 2019, our senior management and external lawyers have been providing governance training for directors of the Group companies in Japan. The training is aimed at helping them to understand the duties and roles that managers must fulfill with respect to governance and compliance, and to foster an awareness and acquire the means to fulfill them. In fiscal 2022 we also began offering this training overseas. In addition to senior management, the training is provided by outside experts who are familiar with circumstances overseas.

Furthermore, since fiscal 2019, we have conducted annual surveys on the compliance awareness of all employees. We analyze the results of these surveys to help measure the effectiveness of various initiatives and promote them.

■ Number of Participants in Education and Training Program During Fiscal 2023 (including MMC and its 38 Group companies)

	Number of Participants (aggregated)
Compliance education at domestic facilities, branches and Group companies	16,311
Compliance education at overseas Group companies	363
Position-specific education	4,500
Total	★21,214

* Subjects of the above data for education and training program hours include non-regular employees as well as regular employees.

Anticorruption Measures

Given the importance of preventing corruption, a global sustainable development challenge, in April 2018 we formulated our "Regulations for Combating Bribery of Public Officials, etc." in order to help prevent bribery in our global business activities. We provide necessary support for the creation and operation of bribery prevention systems in Mitsubishi Materials Group companies.

In-house Reporting System

We established an Internal Contact Office in December 2002 in Japan as a consultation service to handle reports and inquiries from employees of Mitsubishi Materials Corporation and its Group companies, mainly those in Japan. The cases in question involve ethical issues within the corporate framework, encompassing concerns related to human rights, including harassment, violations of laws and regulations, breaches of internal policies, and corrupt practices such as embezzlement, conflicts of interest, and bribery. Since January 2020, we have contracted an external vendor to run the "Mitsubishi Materials Group Employee Hotline" for reports and inquiries, as well as improving the response systems of Group companies. This reflects efforts to ensure that we can appropriately respond to reports and inquiries and better respond to issues, while also strengthening the reliability of report and inquiry systems. We also established a contact office for consultation with Members of the Audit Committee in June 2018 to contribute to the work performed by members of the Audit Committee in promptly detecting incidents and initiating corrective measures.

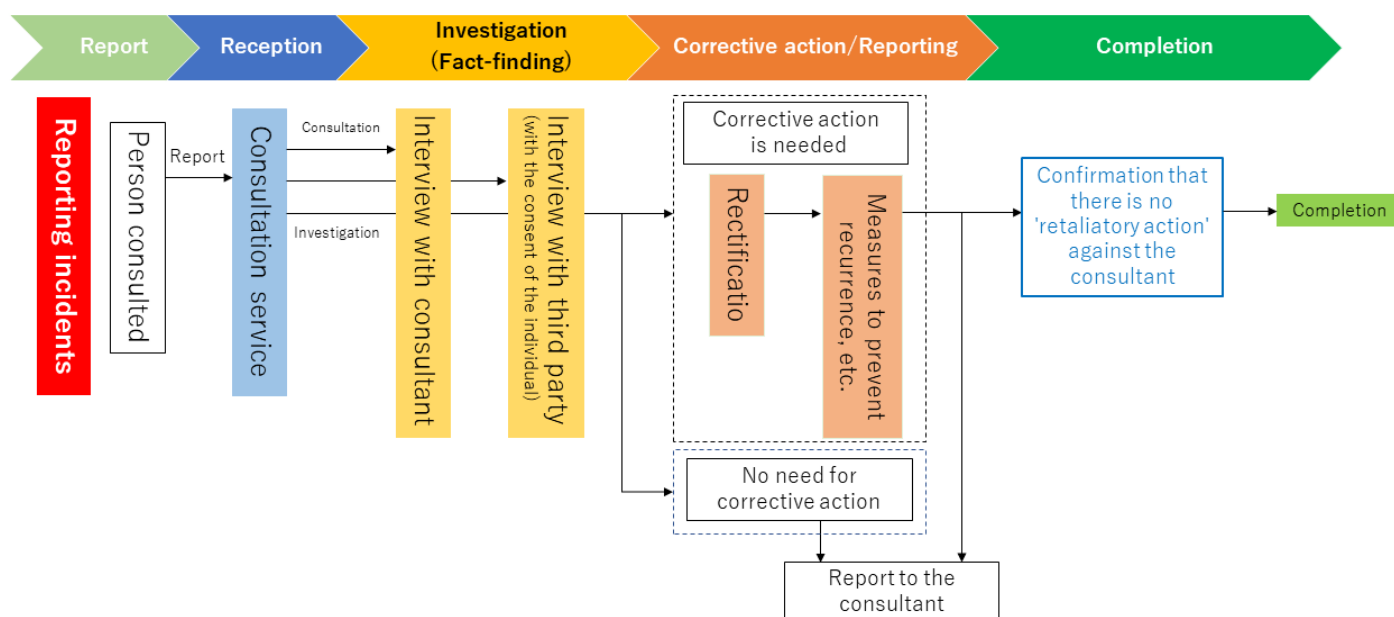
Contact information for these reporting systems is printed on cards for employees of the Mitsubishi Materials Group to keep on their person and made available on our Group intranet and through each training activity.

On April 1, 2021, we established and began operation of the "MMC Group Global Hotline," a global in-house reporting system for the Mitsubishi Materials Group. This in-house reporting system can be used by personnel in overseas Group companies and overseas sites (with some exceptions), and receives anonymous reports regarding conduct related to antitrust violations, bribery, accounting fraud, improper trade practices and other fraudulent conduct. The availability of the global in-house reporting system is made known to target overseas companies and sites and also explained at overseas training. In fiscal 2023, there were two reports/inquiries received through the global in-house reporting system.

The "Mitsubishi Materials Group Employee Hotline" ensures that reports can be submitted either anonymously or with identifying information. The content of the reports is processed in accordance with the "Mitsubishi Materials Group Whistleblowing Regulations" based on the Whistleblower Protection Act and the "Whistleblowing Regulations" of various Group companies. This framework guarantees the protection of reporters, maintains their privacy, and ensures that no disadvantages

arise in terms of personnel matters. In addition, in fiscal 2023 a dedicated intranet site was established as a measure to improve the reliability of the domestic in-house reporting system, and awareness-raising activities were conducted to make employees aware of the site. These included displaying posters, publishing informational videos, and incorporating the information into training. We will continue our efforts to improve the reliability of the in-house reporting system.

■ Response flow of the Mitsubishi Materials Group Employee Hotline



■ Numbers of Reports and Inquiries Received through the Mitsubishi Materials Group Employee Hotline (FY)

2016	2017	2018	2019	2020	2021	2022	2023
33	38	42	61	58	54	47	65

Measures for Rebuilding our Antimonopoly Act Compliance System

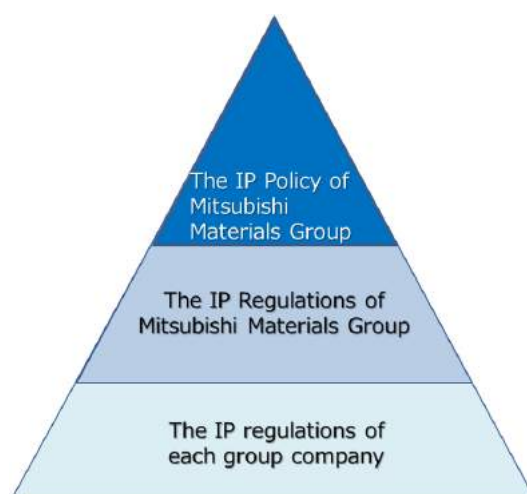
In September 2019, the Japan Fair Trade Commission (JFTC) issued a cease and desist order and a surcharge payment order to Universal Can Corporation, a Group company of that time, for violations of the Antimonopoly Act in the form of cartel activity. In response to this, from November 2019 onwards, the Group has engaged in various measures to rebuild its Antimonopoly Act compliance system. Furthermore, in fiscal 2023, we worked on establishing a compliance framework for overseas competition laws.

- Formulation of Antimonopoly Act compliance regulations for MMC and Japanese subsidiaries
- Ongoing communiqués from top management regarding compliance with the Antimonopoly Act
- Clarification of Antimonopoly Act compliance as part of the Group's Code of Conduct
- Review and revision of regulations regarding disciplinary actions for MMC and Japanese subsidiaries
- Implementation of self-audits by MMC and Japanese subsidiaries, assessment of potential for Antimonopoly Act violations within each business segment
- Design and implementation of measures at individual business sites in the form of risk management activities
- Ongoing implementation and expansion of Antimonopoly Act compliance training
- Review and revision of internal audits related to the Antimonopoly Act
- Strengthening of measures against bid-rigging and transactions with competitors

At the Mitsubishi Materials Group, we engage in activities to develop a portfolio of intellectual properties and intangible assets in line with our business and development strategies, manage risks related to intellectual property, respond to related disputes, and improve the level of the Group's intellectual property governance.

Governance

As the importance of intangible assets including intellectual property grows, we are reinforcing our governance systems related to intellectual property in compliance with the Corporate Governance Code and proactively disclose our initiatives related to intellectual property, such as our 'Strategic Dialogue', to external parties. Further, in May 2022 we established the Intellectual Property Policy of Mitsubishi Materials Group, which indicates the direction of our intellectual property activities as a Group, based on the idea that we should maximize the value of intellectual property and intangible assets in a Group-wide manner. Additionally in February 2023, in accordance with this Intellectual Property Policy, we formulated the Group Intellectual Property Regulations, which stipulate the intellectual property-related activities of Group companies in more concrete terms.



The Intellectual Property Policy of Mitsubishi Materials Group

Through our intellectual property activities, we contribute to "For people, society and the earth, circulating resources for a sustainable future."

1. We implement strategic intellectual property right formation in line with business and development strategies, ensure appropriate protection both in Japan and overseas, and apply effective utilization for the purposes of our business activities.
2. We respect the intellectual property rights of third parties and establish systems to prevent infringement.
3. We encourage new inventions and innovations, and establish appropriate incentive systems for inventors.
4. We work to earn the trust and confidence of stakeholders by fostering and protecting our brands.
5. We strengthen controls on counterfeit products distributed globally and ensure the implementation of countermeasures.
6. We cultivate human resources that make strategic use of intellectual property information, and provide appropriate education systems and environments to achieve this.

(Established on May 1, 2022)

(Partially revised on April 1, 2023)

Group Intellectual Property Regulations

These regulations stipulate the activities of Group companies in a detailed manner regarding reporting to the executives and board of directors of each company, their guidance and supervision, the formation, analysis and utilization of strategic intellectual property, licensing between Group companies, commissioned and joint research, brand development, Mitsubishi trademarks, measures to deal with counterfeits, infringement clearance measures, rewards for inventions, and human resource development.

(Established on February 1, 2023)

Strategic Dialogue and Intellectual Property Creation

We promote Strategic Dialogue between business divisions and intellectual property divisions aiming for strategic creation of intellectual property.

We will analyze the market and customer trends surrounding the Company from the perspective of intellectual property using various tools such as the IP Landscape, and use those findings as the basis to shape an intellectual property portfolio that help build our business strategies and the R&D strategies that support them.

IP as Intellectual Capital

■ IP Mix

We will strategically develop an IP mix (patents, designs, trademarks and brands, trade secrets and agreements on data, etc.) in line with our business and development strategies.

Through such intellectual property activities, we're trying to maximize the value of our intangible properties.

■ Patent Data (as of March 31, 2023)

Number of patent applications	Japan	193
	Overseas	79
Number of registered patents	Japan	2,858
	Overseas	2,758
Number of registered designs	Japan	102
	Overseas	28
Number of registered trademarks	Japan	339
	Overseas	147

* The number of patent applications is the number filed from April 2022 to March 2023.

* The number of patent applications overseas indicates the number of patent families (PCT is included).

Incentive System

We have established Employee Invention Regulations and offer fixed monetary amounts as incentives for when patent, utility model and design applications are filed and registered. Additionally, when a degree of profits is earned as a result of those patent, utility model or design registrations, their inventors are also rewarded based on this performance.

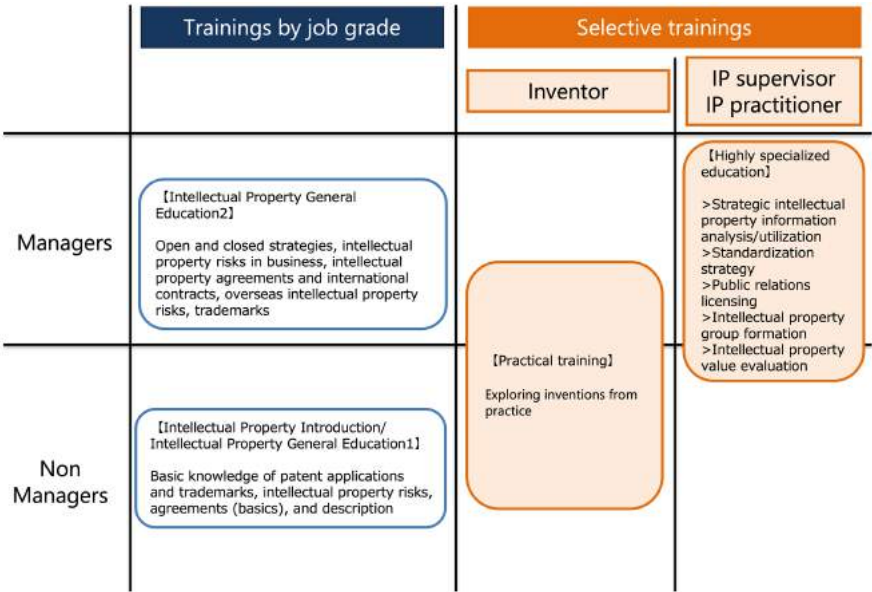
In fiscal 2024, the Employee Invention Regulations will be revised in an effort to enhance rewards in a Group-wide manner, fair evaluation and incentives for the Mitsubishi Materials Group.

Handling of Technology Contract Risks

We have built and operate a database on technology contracts such as non-disclosure agreements, and give advice on contracts related to our research, development and intellectual property matters, including advice about the prevention of the leakage of confidential information, the management of contract periods, and the consideration of wording in contracts.

Intellectual Property Education

We organize a number of in-house educational programs on an ongoing basis, in an effort to improve understanding of how to establish and use intellectual property. And the programs include position-specific training for employees from new recruits, young employees, and middle-level employees through to managerial-level employees and senior management, training geared towards obtaining intellectual property qualifications, and training given at business locations.



Enhancement of Countermeasures to Product Counterfeiting

As a countermeasure to address counterfeit cutting tools that are manufactured overseas, we have identified a large number of illegal operators who sell these products at local brick-and-mortar stores. Further, in fiscal 2021, we began to strengthen the monitoring and crackdowns of websites all over the world selling these products. We have deleted over ten thousand websites selling counterfeit products. We will continue to detect brick-and-mortar stores selling counterfeit goods and monitor websites selling these products, in our effort to eradicate counterfeit products.

Activities across the Mitsubishi Materials Group

We believe it is important to engage in initiatives related to governance, Strategic Dialogue and intellectual property creation, the handling of technology contract risks, intellectual property education, and the enhancement of countermeasures to product counterfeiting. While adhering to the Group Intellectual Property Regulations, we will strive to maintain and improve the level of intellectual property governance Group-wide, helping to mitigate intellectual property risks and maximize the value of the Group's businesses.

▶ [Link to the website Intellectual Property](#)

Group Tax Policy

Fundamental Principles

Mitsubishi Materials Group (“our Group”), based on its corporate philosophy of “For People, Society and the Earth”, develops its global business by pursuing fair business activities. Led by our tax department, information is shared with relevant departments, and with the support of external tax professionals, we seek to prevent actions which are contrary to tax laws and international taxation rules such as the OECD Transfer Pricing Guidelines. In the event where any such actions are found, corrective steps will be taken immediately, and appropriate tax payments will be made.

1. Tax Governance

- Our Group shares these tax principles with all directors and employees (including temporary, contracted, part-time and dispatched employees), to ensure transparency in tax matters.
- Internal checks are carried out on a regular basis in order to make appropriate tax filings, and by educating and coaching our employees, we seek to maintain our solid tax governance structure.
- Our Group CFO is ultimately responsible for tax issues within our Group and important issues are reported at the Board of Directors meeting level.

2. Tax Related Risks

- Our Group identifies and evaluates tax related risks that may have a significant impact on the Group as a whole. We collect information which is beneficial for this purpose and share this amongst our Group.
- Based on our formulated management policies and plans, we implement our measures and reevaluate our plans.
- As regards domestic taxation, we seek to eliminate human errors such as omissions in data collection by disseminating preventive action plans. We also share information on tax policy and regulations in a timely manner to detect tax related risks at an early stage.
As regards international taxation, we manage tax related risks concerning transfer pricing and anti-tax haven (CFC) regulations as set out in “3. Tax Compliance” below.

3. Tax Compliance

Our Group fulfills our social responsibility by making appropriate tax filings and in order to preserve our corporate value, we adhere to tax laws and regulations in and outside of Japan. By doing so, we determine the appropriate tax payments to be made and through objective proofing of the validity of our tax position, seek to ensure that no changes are required to our assumed tax obligations.

• Transfer Pricing

For related party transactions within our group, we adhere to the OECD Transfer Pricing Guidelines and local transfer pricing regulations and determine prices in accordance with the functions performed and risks borne in each location.

We first analyze the functions performed and risks borne by each company for each related party transaction. We then formulate and adopt transfer pricing policies based on such analyses, and reach a mutual understanding (e.g. by entering into agreements) between the parties before carrying out such transactions.

Measures have been placed to verify whether prices have been determined based on the pre-agreed terms, and prices are modified if necessary. Furthermore, we create and retain transfer pricing documentation which evidences the validity of the prices from a transfer pricing perspective, with the aim to reduce any transfer pricing related tax exposures.

- **Anti-Tax Haven (CFC) Regulations**

We make appropriate tax filings and payments in each country and region where our business is conducted, and do not utilize tax haven measures which impact our tax obligations.

We have adopted measures to collect all relevant information from our Group companies outside of Japan, and based on such information, we determine the effective tax rate (ETR) and satisfaction of the economic activity test, and appropriate tax returns are filed.

4. Tax Planning

Our Group strives to achieve optimal tax outcomes by utilizing tax incentives only when actual economic conditions are met, whilst adhering to the tax laws and regulations of each relevant country and region.

We collect information which is beneficial for this purpose and share such information amongst our Group. Instructions and support are provided to ensure the adoption of appropriate tax planning measures which are based on actual economic conditions.

(Establishment date: March 29, 2023)

■ Fiscal Year Ending March 2023 Country-by-Country Reporting

(millions of yen)

Country/Region	Revenues	Profit (Loss) before Income Tax	Income Tax Accrued	Income Tax Paid	Number of Employees (People)
Japan	1,546,173	32,041	3,303	10,847	11,436
United States	57,955	2,094	897	986	744
Europe	167,036	9,751	2,416	2,433	1,182
Asia	517,531	14,767	3,546	4,729	5,155
Other areas	161	15	7	0	59
Related party transactions eliminated	-662,923	-43,897	-9	0	0
Total	1,625,933	14,771	10,160	18,995	18,576

* These amounts are calculated from the consolidated financial statements and are not directly related to the "Country-by-Country Reporting" submitted to the Japanese Tax Authority.

Expand Internal Control Through Group Governance

Risk Management Activities

To respond appropriately to various risks surrounding the Group and to operate its business stably by minimizing damages, the Group strives to improve risk sensitivity. In fiscal 2024, the Group built a more highly effective and reliable risk management system on the basis of ISO 31000 and is conducting risk reduction activities at all Group business sites globally.

Basic Approach

The Group’s risk management activities are mitigation activities to prevent risks from occurring and aim to “Improve corporate value by minimizing damage when risks emerge.” To ensure that these goals are achieved, we are conducting activities under the following three basic policies:

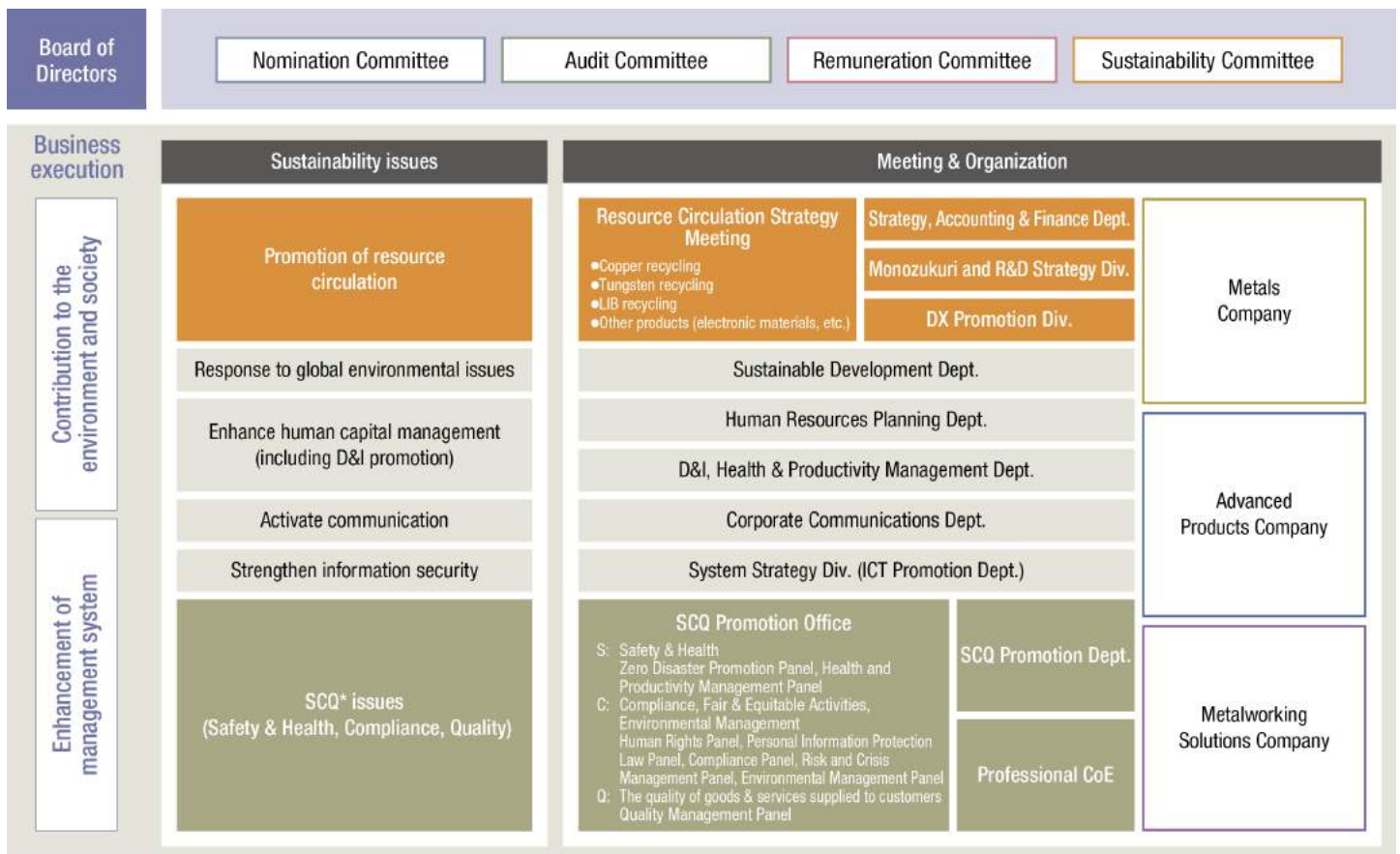
Basic Risk Management Policies
<div>1. List and identify risks: Grasping internal / external context of organization and sense risks comprehensively</div> <div>2. Risk Treatment: Prioritizing and handling depending on the risk evaluation</div> <div>3. Activities in general: Improving the management level systematically through continuous practice</div>

Implementation Structure

While critical risks inherent to each field of business are identified by individual business divisions, each corporate department identifies and evaluates serious, high priority risks which share a high degree of commonality across the Group and which are expected to have a severe impact on the Group’s business management. The identification and evaluation of each critical risk and the progress of action plans are discussed and monitored by the SCQ Promotion Office and the Strategic Management Committee. The CGO (Chief Governance Officer) is responsible for the implementation of these meetings, run independently of the Audit Committee. In addition, the Board of Directors verifies and reviews the effectiveness of the process and comprehensively supervises risk management, including ESG risks.

With regard to training, we are striving to boost our risk sensitivity by holding internal training sessions that feature an outline of risk management and guidance on how to proceed with the activities in detail.

■ Risk Management System

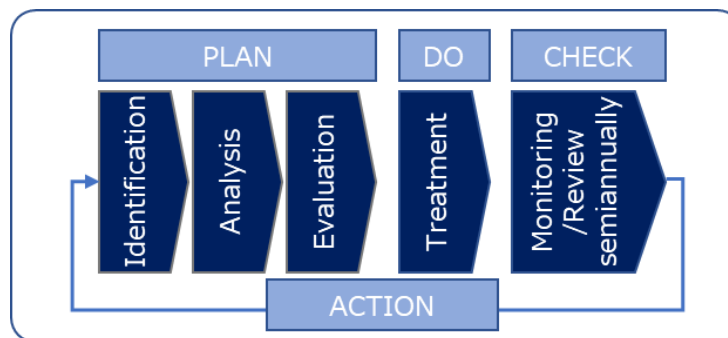
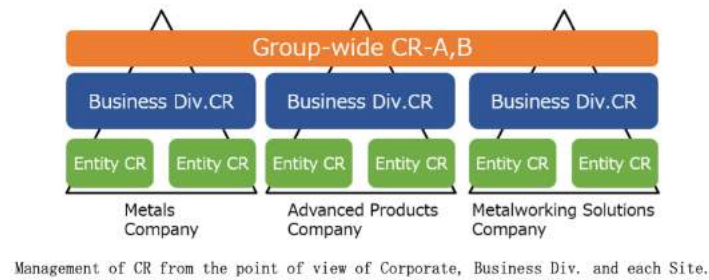


*SCQ: S: Safety & Health, C: Compliance & Environment, Q: Quality

■ Critical Risks According to Level and Risk Management Process

The Group divides risks into the following categories and implements comprehensive risk management:

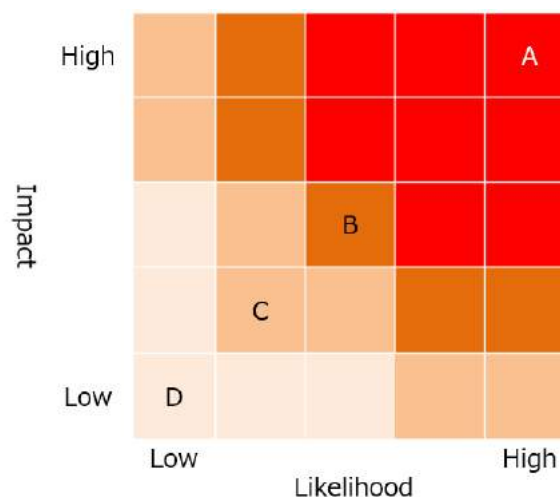
- Risks with high commonality and high priority for the entire Group (corporate departments)
- Inherent risks in each business field (business divisions)
- Business site-specific risks (business site)



Risk Evaluation

Each CR is evaluated on a 5-level scale of impact/Likelihood based on quantitative/qualitative evaluation criteria standardized within the Group.

Furthermore, according to the risk level (A, B, C, D), the priority of Risk Treatment is determined.



■ Business Risks

The table below shows the main risks the management of the Group has recognized, based on this system, as having the potential to significantly impact the Group's business results and financial situation.

Name of risk	Probability of occurrence	Impact
Geopolitical situation, international situation, overseas economic situation	High	Large
Market Trends	Medium	Large
Fluctuations in raw material and utility prices	High	Large
Procured Goods	Medium	Large
Climate change	High	Large
Natural disasters and abnormal weather	Medium	Large
Occurrence of pollution and environmental laws violations	Medium	Medium
Infection	Medium	Medium
Information Security	High	Medium
Human rights	Medium	Medium
Finance	Medium	Large

The following are excerpts from the "Business and other risks" section.

International situation, overseas economic situation **Probability of occurrence: High, Impact: Large**

The Group has production and sales bases in 31 countries and regions overseas, and considers the overseas business to be an important basis for the Group's business growth.

Due to the situation in Ukraine and accompanying economic sanctions imposed on Russia by other countries, military assistance to Ukraine, and bilateral relations between the United States, China, and other countries, the outlook for international relations remains uncertain. If geopolitical risks such as political instability, conflict between countries, unilateral invasion or political upheaval become apparent in the countries or regions in which the Group operates, the Group's business activities may be disrupted and its performance and financial position may be affected.

In addition to the above risks, risks associated with global business development such as economic conditions in each country or region, unexpected policies or regulations, or changes in business strategies or product development of business partners may be assumed, which may hinder the Group's business activities and affect its business results and financial position.

With regard to these risks, the Group will further thoroughly implement existing risk reduction workarounds, BCPs and other measures. The Group will also constantly monitor the situation and review our business strategies and overseas investments. The Group also responds appropriately to these changes by sharing information from our local offices and cooperating with each business. The Group collects information on individual country risks, such as legal regulations outside Japan, and share and disseminate information within the Group.

In particular, the metals business is at risk of being affected by events beyond the control of the Group, such as intervention in resource businesses by national and local governments in copper producing countries, fluctuations in the global supply and demand balance of copper concentrate, and deterioration in the quality of copper concentrate. As part of our efforts to create a sustainable raw materials portfolio, the Group will promote the diversification of countries and regions where the Group purchases copper concentrate and invest in superior mine projects. At the same time, the Group will stably secure raw materials by actively using recycled raw materials such as E-Scrap (waste substrates for various electronic equipment).

Fluctuations in raw material and utility prices

Probability of occurrence: High, Impact: Large

1) Raw materials prices

Procurement prices of non-ferrous metal raw materials, coal, etc. are affected by fluctuations in international commodity prices, exchange rates, ocean freight rates, etc. A rise in procurement prices due to a rise in raw material prices or other factors could affect the Group's business results and financial position. Large fluctuations in international commodity and exchange rates have occurred in the past, and it is assumed that they may occur once every few years.

For copper concentrate in the metals business, the Group will work to minimize the impact on raw material prices by double-tracking the raw material procurement route, securing stable suppliers, and investing in overseas mines. For non-ferrous metal raw materials such as tungsten raw materials in the Metalworking Solutions Business, the Group will expand the number of suppliers, and increase the ratio of recycled raw materials used.

2) Utility prices

The significant increase in the procurement costs of crude oil, coal and natural gas has also caused energy prices to soar, affecting the Group's business performance and financial position. Any further increase or increase in these prices may affect the Group's financial performance and condition. In light of the risk of rising energy prices, the Group will continue to reduce the amount of electricity the Group purchases by promoting the installation of energy-saving equipment and the installation of self-consumption solar power generation systems.

Climate change

Probability of occurrence: High, Impact: Large

If policies and laws against climate change are strengthened, and carbon pricing systems (such as emission trading systems and carbon taxes) are introduced or strengthened, the incurrence of costs based on greenhouse gas (GHG) emissions may have an impact on the Group's business results and financial condition. In addition, with the transition to a decarbonized society, there are some areas in which the Company's conventional product market is expected to shrink. If the Company fails to respond to new areas of market expansion, the Group's business performance and financial position may be affected. With regard to climate change, there is a growing movement to become carbon neutral around the world, and with Japan declaring its commitment to carbon neutrality in 2050, the Group believes it is necessary to take prompt action to respond to the tightening of regulations that are expected in the near future.

For this reason, the Group is working to reduce GHG emissions from its business activities by reviewing its GHG reduction targets for fiscal 2030 and increasing the use of energy-saving equipment and renewable energy. In addition, to improve the market competitiveness of the Group products, the Group is promoting the development of technologies that reduce the environmental impact, such as improvement of manufacturing processes, development of environmentally friendly products, and CO₂ capture, effective use, and storage (CCUS: Carbon Dioxide Capture, Utilization and Storage).

On the one hand, the Group expects that the demand for technologies, products, and services that contribute to energy saving and GHG emission reduction will expand due to the strengthening of climate change policies, and business opportunities will increase. The Group is developing materials, products and technologies that contribute to decarbonization, promoting the development and use of renewable energy such as geothermal power generation, promoting demonstration tests and technological development related to CO₂ capture and use, and preserving the forests owned by the Group.

Basic Approach

We are striving to strengthen our crisis management systems to facilitate prompt, accurate responsiveness to emergency situations, including natural disasters, accidents, terrorist attacks and pandemic events. Besides operating crisis management related rules that apply to the entire Group, we have formulated business continuity plans at all our consolidated subsidiaries in Japan and overseas. These plans are regularly updated to ensure their relevancy. In the event of a large-scale earthquake or pandemic, we have incorporated the identification of essential human and material resources to ensure the rapid recovery of critical operations. This includes stockpiling provisions, outlining plans for alternative supply of crucial products, and scheduling maintenance and repairs for vital facilities. The scenario assumptions are as follows:

〈Large-Scale Earthquake〉

- All buildings usable, minor equipment damage
- Power and networks (critical systems, internet, phone, etc.) unavailable (for 3 days)
- Suspension of water supply and sewage (insufficient supply of drinking water and toilets)
- Numerous absences due to halted transportation services

〈Pandemic〉

- Implementation of a state of emergency and voluntary restraint of commuting due to numerous infections (approximately 1 month)

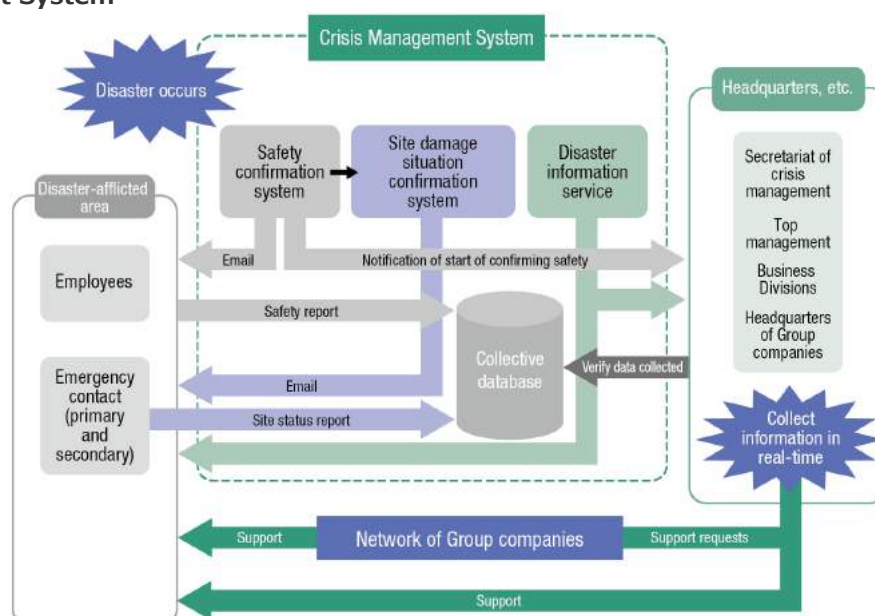
Through these measures, even in the event of a crisis, we strive to swiftly recover and continue our operations to minimize the impact on our customers. Furthermore, we continuously receive up-to-date crisis management information and specialized advice from external consulting firms and others around the world. Our employees traveling abroad or stationed in various locations are equipped to make informed decisions in times of crisis and have access to safety assurance and medical services on-site. Additionally, we have established a framework that clearly outlines response structures, roles, responsibilities, and organized chronological response measures for various crisis situations, ensuring a robust capability to respond to crises effectively.

Crisis Management System

The Group implemented a crisis management system both in Japan and abroad in order to help quickly assess the safety of employees and the scope of damage at business sites in the event of a disaster or other crisis, and to share this throughout the Group.

This has made it possible to initiate a swift and appropriate initial response and has also allowed us to leverage the Group's network to provide support, etc. from sites near disaster-afflicted areas.

■ Crisis Management System



The Group defines information security as one of the issues in management, and aims to conduct safe business by ensuring information management, including the handling of personal information.

Basic Approach

The Group considers information security as one of its management issues, recognizes the personal information of customers and business partners to be one of the most important information assets, and strives to reduce the risk of information leakage, loss, and destruction.

Management System

In order to ensure compliance with the Group information security management policy, we have defined Group Information Security Management Regulations, Information Security Measure Standards, Confidential Information Management Regulations, and various implementation procedures that must be complied with.

Group Information Security Management Regulations:

Basic rules regarding the construction and operation of a management system for Group information security, for the goal of protecting the information assets owned or managed by the Group from theft, leakage, modification, or destruction, and minimizing corporate loss.

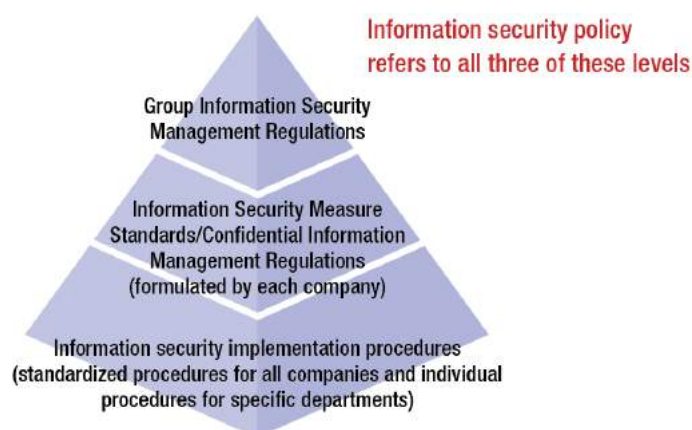
Information Security Measure Standards:

Standards defining information security countermeasures for electromagnetic information assets that the Group must follow.

Confidential Information Management Regulations:

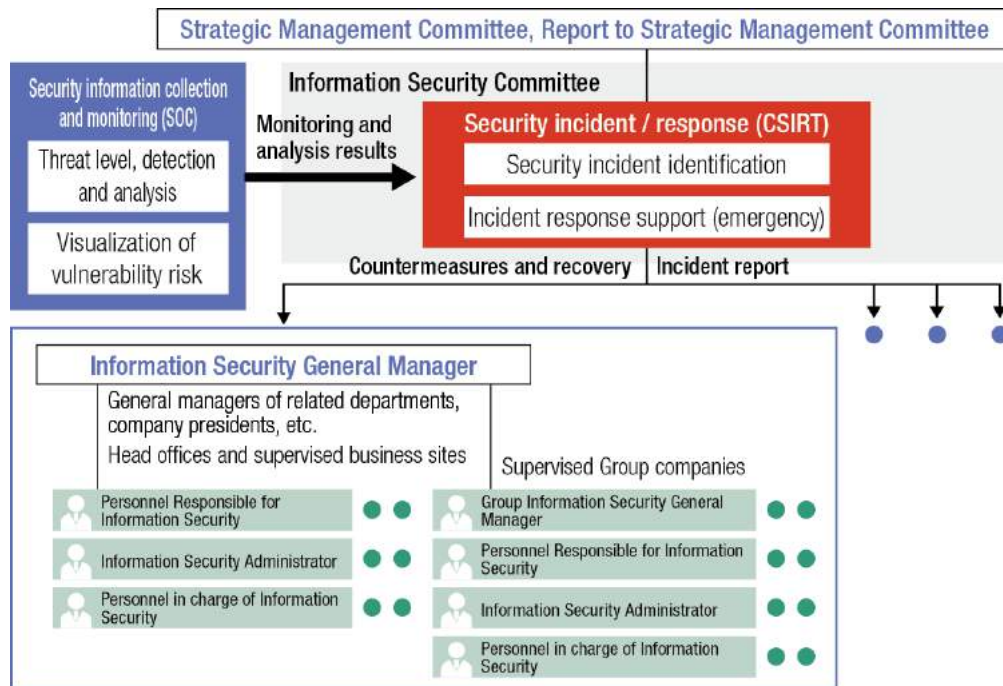
Basic rules regarding the handling of personal information and basic indicators on management methods for maintaining the confidentiality of information assets in general.

■ Scheme of Information Security Policy and Documentation



In addition, “Information Security Panels” are set up to establish, adopt, operate, monitor, review, maintain and improve our information security policy, and information security managers are assigned to the Group and group companies to operate and monitor them.

■ Information Security Operations and Management Structure



Various Information Security Compliance Initiatives

Our information security activities involve enhancing and expanding our information infrastructure with an eye towards business continuity in the event of a large-scale disaster, strengthening our technical measures for information systems, and introducing and operating management systems. Technical efforts include enhancing our protective measures for preventing damage from attacks that leverage known vulnerabilities, as well as our risk reduction measures, which include enhancing defense in depth and the early detection of damage from new threats such as targeted attacks. In order to counter the rising threat of ransomware, we have introduced a system for forcibly applying updates and patches for vulnerabilities of the Group and all Group companies, including overseas companies.

On the management end, we strive to maintain and improve our level of security by implementing the PDCA cycle of performance evaluations and employee education on a continual basis.

As a measure of fiscal 2024, we will continue to promote the stable operation of and expand the monitored areas of the Security Operation Center (SOC), which completed the global expansion of monitored sites during fiscal 2023. In addition, we aim to establish the activities of the Computer Security Incident Response Team (CSIRT) while raising and unifying the level of security awareness through information security education and training.

Furthermore, in addition to complying with domestic personal information protection laws and the GDPR, we will comply with the personal information protection laws of relevant countries, while planning the implementation of new security measures in the OT field, where digitalization and the transition to smart factories are progressing, and a greater focus on supply chain risk management. As security threats continue to worsen, we will continue to comprehensively, efficiently, and appropriately investigate and implement a variety of technical countermeasures.

■ Basic Approach

During the COVID-19 pandemic, the Group implemented various measures under a common group policy to prevent important business from stopping, which prioritizes preventing employee infections and stopping the spread of infections at business sites and in the local community.

1. We will make every effort to prevent infections and the spread of infections in order to prioritize the health of employees and the safety of the workplace.
2. We will conduct business activities according to the requests and instructions of national and regional government, and each of our employees shall act with awareness in their personal lives.
3. We will continue our business to ensure the production and supply of products that support society and prevent interruptions to our recycling business, and thereby meet the demands of our customers and society.
4. We will take efforts for responding to COVID-19 as an opportunity to implement workstyle reforms, and improve productivity.

■ Task Force

In January 2020, the Group established a task force at the head office to direct a unified COVID-19 response across the Group. The task force formulated preventative measure guidelines and group action policies according to the status of the pandemic around the world and conducted monitoring to ensure that the Group can handle changes to the situation swiftly and appropriately by centralizing information on the health of employees, the situation of various countries and regions, etc. while sharing that information with top management.

In May 2023, COVID-19 was reclassified under Japan's Infectious Disease Control Act as a Category 5 infectious disease, and the COVID-19 task force was disbanded as a result.

■ Measures for Preventing Infection and the Spread of Infection

The Group implements various measures for ensuring the health of all employees and maintaining workplace safety in Japan and overseas, as well as preventing the spread of infection in the various regions where we conduct business.

1. Dissemination of infection prevention measures in the workplace and thorough health management of employees.
2. Dissemination of the procedure to follow when an individual is infected or suspected to be infected.
3. Full-scale operation of working from home at offices, restrictions on using public transport, and utilization of satellite offices.
4. Restrictions on business trips, meetings, and events, and promotion of remote meetings via the Web.
5. Evacuation of employees stationed overseas, depending on the regional status of the epidemic, movement restrictions, standard of medicine, and state of medical services, etc.

■ Business Continuity

In order to continue producing and supplying products and services that support society and important businesses of the Group such as the recycling business, thereby meeting the demands of our customers and society, the Group implemented various measures appropriate to the current status of the pandemic and requests from national and regional governments, based on business continuity plans for each of our business sites.

1. Offices identify which work is important and continue to function, with all important work performed from home in principle and limiting office attendance to the minimum necessary number of BCP members.
2. Production sites identify which work is important and must be continued and implement a system for doing so based on multiple scenarios that take into account employee commuting restrictions and operation restrictions resulting from the spread of infection within the community.
3. Supply chains are enhanced by diversifying raw material suppliers and outsourcers, using multiple distribution routes, enhancing cooperation with customers, etc.

■ Responding to Change

In May 2023, COVID-19 was reclassified under Japan's Infectious Disease Control Act as a Category 5 infectious disease, but that does not mean that the risk of similar infections spreading has been completely eliminated. In addition to responding to the significant changes caused by COVID-19 in society, this business environment and business structure, the Group is taking the opportunity to implement various measures for increased competitiveness, such as further enhancing cooperation with markets and customers, migrating to new work styles such as teleworking, improving management speed via digital transformation, and rebuilding business models.

Enhancement of Corporate Governance

Corporate Governance

Basic Approach

The basic approach to corporate governance of Mitsubishi Materials Corporation (“Company”) is described below.

- We have, based on the Corporate Philosophy of the Group, Vision, Values, Code of Conduct, Mission and the Basic Policy on Corporate Governance* established by the Board of Directors, developed trust with all stakeholders related to the Company and its subsidiaries, such as shareholders and investors as well as employees, customers, client or supplier companies, creditors and local communities, and also develop our corporate governance.
- Among the governance systems under the Companies Act, we have chosen to be a Company with a Nomination Committee, and by separating supervision and execution, will strengthen the Board of Directors’ management supervisory functions, improve the transparency and fairness of management and accelerate business execution and decision making.
- We acknowledge the enhancement of corporate governance to be one of the most important management issues, and continuously make efforts to improve our corporate governance.

The MMC Group has set out “Our Commitment” of “For people, society and the earth, circulating resources for a sustainable future.” Toward the realization of its goal, we are introducing in-house company system to, flexibly and appropriately, expand our recycling system and supply high-performance materials and products.

* We have prepared the “[Basic Policy on Corporate Governance](#)”, which is disclosed on the Company’s website, as a compilation of the basic approach to and framework of corporate governance.

Overview of Corporate Governance

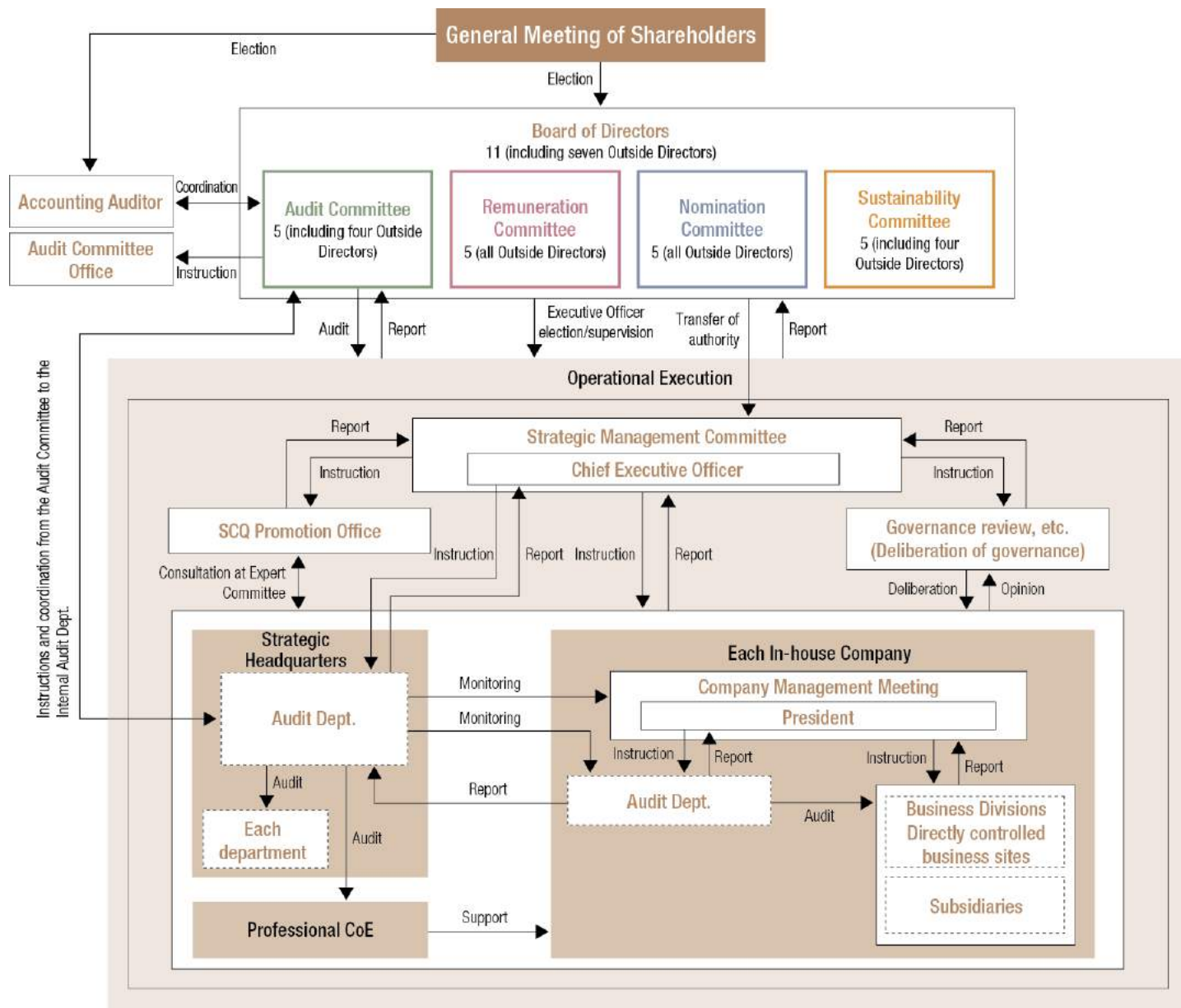
Board of Directors

The functions and duties of the Board of Directors shall be as follows:

- Upon delegation by shareholders, the Board of Directors shall indicate the direction of its management and make an effort to enhance the Group’s medium- to long-term corporate value by, for example, engaging in freewheeling and constructive discussion on management policies and management reforms.
- The Board of Directors shall determine matters that may have a serious impact on management, such as management policies and management reforms, in accordance with the provisions of laws, the Articles of Incorporation and the Board of Directors Rules.
- The Board of Directors shall accelerate decision-making in business execution by delegating the authority over business execution to an appropriate extent to Executive Officers in accordance with the provisions of the Board of Directors Rules, etc. so that Executive Officers may assume the responsibility and authority to make decisions and execute business in response to changes in the business environment.
- The state of Group governance and the progress of the execution of duties, including the progress of the management strategy, shall be reported by Executive Officers to and supervised by the Board of Directors on a periodic basis.

Further, Outside Directors play a role in supervising the appropriateness of Directors and Executive Officers in the execution of their duties from an objective standpoint and in providing a diverse range of values regarding the management of the Company based on expert knowledge and through experience that differs from that of officers who advanced internally, so that the Board of Directors’ management supervisory functions would be further strengthened. The Board of Directors is comprised of 11 Directors (including 7 Outside Directors), and the Chairperson of the Board of Directors is performed by the Akira Takeuchi (Chairman of the Company).

■ Overview of the Corporate Governance System (Chart as of July 1, 2023)



Nomination Committee

The Nomination Committee determines the policy for the nomination of candidates for Director, the content of proposals, etc. concerning the election and dismissal of Directors to be submitted to General Meetings of Shareholders. In addition to this, the Nomination Committee reviews and responds to inquiries from the Board of Directors concerning the election and dismissal, etc. of Executive Officers. Furthermore, in order to develop human resources who will lead the next generation of management, the Nomination Committee deliberates on successor candidates for the Chief Executive Officer together with the development plans, and supervises to ensure the development of successor candidates is performed appropriately. Majority of the Nomination Committee members shall be Independent Outside Directors, and the Chairperson shall be performed by an Independent Outside Director. The Nomination Committee is comprised of 5 Directors (All are Outside Directors), and the Chairperson is Mariko Tokuno (Independent Outside Director).

The Chief Executive Officer had served as a Nomination Committee member in the past. In order to strengthen the independence and objectivity of the Committee, we revised the composition of the Committee so that all five members are Outside Directors. For the purpose of ensuring the effectiveness of the Committee, Executive Officers are required to attend Committee meetings where necessary to hear their explanations and opinions.

Audit Committee

The Audit Committee audits the legality and validity of duties performed by Directors and Executive Officers, via audits either using internal control systems or directly by the Audit Committee member selected by the Audit committee.

Majority of the Audit Committee members shall be Independent Outside Directors, and the Chairperson shall be performed by an Independent Outside Director. The Audit Committee also elects one (1) full time Member of the Audit Committee in order to

improve the effectiveness of audits conducted by the Audit Committee. The Audit Committee is comprised of 5 Directors (including 4 Outside Directors), and the Chairperson is Kazuhiko Takeda (Independent Outside Director).

Remuneration Committee

The Remuneration Committee establishes policies for determining individual remuneration for Directors and Executive Officers, and determines the individual remuneration to be received by Directors and Executive Officers based on such policies.

Majority of the Remuneration Committee members shall be Independent Outside Directors, and the Chairperson shall be performed by an Independent Outside Director. The Remuneration Committee is comprised of 5 Directors (All are Outside Directors), and the Chairperson is Hikaru Sugi (Independent Outside Director).

In order to strengthen the independence and objectivity of the Committee, we revised the composition of the Committee so that all five members are Outside Directors. For the purpose of ensuring the effectiveness of the Committee, Executive Officers are required to attend Committee meetings where necessary to hear their explanations and opinions.

Sustainability Committee

The Sustainability Committee shall review policies on sustainability issues and others after being consulted by the Board of Directors, and submit the details to the Board. Majority of the Sustainability Committee members shall be Independent Outside Directors, and the Chairperson shall be performed by an Independent Outside Director. Currently, the Sustainability Committee is comprised of 5 Directors (including 4 Outside Directors), and the Chairperson is Koji Igarashi (Independent Outside Director). The Sustainability Committee had eight members in the past. In order to further increase the level of discussions within the Committee, we revised the composition of the Committee so that the number of members are five, as with other Committees.

Executive Officer

Executive Officers execute business in accordance with the prescribed segregation of duties, based on the delegation of authority from the Board of Directors.

The Company has 9 Executive Officers, of which the Chief Executive Officer Naoki Ono, and Managing Executive Officer Makoto Shibata, are elected as Representative Executive Officers upon the decision of the Board of Directors.

Strategic Management Committee

Following the delegation of authority from the Board of Directors, the Strategic Management Committee reviews and determines important matters concerning the management of the entire Group. The Strategic Management Committee consists of the Chief Executive Officer and the Executive Officers in charge of each department of the Strategic Headquarters. The Chief Executive Officer serves as the chairperson of the committee.

Governance Review and Meeting for Sharing Governance Information

The Governance Review and Meeting for Sharing Governance Information is composed of members of the Strategic Management Committee and general managers of relevant departments. It handles governance matters such as compliance, safety/disaster prevention, hygiene, environmental management, quality control, communication and information security, and is responsible for reporting, deliberating and following up on plans and initiatives, disseminating information to each department.

From February to March each year, we discuss and disseminate policies and initiatives of the business and management divisions (including directly controlled business sites and subsidiaries) for the following fiscal year.

From August to September each year, we work to improve the effectiveness of initiatives related to governance throughout the Group by reporting the status of response and deliberating and disseminating information on review plans.

Nomination of Candidates for Director and the Election and Dismissal of Executive Officers

1. Policy for Nomination of Candidates for Director

Our basic approach to the structure of the Board of Directors, which fulfills the roles of determining the direction of management and exercising supervision over the progress of business execution, is to ensure that it comprises a diverse range of human resources with different expert knowledge, experience, and other qualities. In particular, the Nomination Committee will consider candidates for Outside Director to ensure that they comprise individuals who possess experience and knowledge in corporate management (business similar to or different from the Group's business, etc.) and organizational management, and individuals who possess broad and advanced expert knowledge and extensive experience in relation to finance and accounting, legal affairs, production engineering, research and development, sales and marketing, or international relations, etc.

In light of the basic policy on the structure mentioned above, the Nomination Committee will nominate and select individuals who satisfy the following requirements as candidates for Director, regardless of individual attributes concerning gender, nationality and race, etc.:

- An individual of exceptional insight and character;
- An individual with a strong sense of ethics and a law-abiding spirit; and
- An individual who can properly fulfill his or her duties concerning the exercise of supervision over the management of the Company and the determination of the direction of management.

Further, with respect to candidates for Independent Outside Director, the Nomination Committee will nominate and select individuals who satisfy the following requirement in addition to the above requirements:

- An individual who has no material interest in the Group and who can remain independent.

The specific selection of personnel shall be decided after deliberation by the Nomination Committee. Provided that the Company considers that an Outside Director is not independent if he or she falls under any of the conditions listed below in addition to meeting the standards for independence established by Tokyo Stock Exchange, Inc

1. An individual who falls under or has fallen under any of items (1) or (2) below, either presently or in the past:
 - (1) An executive or non-executive Director of the Company; or
 - (2) An executive or non-executive Director of the Company's subsidiary.
2. An individual who falls under any of items (1) through (5) below:
 - (1) An executive of a client or supplier company of the Company, whose value of transactions amounted to 2% or more of the consolidated net sales of the Company or the client or supplier company as of the end of the previous fiscal year;
 - (2) A person who received, as a professional or consultant, etc., consideration of not less than 10 million yen from the Company in the previous fiscal year, excluding his/her consideration as a Director;
 - (3) An executive of an organization that received a donation of not less than 10 million yen from the Company in the previous fiscal year;
 - (4) A shareholder who directly or indirectly holds at least 10% of the total number of voting rights of the Company or an executive of such shareholder; or
 - (5) The Company's Accounting Auditor or its employee, etc.
3. An individual who has fallen under any of items (1) to (5) of 2 above at any time in the past three (3) years:
4. A close relative of any of the persons listed in item (1) or (2) of 1 above, items (1) to (5) of 2 above, or 3 above (excluding unimportant persons); or
5. A person who has served as the Company's Outside Director for a period of more than eight (8) years.

2. Policy for Election and Dismissal of Executive Officers

In electing Executive Officers responsible for the execution of business tasks, the Nomination Committee will elect individuals who satisfy the following requirements, regardless of individual attributes concerning gender, nationality and race, etc.:

- An individual of exceptional insight and character;
- An individual with a strong sense of ethics and a law-abiding spirit; and
- An individual well-versed in management and the business activities of the Group.

In relation to the election process, the Chief Executive Officer will first draft a proposal for the election of Executive Officers after consulting with relevant officers as necessary. The Chief Executive Officer will then submit a proposal for the election of Executive Officers to the Board of Directors based on the deliberations and responses to inquiries at a Nomination Committee meeting, and Executive Officers will be elected by resolution of the Board of Directors based on a comprehensive

review of the candidates' personal history, achievements, specialist knowledge, and other capabilities.

In addition, if any event occurs that makes an Executive Officer highly ineligible in light of these standards, the Executive Officer shall be dismissed by resolution of the Board of Directors following a review by the Nomination Committee.

■ Expertise and Experience of the Directors

The main expertise and experience owned by the Directors are shown in the Skill Matrix in Table 1. In addition, Table 2 shows from what perspectives the Directors contribute and provide knowledge on the Group-wide Policy the Company's Medium-term Management Strategy from fiscal 2021 to fiscal 2023 and the development of the Medium-term Management Strategy fiscal 2031 based on their respective expertise and experience as indicated in the Skill Matrix.

■ [Table 1] Expertise and Experience of Directors (Skill Matrix)

Name	Business experience outside the Company	Expertise and experience						
		Corporate management & organizational management	International experience	Sales & marketing	Production engineering	Research & development	Legal affairs	Finance & accounting
Akira Takeuchi		●	○				●	○
Naoki Ono		●	○	○	○		○	○
Makoto Shibata		●	○		○	○	○	○
Nobuhiro Takayanagi		●	○	○			○	○

Outside Director

Mariko Tokuno	Consumer goods	●	○	○			○	○
Hiroshi Watanabe	Tax system and international finance	●	●				○	○
Hikaru Sugi	Automotive products	●	○		○	●		
Tatsuo Wakabayashi	Finance	●	○				○	○
Koji Igarashi	Food and food materials	●	○		●	○		○
Kazuhiko Takeda	Conglomerate	●	○	○			○	●
Rikako Beppu	Legal profession		○				●	

○ indicates expertise and experience owned (● indicates primary)

*: The above Skill Matrix does not cover all the expertise and experience owned by the Directors.

■ [Table 2] Contribution and Perspectives of the Directors on Key Themes

Name	Group-wide Policy in the Medium-term Management Strategy from FY2021 to FY2023			Development of the Medium-term Management Strategy FY2031		
	Optimization of business portfolio	Comprehensive efforts to increase business competitiveness	Creation of new products and businesses	Development in general	Human resources strategy	Sustainability
Akira Takeuchi	Perspective based on experience of management of the Group as President, and perspective based on the Group's history			Perspective based on the history of the management of the Company	Perspective from experience as an officer in charge of human resources	Perspective based on experience in overseeing the strengthening of the Group's governance
Naoki Ono	Perspective from the position of President, overseeing the management of the Group			Provision of perspective from experience as CEO of the Company, and lead person of discussion		
Makoto Shibata		Perspective from experience as an officer in charge of DX promotion and system strategy	Perspective from extensive experience in developing new businesses of the Company	Perspective from experience as an officer in charge of Manufacturing and R&D Strategy, DX promotion, and system strategy		Perspectives from experience as a management in the mineral resources and recycling business
Nobuhiro Takayanagi		Perspective from extensive sales experience in business of the Company		Perspective from experience as CFO of the Company		Lead person of discussion as the officer in charge of the global environment

Outside Director

Mariko Tokuno	Perspective of management and knowledge from different industry			Perspective from experience as a management executive of a Japanese subsidiary of a major international company	Perspective in utilizing human resources in terms of diversity with management experience	
Hiroshi Watanabe	Perspective based on global economic trends			Perspective of overseas strategies based on economic trends	Perspective from experience in personnel management in government offices	Perspective from ethics in national public service and business management in developing countries
Hikaru Sugi		Perspective from in-depth knowledge of the entire value chain from development to manufacturing based on technology trends		Perspective from experience of global management in manufacturing	Perspective from experience of human resource management in manufacturing and engineers	Perspective based on future technological trends
Tatsuo Wakabayashi	Perspective on portfolio management from an investor's point of view		Perspective from the experience of creating new businesses in the context of business restructuring	Perspective from experience as top management	Perspective based on working styles at a financial institution	Perspective from experience and knowledge of governance of financial institutions
Koji Igarashi	Perspective from experience in business restructuring	Perspective from extensive technical expertise in technology development and production based on technology trends		Perspective from experience of global management in manufacturing	Perspective from experience of human resource management in manufacturing	Proposal of issues from a wide range of perspectives including future trends and exchange with external experts
Kazuhiko Takeda	Perspectives from practical experience in global management in manufacturing Perspectives on business management from extensive experience as CFO			Perspective from experience as a management executive of a global company Perspective on financial strategy and capital policy from experience as CFO		Posing of issues from the financial perspective
Rikako Beppu	Perspective from experience of handling many M&A transactions			Perspective from experience in international corporate legal affairs	Perspective from experience in diversity activities and initiatives	

*1 The items are focused on those with high contribution by the Directors.

*2 As for Makoto Shibata, the contribution and perspectives provided as an Executive Officer are described.

Policy on Determining of Remuneration for Officers

With the aim of creating an attractive remuneration system for outstanding management personnel that will drive improvements in the Group's corporate value from a medium- to long-term viewpoint and establishing remuneration governance that will enable the Company to fulfill its accountability to stakeholders, including shareholders, the Company shall establish a policy on determining the remuneration for Directors and Executive Officers ("Officers") and a remuneration system as follows:

1. Policy on Determining Remuneration for Officers

- (1) A system shall be created that provides competitive standards for remuneration compared with companies of a business category and size similar to the Group.
- (2) The performance of the functions and duties assumed by each Officer and contributions to the improvement of medium to long-term corporate value shall be evaluated in a fair and equitable manner, and the evaluation results shall be reflected in remuneration.
- (3) In order to have remuneration function as a sound incentive to improve the Group's medium- to long-term corporate value, remuneration shall consist of basic remuneration, an annual bonus based on performance evaluations in each fiscal year, etc. and stock-based compensation, which is a medium- to long-term incentive linked to medium- to long-term performance and corporate value. The remuneration composition ratio shall be determined appropriately in accordance with one's job position. Provided, however, that for Directors (excluding those who concurrently hold the posts of Director and Executive Officer), only basic remuneration shall be paid in cash, in light of their function and role of supervising the performance of job duties by the Executive Officers.
- (4) An annual bonus shall be determined with the emphasis on the performance in each fiscal year, while appropriately evaluating the relative results of Total Shareholder Return (TSR)* and the status of each Executive Officer's implementation of medium- to long-term management strategies, etc.

$$* \text{TSR} = \frac{\text{Average closing price of the stock on each day in March of the current year} + \text{Total amount of dividends per share in the current fiscal year}}{\text{Average closing price of the stock on each day in March of the previous year}}$$

- (5) A medium- to long-term incentive shall be stock-based compensation that enables Officers to share awareness of profits with shareholders in order to enhance corporate value from a medium- to long-term viewpoint.
- (6) The policies for determining remuneration and the amount of individual remuneration shall be deliberated and determined by the Remuneration Committee composed of a majority of Independent Outside Directors.
- (7) Necessary information shall be disclosed actively so that stakeholders including shareholders can monitor the relationship between performance, etc. and remuneration.

2. Remuneration System for Officers

- (1) Directors (excluding those who concurrently hold the posts of Director and Executive Officer)
The remuneration system for Directors shall be determined so that only basic remuneration shall be paid in cash, taking into consideration an individual Director's job position, whether he/she is a full-time/part-time Director, etc. and referring to the standards for remuneration of other companies based on the research of outside experts.
- (2) Executive Officers
The remuneration payable to Executive Officers shall consist of basic remuneration, which is fixed remuneration, and an annual bonus and stock-based compensation, which are performance-linked remuneration. The remuneration composition ratio shall be in line with "Basic remuneration/Annual bonus/Stock-based compensation = 1.0/0.6/0.4" (In the case where the annual bonus payment rate is 100%) as to the Chief Executive Officer, and for other Executive Officers, the ratio of performance-linked remuneration to basic remuneration shall be set lower than that for the Chief Executive Officer. Further, the standards for remuneration shall be determined by referring to the standards of peer companies (similar-sized companies determined by the Remuneration Committee) based on the research of outside experts.

<Basic Remuneration>

Basic remuneration shall be paid in cash as fixed remuneration in accordance with one's job position.

<Annual Bonus (Short-term Incentive Remuneration)>

The annual bonus shall be determined based on the consolidated operating profit, relative comparison of TSR, and status of achievement of the non-financial target set for each Executive Officer, on a single-year basis.

The specific evaluation items shall be as follows:

【Evaluation Items】

1. Consolidated operating profit (or, in the case of an Executive Officer in charge of business activities, operating earnings from the relevant business sector), based on which the earning capacity of one's main job is evaluated; to be multiplied by an adjustment factor based on the consolidated operating profit growth rate compared with other companies to enhance consciousness on growth greater than market growth (relative comparison with six nonferrous metal companies and the companies chosen mainly among similar-sized manufacturing companies)
2. Relative comparison of TSR (relative comparison with six nonferrous metal companies and the companies chosen mainly among similar-sized manufacturing companies)
(Relative comparison among the Company and six nonferrous metal companies and, between the Company and companies chosen similar-sized manufacturing companies)
3. Non-financial evaluation that evaluates the status of achievement of the targets set for each Executive Officer at the beginning of the term and other relevant factors with regard to efforts aimed at improving medium- to long-term corporate value, which is less likely to be represented in short-term performance, as well as efforts in line with the Sustainability Policy*

*Sustainability Policy Items

1. Build a Work Environment that puts Safety and Health First
2. Respect Human Rights
3. Promote Diversity and Inclusion
4. Cultivate Mutual Prosperity with Stakeholders
5. Strengthen Corporate Governance and Risk Management
6. Engage in Fair Business Transactions and Responsible Sourcing
7. Ensure Stable Provision of Safe, Secure, and High Value Added Products
8. Proactive Engagement for the Global Environment

【Calculation Formula】

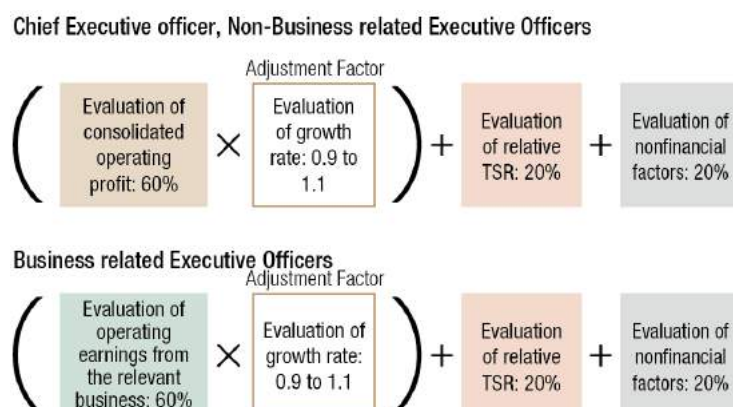
By deeming the amount payable for achievement of the target (Base Annual Bonus) as 100%, the amount for each individual shall be calculated by using the following calculation formula:

Annual Bonus = Base Annual Bonus by Job Position × Payment Rate Based on Performance Evaluation*

* Payment Rate Based on Performance Evaluation shall range from 0% to approx. 200% based on a performance.

【Evaluation Weight】

The annual bonus shall be determined based on the evaluations of each portion of 60%*, 20% and 20% of the base amount, which depends on one's job position, in terms of consolidated operating profit (or, in the case of an Executive Officer in charge of business activities, operating profit from the relevant business sector), relative TSR comparison and non-financial factors, respectively.



【Target of performance evaluation indicator for annual bonus】

With regard to the target of performance evaluation indicators for annual bonuses, in principle, consolidated operating profit for the current period planned in the Medium-term Management Strategy shall be applied (For operating earnings of the business for which the Officer is responsible, planned consolidated operating earnings from the relevant business sector shall be used.).

<Stock-based compensation (Medium- to long-term incentive remuneration)*>

Stock-based compensation shall be a system that utilizes a trust for the purpose of achieving the sharing of a common profit awareness with shareholders. This shall be used as an incentive for improving the medium- to long-term corporate value of the Group and under which the Company's shares and cash equivalent to the proceeds from the realization of the Company's shares (hereinafter referred to as "the Company's Stock, etc.") shall be granted in accordance with one's job position, upon retirement from the post of Executive Officers. No performance conditions nor stock price conditions shall be set with respect to the shares to be delivered.

Please note that in the case of a non-resident staying in Japan, different treatment may be applied under laws or for any other relevant circumstances.

* The Officers' remuneration system adopts a structure called BIP (Board Incentive Plan) and grants to the Executive Officers the shares of the Company's Stock, etc. It is an incentive plan to accumulate points to be given to Executive Officers in accordance with their positions for each three consecutive fiscal year (from Fiscal 2024 to Fiscal 2026), and to grant the shares of the Company's common stock equivalent to 70% of such accumulated points (shares less than one unit shall be disregarded) and cash equivalent to realized value of the shares of the Company's common stock equivalent to the remaining accumulated points as compensation to Executive Officers after their retirement.

One point is deemed equal to one share of the Company's common stock, and if a stock split or reverse stock split occurs during the trust period, the number of the Company's shares per point shall be adjusted according to the stock split ratio or reverse stock split ratio of the Company's shares. The maximum number of points to be given to Executive Officers during the Applicable Period shall be 140,000 points in total.

Amount of Remuneration, etc. for Directors and Executive Officers (Fiscal 2023)

Classification of Officers	Total amount of remuneration, etc. (Million Yen)	Type of Remuneration, etc.					
		Monetary remuneration				Nonmonetary remuneration	
		Basic remuneration		Bonus (Performance-linked remuneration)		Stock-based compensation	
		Total (Million Yen)	Number of eligible recipients	Total (Million Yen)	Number of eligible recipients	Total (Million Yen)	Number of eligible recipients
Directors (Other than Outside Director)	97	97	2	—	—	—	—
Executive Officer	740	354	10	273	10	112	10
Outside Director	122	122	8	—	—	—	—

*1 The total amount of remuneration, etc. paid to Director who concurrently serve as Executive Officers and applicable employees are shown in the total amount of remuneration for Executive Officers.

*2 The Company had 10 Directors and 10 Executive Officers as of the end of fiscal 2023. The applicable number of directors includes two directors (including one Outside Director) who resigned during fiscal 2023.

*3 The Company has introduced stock-based compensation based on a trust scheme, and the above amount of stock-based compensation represents the amount recorded as expenses for fiscal 2023.

Executives with Total Compensation of 100 Million Yen or More (FY 2023)

Name	Classification of officers	Total amount of remuneration, etc. (Million Yen)	Type of remuneration, etc. (Million Yen)		
			Monetary remuneration		Nonmonetary remuneration
			Basic remuneration	Bonus (Performance-linked remuneration)	Stock-based compensation
Naoki Ono	Executive Officer	143	63	55	25

*1 Naoki Ono currently serves as both a Director and an Executive Officer. However, since he is included in the classification “Executive Officer” in Amount of Remuneration, etc. for Directors and Executive Officers. above, he is also classified as an “Executive Officer” in this section.

*2 The Company has introduced stock-based on a trust scheme, and the above amount of stock-based compensation represents the amount recorded as expenses for 2023.

Meetings of Board of Directors that were Held, Attendance at the Meetings, and the Number of Years Served by Directors

The Board of Directors met 19 times in fiscal 2023. To ensure the effectiveness of the Board of Directors, the Company requires each Director to make every effort to attend all meetings, and the attendance rate was 100% in fiscal 2023. 100% attendance rates are also maintained by the Nomination Committee (which met 15 times), Audit Committee (16 times), Remuneration Committee (11 times), and Sustainability Committee (9 times).

Number of Board of Directors Meetings held and Attendance at the Meetings (Fiscal 2023)

	Board of Directors	Nomination Committee	Audit Committee	Remuneration Committee	Sustainability Committee	Total
Number of meetings held	19	15	16	11	9	59
Rate of attendance of all Directors (%)	100	100	100	100	100	100
Rate of attendance of External Directors (%)	100	100	100	100	100	100

The term of a Director in the Company is one year. As of July 2023, the average number of years served by active Directors was 5.0 years while the figure for Directors who have resigned in the past five years was 2.3 years.

Average Number of Years Served by Directors (As of July 2023)

Item	Average term
Average number of years served by active Directors at present	5.0years
Average number of years served by Directors who resigned in the past five years	2.3years

Analysis and Evaluation of the Effectiveness of the Board of Directors

The Company analyzes and evaluates the effectiveness of the Board of Directors based on the evaluation by each Director on an annual basis. In fiscal 2022, the evaluation was conducted using a third-party organization for the first time (In the future, a third-party evaluation shall be conducted once every three years).

In fiscal 2023, the Company evaluated the effectiveness of the Board of Directors by way of a questionnaire-based self-evaluation.

The evaluation method and a summary of the results are outlined below.

1. Method of analysis/evaluation

(1) Evaluation process

- October 2022 / At the Board, Directors discussed the evaluation implementation policy for the current fiscal year and following years in the future. As a result, the Board confirmed that a self-evaluation shall be conducted in fiscal 2023, and a third-party evaluation shall be conducted once every three years.

- From December 2022 to January 2023 / Under the leadership of the Chairperson of the Board of Directors, a questionnaire was distributed to all ten Directors and responses were retrieved.
- February 2023 / The Directors discussed the effectiveness of the Board of Directors based on an analysis of the questionnaire results.
- March 2023 / Following the discussions in February, the Board of Directors passed a resolution on the effectiveness of the Board of Directors for fiscal 2023.

(2) Questionnaire items

The questionnaire uses a five-grade evaluation for the questions below (1. Strongly agree, 2. Agree, 3. Neither agree nor disagree, 4. Disagree, 5. Totally disagree) and provides a free comment space where needed.

- Scale and composition of the Board of Directors
- Status of operations of the Board of Directors
- Composition, roles and status of operations of each of the Nomination Committee, Audit Committee, Remuneration Committee, and Sustainability Committee
- Support system for Outside Directors
- Relationship with investors and shareholders
- Other matters concerning the Board of Directors in general, etc.

2. Evaluation of the status of initiatives concerning the issues for Fiscal 2023 based on the Fiscal 2022 evaluation

There was an evaluation of initiatives concerning the following matters taken by the Board of Directors in fiscal 2023, based on the results of evaluating the effectiveness of the Board of Directors for fiscal 2022. It was confirmed that "certain measures were taken and improvements have been made" in general, though "measures were not taken sufficiently" on certain matters.

(1) Matters pertaining to the operation of the Nomination Committee, Audit Committee and Remuneration Committee

- In the evaluation process, it was pointed out that while the details of in-depth discussions by each committee need to be shared more with the Board of Directors as a whole, for matters discussed by the Nomination Committee and the Remuneration Committee in particular, the presence of stakeholders (mainly internal Directors) at meetings of the Board of Directors also needs to be taken into account. Accordingly, the frequency of Outside Directors' informal meetings, where discussions take place only among Outside Directors, was increased.
- While certain measures have been taken as mentioned above, the evaluation regarding a question whether communication between the Nomination Committee Members and Directors who are not Committee Members is sufficient suggested that there was not enough communication. On the other hand, there was also an opinion, "Excessive requests for sufficient communication may step into a discussion at the Nomination Committee, which must be avoided from the perspective of independence of the Committee."

(2) Matters pertaining to supervision of growth strategies by the Board of Directors

- When formulating the next Medium-term Management Strategy (fiscal 2031 Strategy), the details of measures including growth strategies, such as the next Medium-term Management Strategy, Group-wide strategy, individual business strategy, R&D and intellectual property strategy, business restructuring, and investment, were explained by the execution side at briefing for Directors, and discussed from a multilateral perspective.
- There were opinions concerning operational issues of briefings for Directors stating, "Since materials are distributed right before the meeting, it is impossible to secure time to review them," and "I hope there is an opportunity for discussion, based on input from a briefing for Directors." However, the evaluation of the responses themselves was favorable in general.

(3) Matters pertaining to the establishment of the Sustainability Committee

- The Sustainability Committee was established under the Board of Directors on June 28, 2022. The Committee considers monitoring methods and issues related to sustainability management and others as matters at the request of the Board of Directors for advice.
- The evaluation of the Committee's role and the direction of discussion, etc. was favorable in general. However, the number and composition of the Committee was evaluated to be not necessarily appropriate, as seen in opinions stating, "The Committee should be downsized as a level of other Committees" and "The Committee seems to be slightly oversized." The composition of each Committee was determined by a

resolution of the Board of Directors held on June 23, 2023, and the Sustainability Committee was downsized to the level of other Committees, thus this issue was resolved.

3. Summary of Fiscal 2023 evaluation results

As a result of deliberations by the Board of Directors, it was confirmed that the effectiveness of the Board of Directors was secured in fiscal 2023. The results of the questionnaire and a summary of Board of Directors' deliberations on the issues identified as challenges based on the result of the evaluation, are as follows.

- (1) Matters pertaining to the medium- to long-term competitive advantage of the Company
 - According to the questionnaire respondents, discussion at the Board of Directors on "Developments of technology and innovation, and medium- to long-term competitive advantage" and "Establishment of competitive advantage with the use of data and digital technology" was evaluated to be not necessarily sufficient. The evaluation also suggested that the Company's long-term competitive advantage (e.g., in business strategies, qualification of management, and corporate governance system) is not fully conveyed to the capital market.
 - In the discussion by Directors, there were opinions stating, "Explanation by the executive side must be provided with an awareness of where the Company is positioned relative to where competitors are," and "What the executive side explains is too technical for us to understand what desired effects are and where the Company is headed."
- (2) Matters pertaining to sharing of information between the Nomination Committee and other Directors
 - A summary of the questionnaire results is described in 2. (1) Matters pertaining to the operation of the Nomination Committee, Audit Committee and Remuneration Committee.
 - In the discussion by Directors, there was an opinion stating, "On the matters that require an approval by the Board of Directors finally, including an agenda for the election and responsibilities of Executive Officers, it is necessary to improve the sharing of information to other Directors, and deepen a discussion at the Nomination Committee."
- (3) Matters pertaining to the supervision of human resources strategy by the Board of Directors
 - According to the questionnaire respondents, "Discussion at the Board of Directors on the promotion of internal diversity" and "Discussion at the Nomination Committee on the succession plan for Executive Offices" were evaluated to be insufficient.
 - In the discussion by Directors, there were opinions stating, "Development of global human resources must also be regarded as a matter to be addressed," and "It is difficult to see the progress of diversity promotion of individual business divisions, and the Corporate division seems to have no authority to manage and supervise it."
- (4) Others
 - According to the questionnaire result, the evaluation of "Sufficient time and information to prepare for a discussion at the Board of Directors" was low. We have worked to improve this matter continuously and will keep making continuous efforts toward future.
 - According to the questionnaire results, many Outside Directors expressed hope for on-site visits. In light of the pandemic of COVID-19, we organized on-site visits mainly by newly appointed Outside Directors in fiscal 2023. In fiscal 2024, we plan to restart on-site visits by all Outside Directors.

4. Fiscal 2024 Initiatives to further improve effectiveness

The following are the Company's measures to improve effectiveness in fiscal 2024 based on the results of evaluating the effectiveness of the Board of Directors in fiscal 2023.

- (1) Response to opinions on the medium- to long-term competitive advantage of the Company
 - Explanatory materials for Directors from the execution side need to be prepared in a simpler, easier-to-understand manner with clearer directions, keeping in mind "Focus on important management matters that Directors should know and discuss," "Items that are progressing as scheduled should be described as concisely as possible," and "Describe the background and history of changes in the external environment including trends of competitors, and the current situation surrounding the Group." At the same time, regarding the provision of information on the Company's business, which is a prerequisite for management decisions, an explanation needs to be provided in briefings for Directors in order to eliminate information asymmetry between the Company and Outside Directors.
 - Appeal to the capital market by communicating and disseminating the new Medium-term Management Strategy FY2031, which was formulated based on the Company's medium- to long-term advantages.

Specifically, hold strategy briefings for each business to deepen investors' and analysts' understanding of Medium-term Management Strategy FY2031. In addition, in order to promote understanding of the Company's existing businesses and the initiatives of Medium-term Management Strategy FY2031, conduct tours for securities analysts and institutional investors in both domestic and overseas sites.

- (2) Response to opinions on sharing of information between the Nomination Committee and other Directors
- On the matters that require an approval by the Board of Directors (items to be reported from the Nomination Committee to the Board of Directors; they mainly cover information related to the election of Executive Officers, the selection of senior Executive Officers and the division of duties among Executive Officers), deepen discussions at the Nomination Committee and share information with Directors other than Committee members. Specifically, share and discuss the status of consideration regarding the election of Executive Officers more broadly in advance within the Nomination Committee, and share the specific process of considering the candidate selection method with Directors other than Committee members. In addition, regarding materials submitted to the Board of Directors in connection with the election of Executive Officers, enhance the description of reasons so that the background of the election, etc. can be better understood.
 - Furthermore, share information on other general matters discussed by the Nomination Committee (such as the process of nominating candidates for Directors) by enhancing reports at the Board of Directors meetings.
- (3) Response to opinions on the supervision of human resource strategy by the Board of Directors
- Regarding matters related to the promotion of diversity, explain the status of the promotion and issues in the Company at briefings for Directors.
 - Regarding the succession plan for Executive Officers, deepen discussions at the Nomination Committee as with "(2) Matters pertaining to sharing of information between the Nomination Committee and other Directors" above.

The Board of Directors will keep making efforts to improve the effectiveness toward future.

Status of Audits

Status of audits performed by the Audit Committee

In addition to attending meetings of the Strategic Management Committee and other important meetings, by making use of a method via the internet at the same time, members of the Audit Committee conduct interviews with Directors, Executive Officers, departments in charge of internal audits, and other departments in charge of internal control concerning progress on the execution of their duties, and view important approval documentation, etc. Selected members of the Audit Committee investigate the state of business and assets at the Company headquarters and important business sites according to the audit standards and audit plans, etc. of the Audit Committee as established by the Audit Committee. They also conduct onsite audits of subsidiaries, etc. as needed, while forming a framework for conducting audits on the state of the execution of duties by Directors and Executive Officers.

In addition, the Audit Committee holds regular meetings with major subsidiaries' Auditors as part of efforts to strengthen coordination in order to enhance the effectiveness of the Group's audit systems. The Audit Committee Office has been set up directly under the Audit Committee to assist the Committee's audit duties.

Status of internal audits

As of June 23, 2023, the Audit Dept. of the Strategic Headquarters and the Audit Dept. of in-house companies, which are departments in charge of internal audits, consist of 32 persons, including each General Manager of each Audit Dept. Each Audit Dept. is responsible for conducting internal audit work on the instructions of the responsible Executive Officers in cooperation with the Audit Committee to investigate the effectiveness and efficiency of company operations across the Group, the credibility of financial reports, the state of asset preservation and use, the risk management status, and the state of compliance with laws and regulations, and internal rules and standards, based on the internal audit plans approved by the responsible Executive Officers and the Audit Committee. They also share information with and work closely with the Accounting Auditor to conduct audits. The Audit Dept. of the Strategic Headquarters regularly reports the results of Group-wide audits to the responsible Executive Officer and the Audit Committee, and the responsible Executive Officer regularly reports the results of Group-wide audits to the Board of Directors.

Internal Control

Since the establishment of the Internal Control System Management Committee in January 2006, we have taken steps such as developing a set of basic principles for improving the Group's internal control systems, and ensuring compliance with the requirements to introduce internal control evaluation and disclosure systems in relation to financial reporting, in an effort to ensure compliance with the Companies Act, the Financial Instruments and Exchange Act, and other relevant legislation, and to establish the optimal internal control systems for both Mitsubishi Materials and the Mitsubishi Materials Group companies. Regarding evaluations conducted during fiscal 2023 on our internal control system for financial reporting, an Internal Control Report was submitted in June 2023 for which we received an unqualified opinion of the auditing firm that the content is appropriate.

Reduction of Strategic Share Holdings

The Company has a policy of not acquiring or holding shares (strategic share holdings) other than purely for investment purposes, except when it is required for the business strategy. With regard to the Shares in the Form of Strategic Share Holdings, the appropriateness of such holdings shall be specifically reviewed and examined at a meeting of the Board of Directors on an annual basis. As a result of such reviews and examinations, the Company will reduce any Shares in the Form of Strategic Share Holdings if it is not deemed to be necessary to hold such shares. The Company will make a continuous effort to reduce Strategic Share Holdings in accordance with the result of such reviews and examinations.

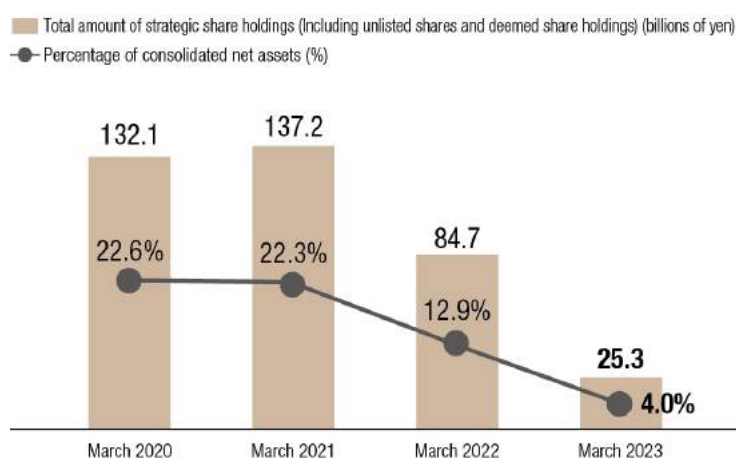
Reduction in fiscal 2023

In fiscal 2023, out of 12 Strategic Share Holdings, we sold all or a part of the shares issued by 8 issuing companies (excluding 18 shares transferred to Mitsubishi UBE Cement Corporation on April 1, 2022). The sales price was approximately 23.7 billion yen (at market value) in total.

■ Status of Strategic Share Holdings

		Mar. 2020	Mar. 2021	Mar. 2022	Mar. 2023
Number of strategic share holdings	Unlisted:	103	106	99	56
	Other than unlisted:	53	43	30	6
	Total amount:	156	149	129	62
Total price (billions of yen)	Unlisted:	30	28	61	23
	Other than unlisted:	1,140	1,167	647	149
	Total amount:	1,171	1,195	709	173

■ Percentage of Strategic Share Holdings in Consolidated Net Assets



Toward the Enhancement of Group Governance

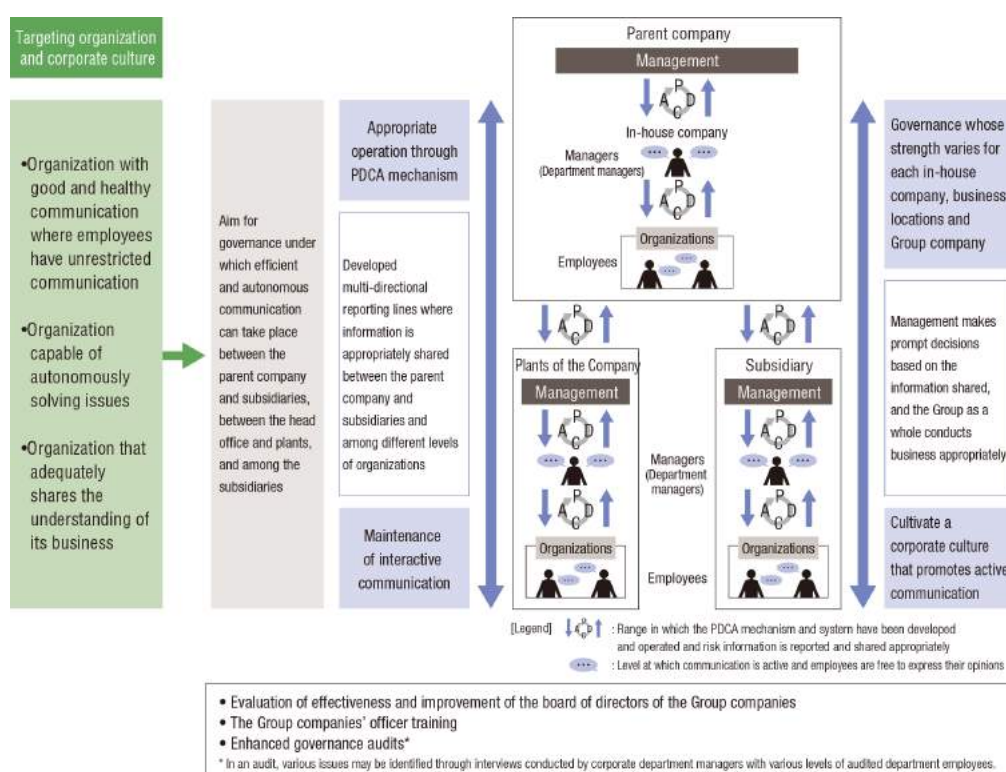
Future Group Governance Enhancement Initiatives

The SCQ Promotion Office established within Mitsubishi Materials will oversee and promote the enhancement of the Group's governance, including quality control. In addition, the Governance Deliberative Council will continue to meet and discuss the governance plans of business sites and inspect their progress, and each site will continue to implement initiatives to enhance governance formulated by the SCQ Promotion Office and others. Corporate divisions will continue to support the initiatives taken at each business site.

In this way, we will continue our initiatives to enhance the Group's governance, including quality control, and report the status of the initiatives' implementation to the Board of Directors.

■ The Target of Group Governance that the Mitsubishi Materials Group Aims to Achieve

Aim for governance under which efficient and autonomous communication can take place between the parent company and subsidiaries, between the head office and plants, and among subsidiaries.



Case and Measures for Robertson's Ready Mix, Ltd. (RRM)

It turned out that RRM and other companies (all of which were consolidated subsidiaries of the Company located in the U.S., hereinafter collectively referred to as "RRMs") conducted transactions with companies in which some senior executives of RRM have jointly invested. Insufficient checks on senior executives (minimized involvement in RRM to maintain a climate that supported RRM's success up to that period), concentration of authorities in senior executives and the culture to follow the top (History of success by top-down management as an owner-managed company), etc. were the causes. In addition, we conduct investigations into the existence of similar cases in the Group to confirm that there are no other cases.

* For details, please see the "Notice Regarding Submission of the Second Quarterly Securities Report for the Fiscal Year Ending March 31, 2021," (issued on December 16, 2020).

* On April 1, 2022, our company conducted a business transfer through an absorption-type split, with Mitsubishi UBE Cement Corporation assuming our cement business and its related operations. As a result, RRM became a consolidated subsidiary of Mitsubishi UBE Cement Corporation.

The Group-wide Internal Control Enhancement Measures

In response to the case of conflict-of-interest transactions by senior executives of RRM, in addition to RRM recurrence prevention measures, we take measures to further strengthen internal controls to prevent and detect fraud by senior executives throughout the Group at an early stage.

Themes	Specific measures	FY2023 Summary
1) Strengthening internal checks	1. Dispatch of multiple full-time officers from parent company	• Establishment of guidelines on the dispatch of multiple full-time officers and manuals on part-time officers' activities
	2. Confirmation of concurrent businesses and related-party transactions and the establishment of rules 3. Confirmation made at the time of new transactions, confirmation of the statuses of existing business partners	• Verification of regulations implementation in each company
	4. Introduction of an overseas in-house reporting system	• Verification of system operations
2) Raising the awareness of officers	1. Governance training for officers	• Implementation of governance training for directors in Japan and overseas
	2. Compliance training for managers of overseas subsidiaries	• Conducting video distribution and interactive training
3) Enhancing communications between persons in the second line		• Dialogues held on the themes of illegal trade, accounting fraud, and violations of the Antimonopoly Act
4) Expanding internal audits (Audit Dept.)		• Implementation of bookkeeping audits

Group Governance Framework Enhancement Measures

We have formulated and are executing measures for enhancing the Group governance framework in order to solve issues regarding Group-wide governance that were identified based on analyses of the backgrounds and causes of quality issues that have occurred in our Group since 2017. Monitoring by Outside Directors and outside experts ended on May 13, 2020, but we have continued to engage in autonomous governance enhancement activities.

Issues we have perceived	Group Governance Framework Enhancement Measures
① Communication <ul style="list-style-type: none"> Harmful effects of vertically-segmented organizations Insufficient control over subsidiaries Insufficient sharing and communication of information regarding governance-related matters 	① Enhancement of framework for discussion and reporting of governance-related matters
② Compliance framework and awareness <ul style="list-style-type: none"> Compliance awareness is insufficient at each level; necessary knowledge has not been acquired Awareness of our responsibilities as an organization and business is shallow Insufficient capacity to discover misconducts, take initiatives to resolve issues, and make timely reports 	② Improvement of functions of management divisions and their collaboration with business divisions
③ Resource allocation <ul style="list-style-type: none"> Insufficient process capabilities that are adequate for received orders or insufficient inspection and quality assurance framework Unsuitable resource allocation due to priority on earnings, postponement of necessary capital investment, etc. 	③ Improvement of human resources training and encouragement of active interaction
	④ Internal audit strengthening
	⑤ Studies with a business optimization focus

Results of Employee Awareness Surveys (7th) Related to Compliance Awareness Surveys, etc. (conducted in September 22)

Points that were clarified by the 1st survey		Points that were clarified by the 7th survey
While compliance awareness has been growing, we need to continue efforts to create specific rules and procedures and keep employees fully informed of them.	▶	Initiatives for strengthening compliance, including measures taken by the management and compliance training, are also felt to be adequate.
While the importance of compliance-related reporting and provision of compliance-related information is understood, many employees feel anxious or hesitant.	▶	<ul style="list-style-type: none"> Almost all employees understand the importance of compliance-related reporting and the provision of compliance-related information. On the other hand, there are still many employees who feel anxious or hesitant about reporting or providing such information.
While measures to strengthen compliance are being driven by employees in managerial positions further improvement is desired for workplace management and communication.	▶	<ul style="list-style-type: none"> Most employees feel that their workplace has an atmosphere that allows them to feel free to seek advice and that they have sufficient communication. In addition, while many employees feel that their superiors understand their duties, many employees still feel that there are duties which are understood only by specific people in their workplace, who are in charge of them. This perception has increased slightly since the 6th survey. Further, compared to managerial staff, the ratio of negative answers has remained higher among layers of employees other than managerial staff.

[Subjects]

All officers and employees of Mitsubishi Materials and domestic Group companies (40 companies in total)

All officers and employees of overseas Group companies (54 companies in total)

[Response rate] 89%