

ESG Presentation

MCI Group's Promotion of ESG	HASHIMOTO Osamu Representative Director, Member of the Board, President & CEO
1. KPI Management	IZAWA Kazumasa Managing Executive Officer & CSO
2. Human Capital	ANDOU Yoshinori Member of the Board, Senior Managing Executive Officer & CHRO
3. Governance	MABUCHI Akira Member of the Board



Mitsui Chemicals
Group

MCI Group's Promotion of ESG

HASHIMOTO Osamu

橋本 修

Representative Director, Member of the Board, President & CEO
Mitsui Chemicals, Inc.

July 12, 2023

Corporate Mission

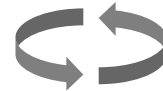
Contribute broadly to society by providing high-quality products and services to customers through innovation and the creation of materials, while keeping in harmony with the global environment

Corporate Target

To be a corporate group that continues to grow through **solving social challenges** and creating diverse value with the power of chemistry

VISION 2030

Ideal future society



Material topics

Financial KPIs

Non-financial KPIs

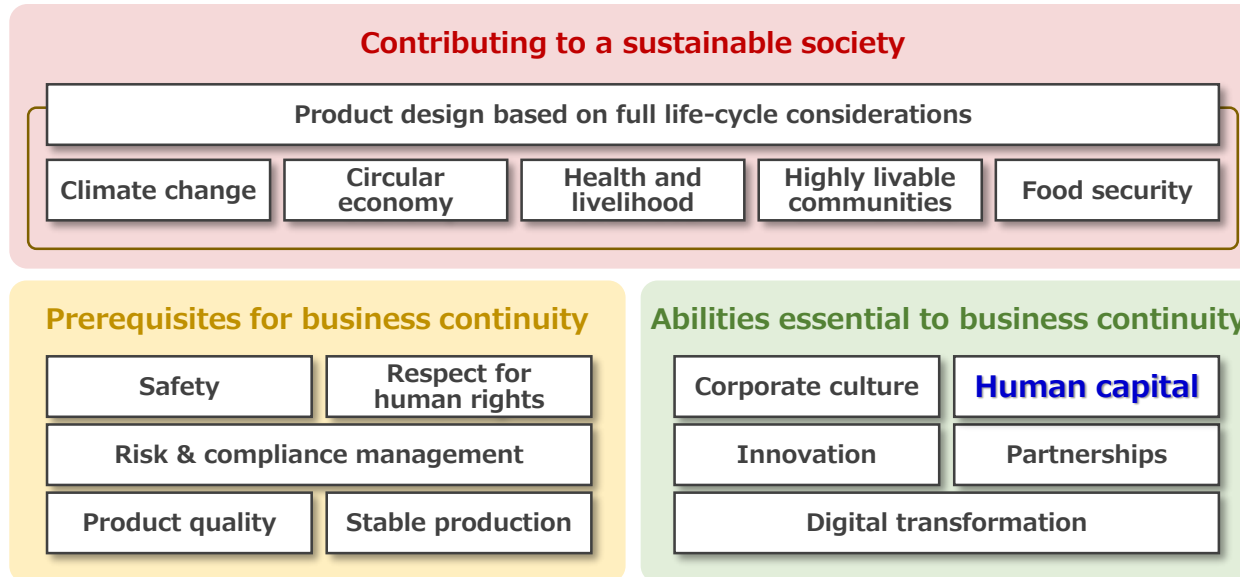
A strong company with economic value; **a good company** with social value

ESG promotion \approx source of value creation

- ▶ We are pursuing sustainable growth for both society & the MCI Group by incorporating ESG elements into our management practice and strategies and bolstering related efforts.
- ▶ Today, we will focus on KPI management, human capital and governance, and give an overview of how our efforts in these areas are going.



Material topics



KPI management





1. KPI Management

IZAWA Kazumasa

伊澤 一雅

Managing Executive Officer & CSO
Mitsui Chemicals, Inc.

July 12, 2023

- ▶ **1. Introduction**
- ▶ **2. Improving Our Risk Management System**
- ▶ **3. Progress on KPI Management**

April 2022: ESG Presentation

June 2022, November 2022, June 2023: CEO Presentation

July 2023: ESG Presentation

Efforts for KPI management

- **Our approach to KPI management**
 - Setting KPIs based on material topics
 - Updating our efforts based on changes to the business environment (material topics/KPI reviews)

- **Review of our risk management system & process**
- **Monitoring operations from both financial & non-financial perspectives**

- **Improving our risk management system**
- **Progress on KPI management**
 - KPI reviews
 - Analysis of the relationship between financial & non-financial metrics
 - Links with risk management

Examples of our efforts

- **Plans for increasing revenue from Blue Value™ and Rose Value™ products**
- **Carbon neutral strategy**
 - Transitioning to alternative fuels
 - Helping reduce GHG emissions with Blue Value™ products
 - Utilizing biomass & pursuing recycling
 - Utilizing digital technologies
 - Branding and more
- **Human resources strategy**

etc.

- **Sales revenue & gross income from Blue Value™ & Rose Value™ products**
- **Implementing our carbon neutral strategy**
 - Biomass materials & recycled products
 - Carbon footprints
 - Cracker transformation
 - Path for technological development through to 2050
 - Collaborative R&D with academia
- **Human capital**
- **Digital transformation**
- **Innovation**

etc.

- **Human capital**

▶ Risk management is the very core of business.

We will look to **minimize threats to our growth and make the most of opportunities**, helping us in turn to get a grasp on the changing business environment and maintain & improve our corporate value.

- ◆ Implementation of VISION 2030
- ◆ Expectations and requests from shareholders/investors, the Corporate Governance Code, and the board of directors

Risk management rules (enacted 2002)

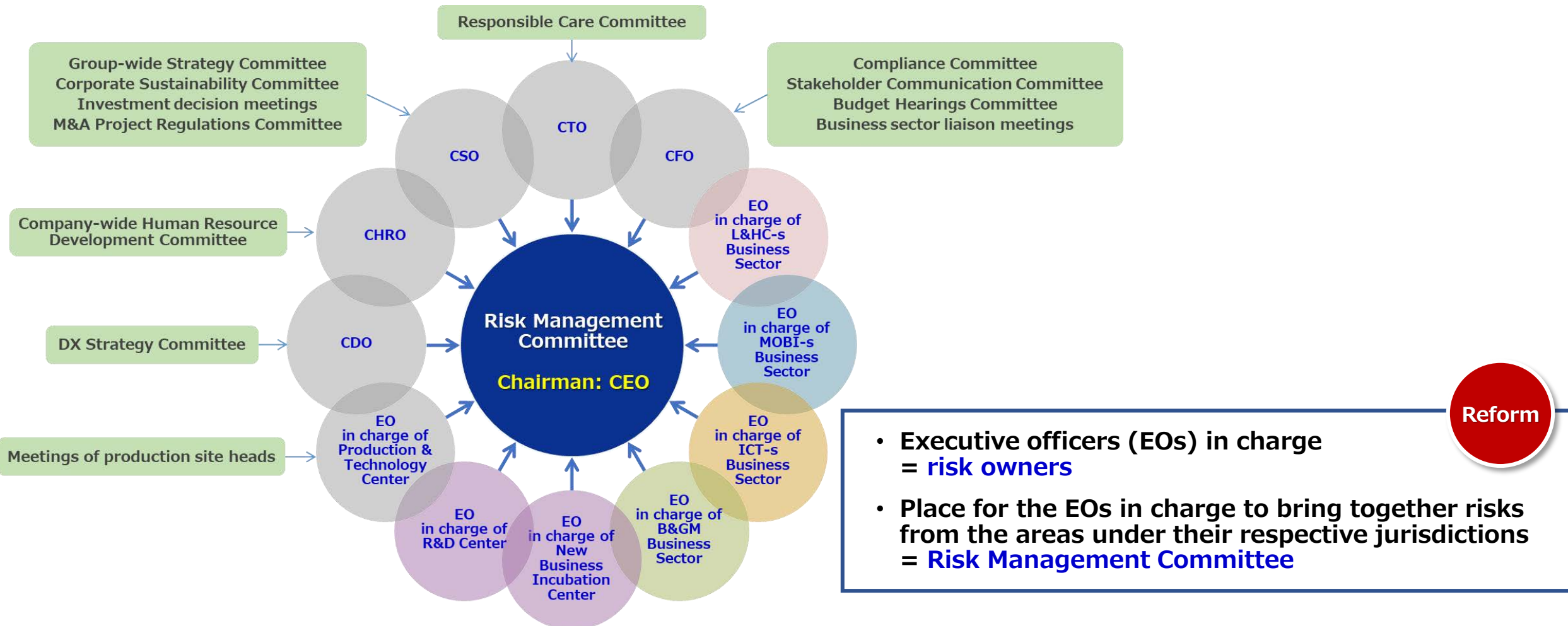
- Risks are “a threat to business activities”
- Various divisions & committees are to manage risks, working to quickly detect and prevent them

- ◆ Are we seizing opportunities?
- ◆ Do we have a comprehensive, high-level understanding of risks?
- ◆ Do we have a clear order of company-wide priorities?

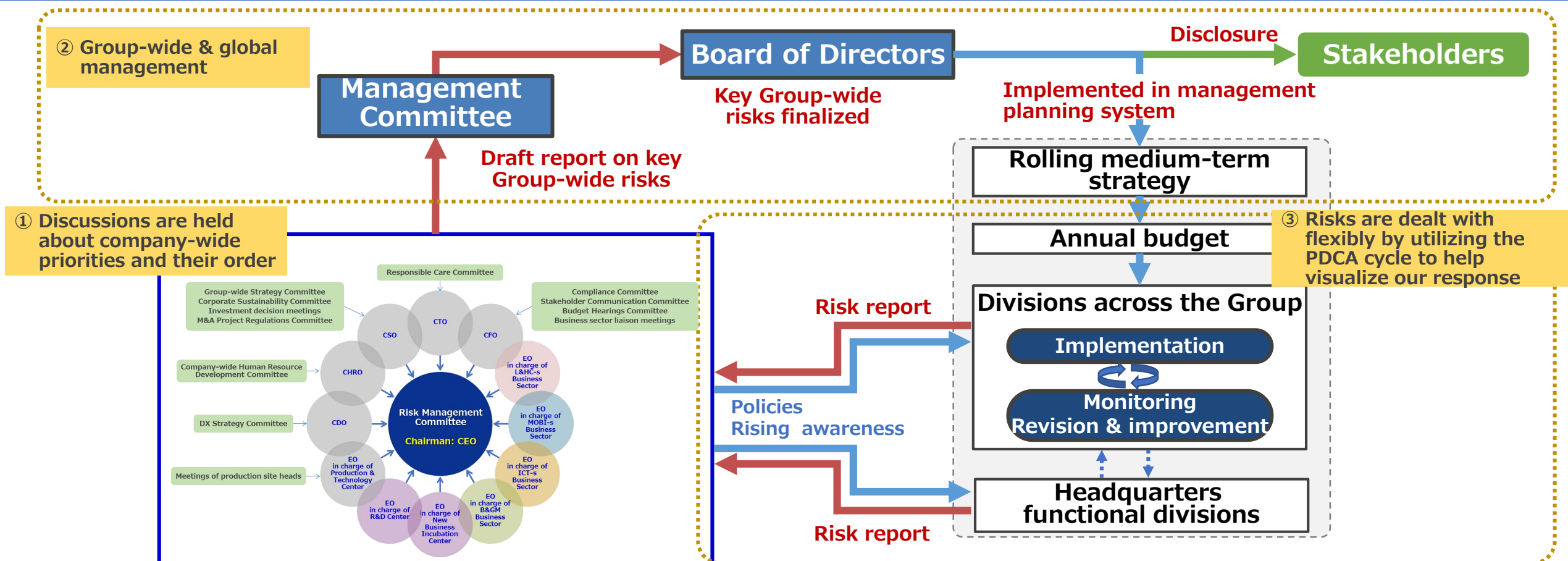
Key points of the review

- ① Definition of risk management
 - Aiming to not only minimize risks but also **maximize opportunities**
- ② Governance
 - Established the Risk Management Committee
 - Made risk owners clearer to give management a **more comprehensive understanding of risks and help establish priorities across the Group**
- ③ Monitoring system
 - Incorporated into our business systems to **help visualize where we are at in dealing with risks**
 - **Evaluates the effectiveness of our risk management**

- ▶ Getting the most out of our existing company-wide risk management system while we move to a system that will give us a **more comprehensive, high-level understanding**
- ▶ Holding discussions among management to **identify important company-wide risks and decide on plans for dealing with them**



▶ Important company-wide risks identified by the Risk Management Committee are **recognized by the Board of Directors** and **incorporated into the business planning system**.



1st Risk Management Committee, June 2023:

- Discussed **importance, severity, countermeasures** etc. for 29 important Group-wide risk candidates for 2023
- Provided managers & workplace leaders with **training/instruction** relating to risk management

- ④ Literacy improvements** allow employees to think for themselves and build an organizational culture of taking necessary risks

- ▶ Our promotion of ESG aims to seize opportunities and leverage them to improve our corporate value (i.e. using opportunities as a source of value creation)
- ▶ We are striving toward a management system that **combines financial and non-financial metrics**.

Start of VISION 2030 / setting non-financial KPIs based on our 16 material topics and assigning individuals in charge of making each a reality

KPI reviews

- Over June–August 2022, **Strategy Committee members** (i.e. all Executive Officers with particular responsibilities, up to the CEO) carried out a **total of six reviews of all of MCI's non-financial KPIs**.
- Discussions were held about the operations of the company's functional divisions, with particular regard to **how these operations relate to financial metrics, the storing of related data, reviews of goal-setting, etc.**

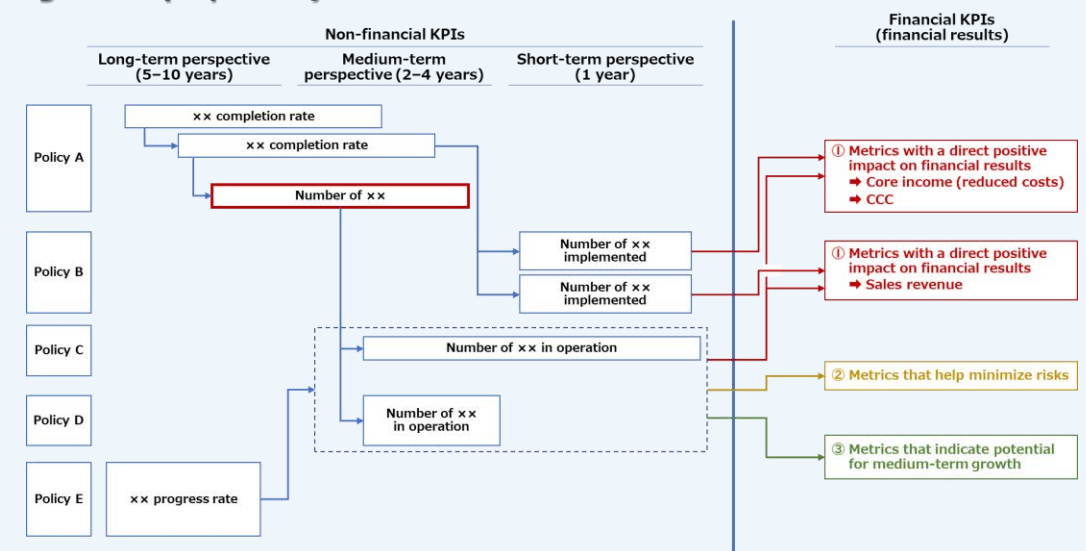
*Slide from June 2022 CEO Presentation



Analysis of the relationship between financial & non-financial metrics

- We have visualized how the **short-term, medium-term and long-term efforts** of all 22 functional divisions relate to our financial metrics (i.e. how each effort leads to financial results).

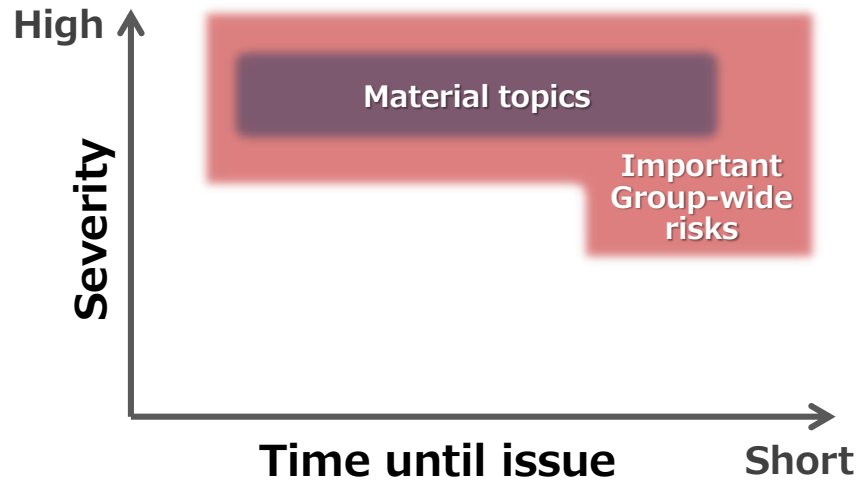
*Logic tree (depiction)



- ▶ Advancing effective KPI management for both financial and non-financial metrics **to improve corporate value**

Pursuing risk management

- Leveraging Group-wide risk management to review our material topics & our non-financial KPIs and plan out multilayered measures in response



Pursuing an analysis of the relationship between financial & non-financial metrics

- Utilizing logic trees to thoroughly explore and visualize the organic relationship between financial & non-financial metrics

The non-financial is the foundation on which the financial is built

Fostering trust by tackling issues that are prerequisites for business continuity

The non-financial is the financial of the future

Speeding up growth by improving abilities essential to business continuity

The financial and the non-financial are intertwined with each other

Maximizing profits by contributing to a sustainable society

**Making steady progress on verifying
“progress toward achieving our KPIs + validity of our process for doing so”**



2. Human Capital

ANDOU Yoshinori

安藤 嘉規

Member of the Board, Senior Managing Executive Officer & CHRO
Mitsui Chemicals, Inc.

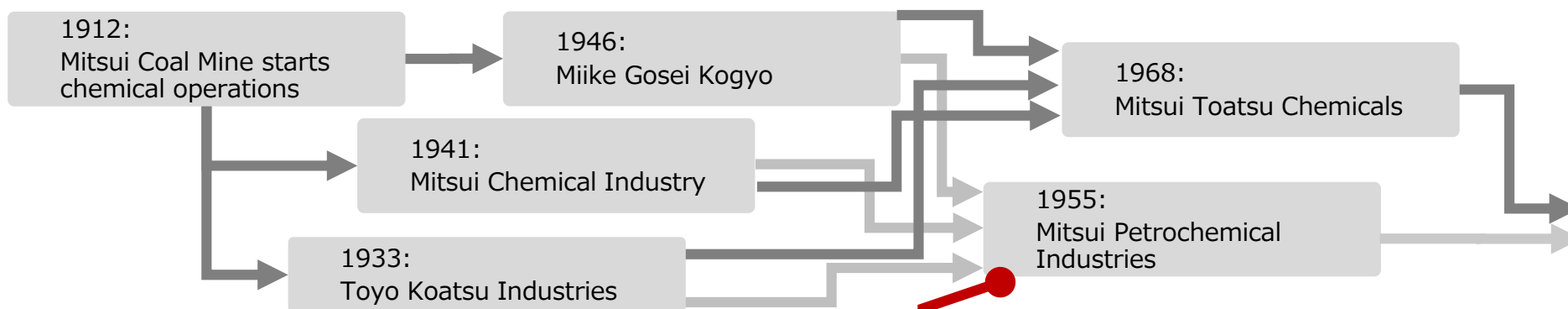
July 12, 2023

- ▶ **1. Corporate Culture Including Diversified Individuals**
- ▶ **2. History of Human Resources Strategy**
- ▶ **3. Practices for Human Capital management**
- ▶ **4. Restructuring Our Nomination Committee and Our Executive Compensation Committee**

- ▶ Seizing on the social issues of each new era and responding to them with material creation & innovation, we have transformed ourselves into a solution provider
- ▶ We have included diversified Talents over the more than 110 years since our establishment

1st generation

Contributing to food-related issues (coal chemistry)



2nd generation

Modernizing industry (Petrochemicals)

2001: Acquired urethane business from Takeda Chemical Industries

2001: Acquired PP business from Ube Industries

2007: Acquired agrochemical business from Daiichi Sankyo

2008: Acquired SDC Technologies

2013: Acquired dental business from Heraeus Holdings

2014: Acquired Kyowa Industrial

2018: Acquired ARRK

2022: Acquired agrochemical business from Meiji Seika Pharma

2023: Acquired pellicle business from Asahi Kasei

Talents from each company has performed In a diversified range of roles throughout MCI Group

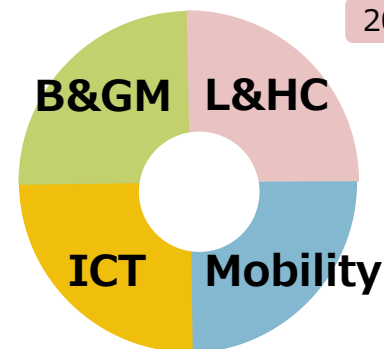
1997:



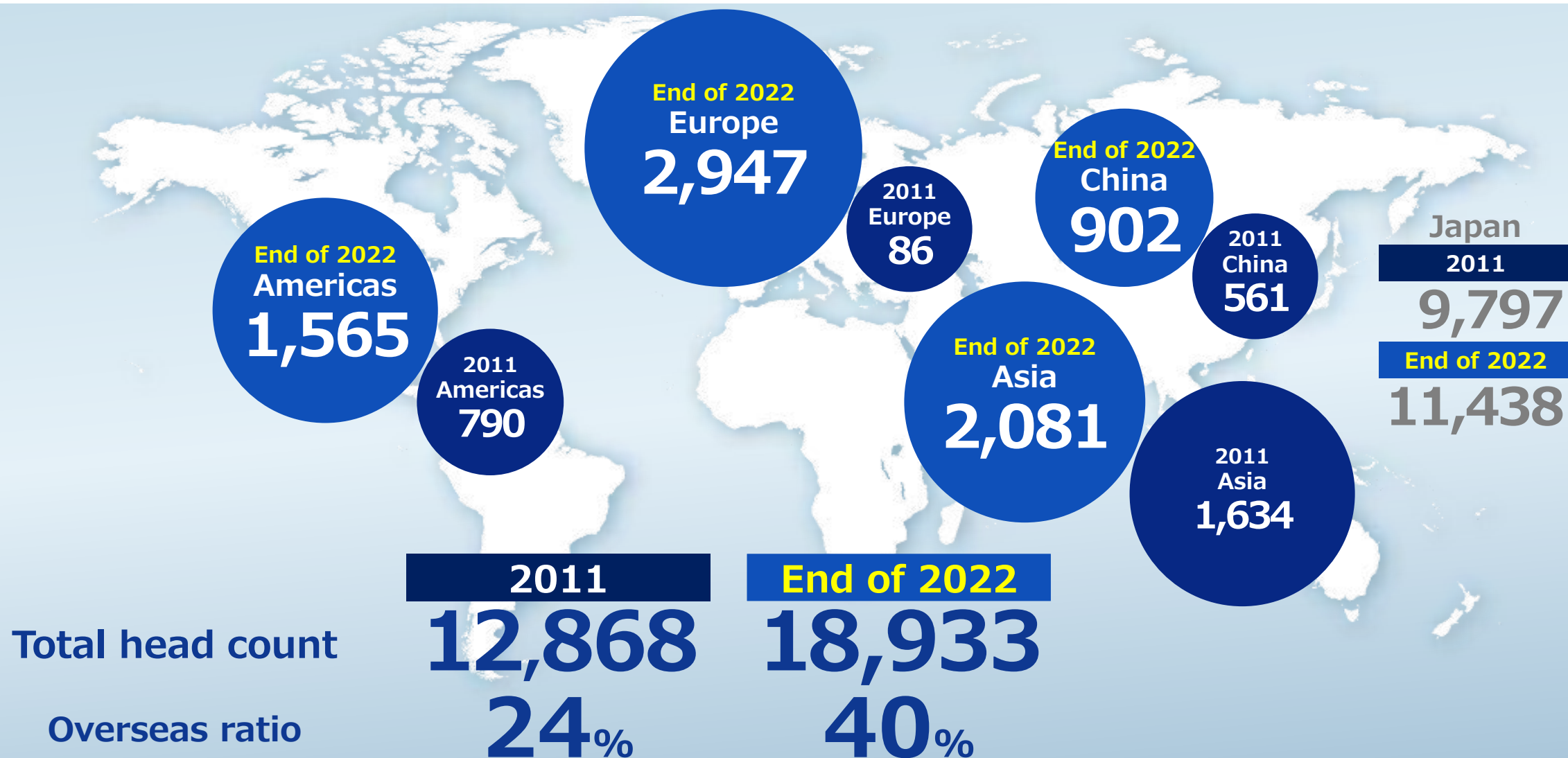
2021 onward:
Striving for new heights as we work toward VISION 2030

3rd generation

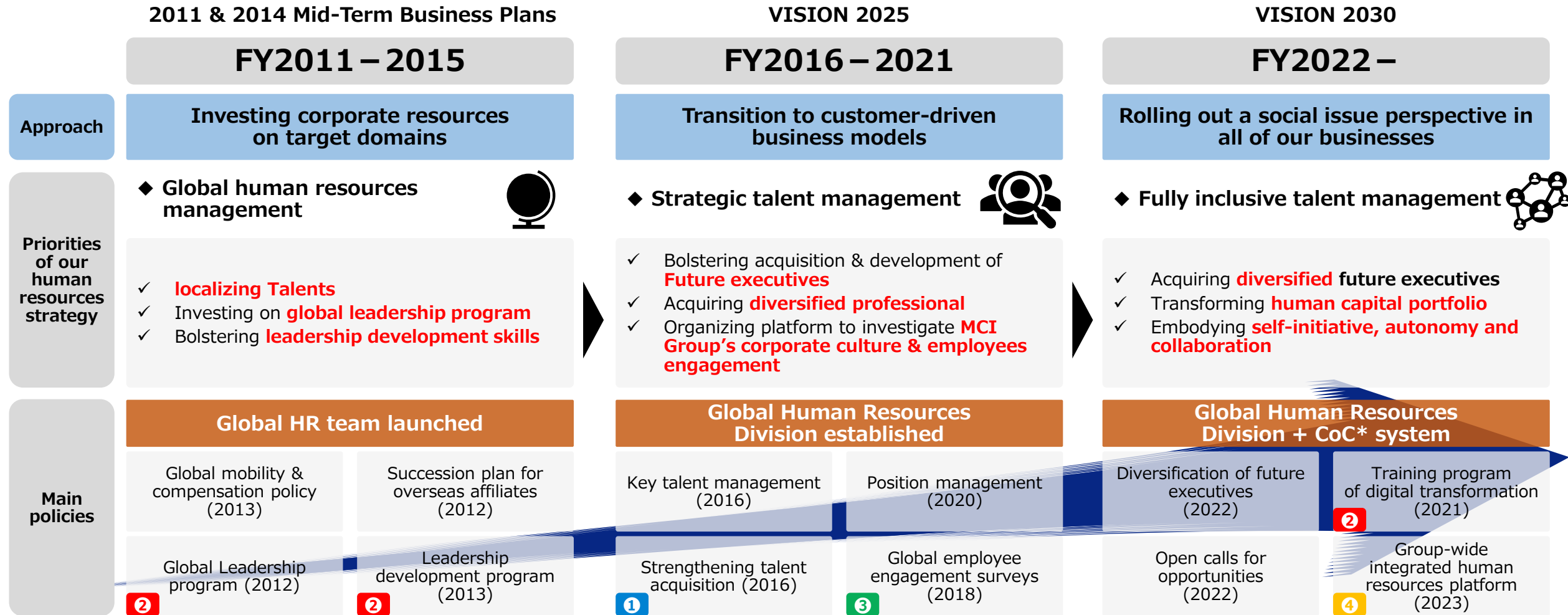
Realizing green chemicals a reality



- ▶ As we pursue our business portfolio transformation, we are expanding our Talents throughout the MCI Group around the world



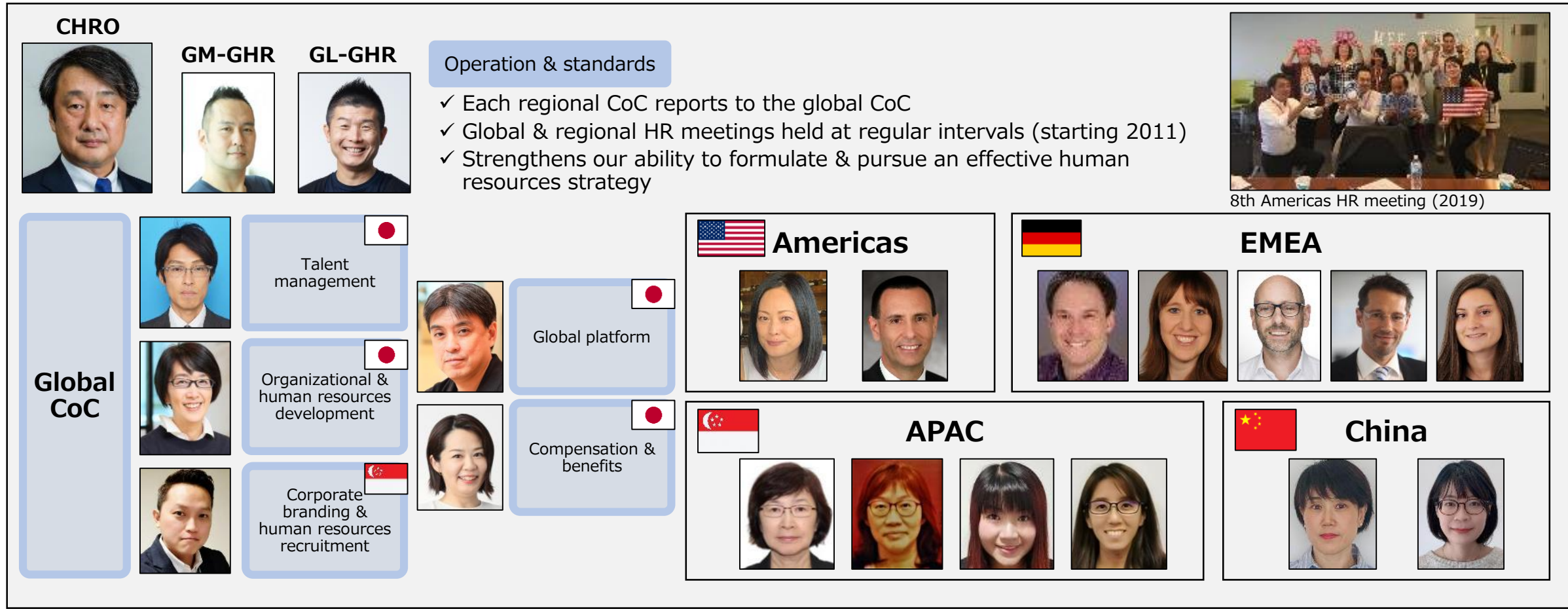
▶ Interacting with corporate business strategy, we have developed our HR strategy and continuously invested on Human capital



*Center of Competence

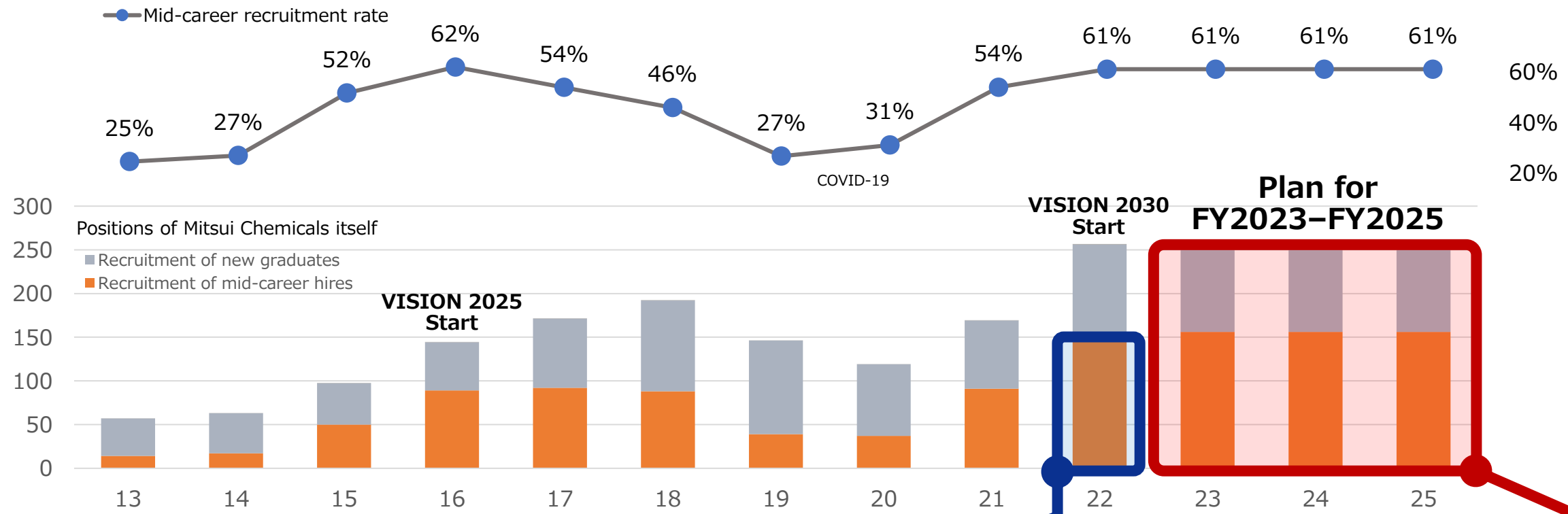
1 : Acquisition 2 : Training
3 : Motivation 4 : Infrastructure

▶ Since 2011, we have been focusing on building global HR network & trust across the MCI Group. We have structured a group-wide HR governance for all of HR functions.



CoC: Center of Competence

▶ Speeding up transformation by acquiring and appointing Diversified Talent, who have diversified knowledge, skills, values and backgrounds required for new business domains



FY2022: Approx. 160 mid-career hires
 ✓ Increase in business & research hires (approx. 70%)
 ✓ **Turnover rate*: 1.9%**

FY2023-FY2025: Approx. 250/year
 ✓ Strengthening acquisition in areas of new R&D M&A and digital transformation

*Based on number of resignations from employees who joined since FY2015

▶ Since 2011, we have been constantly investing on the training of human capital for the prioritized area of our corporate business strategy

Leadership
Culture



Leadership development program

- ✓ Leadership development, including affiliates
- ✓ Invested in more than **1,000 individuals (30 hours/person) since 2011**



Executive coaching

- ✓ Undertaken by a diverse range of executives and directors, including company presidents
- ✓ Invested in **more than 60 individuals (approx. 10 months/person) since 2013**



Global
Culture



Global leadership program

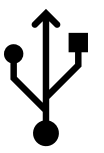
- ✓ Undertaken by approx. 100 individuals since 2012. Those who took the program have been appointed to **directors, heads of global sites**, etc.



MANNHEIM
 BUSINESS SCHOOL

ICS
 HITOTSUBASHI
 The Global Knowledge Hub in Tokyo

Digital tech
Deploy



Training plan for DX personnel

Multiple levels of DX personnel requirements

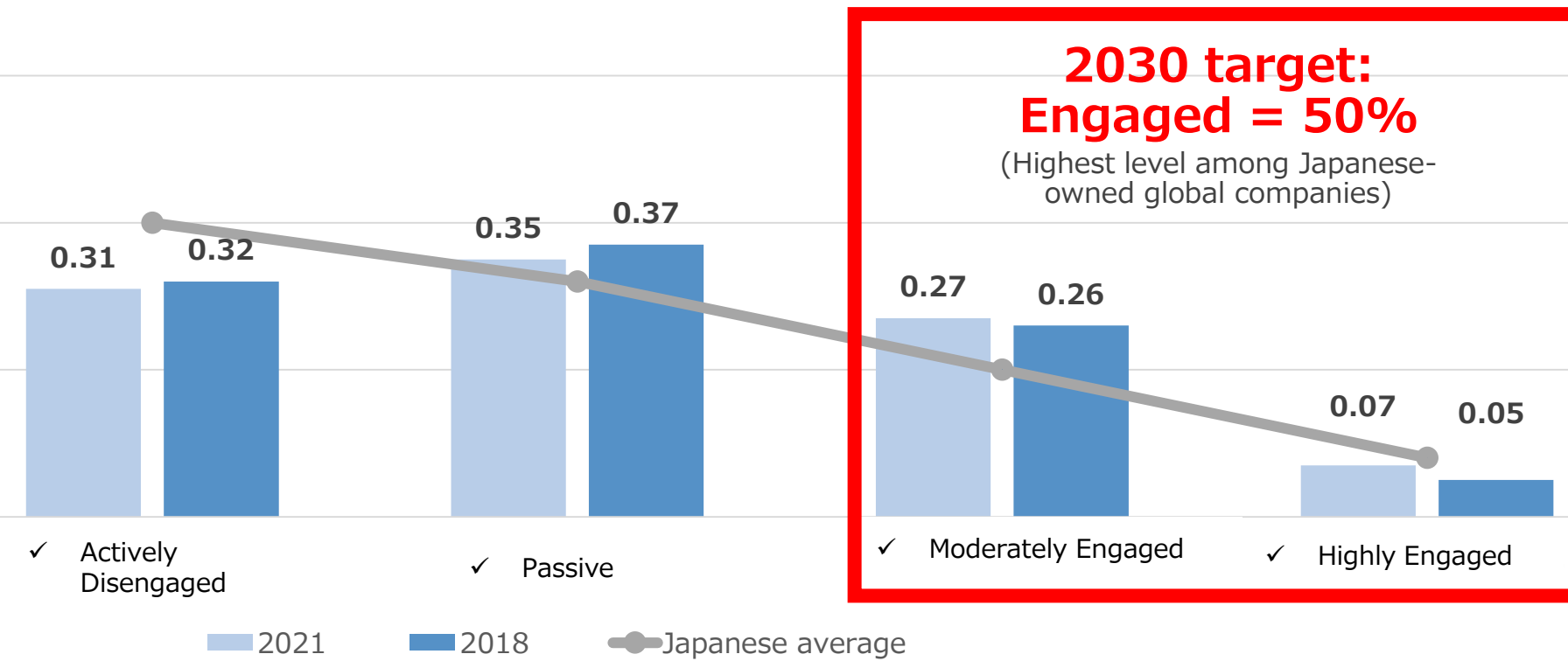
In-house training content

Digital literacy improvements for all employees

- ✓ Four levels, from Level 0 to Level 3 (Level 3 = DX specialists)
- ✓ Original content covering use cases based on the chemical industry & MCI's operations
- ✓ **Approximately 11,000 individuals, including directors and employees of affiliates**, have finished Level 0, while approximately 900 individuals in our sales & marketing divisions have finished Level 1



▶ We will aim to have more than “50%/ Highly Engaged” encouraging our management to make our employees align their purpose with Corporate Mission and Vision.



**2030 target:
 Engaged = 50%**
 (Highest level among Japanese-owned global companies)

Option	Score	Engagement category
Strongly agree	6	4.5 or above
Agree	5	
Somewhat agree	4	Engaged
Somewhat disagree	3	
Disagree	2	
Strongly disagree	1	

⇒ Recently carried out our third survey (June 2023).
 Surveys will be carried out annually from FY2024.

✓ Employee engagement score: incorporated into our executive compensation formulation

Management taking initiative in implementing a wide range of post-survey efforts

Engagement Factor Scores

Management

- ✓ Total of more than 50 online sessions with the president (2021 onward), with more than 6,000 participants
- ✓ Hashimoto Radio (April 2023 onward)
- ✓ SHIBA-tackle (July 2021 onward)



A Productive Business Environment

- ✓ Adopting casual dress code (August 2020 onward)
- ✓ Workstyle discussions with all employees (June 2023; more details on next slide)

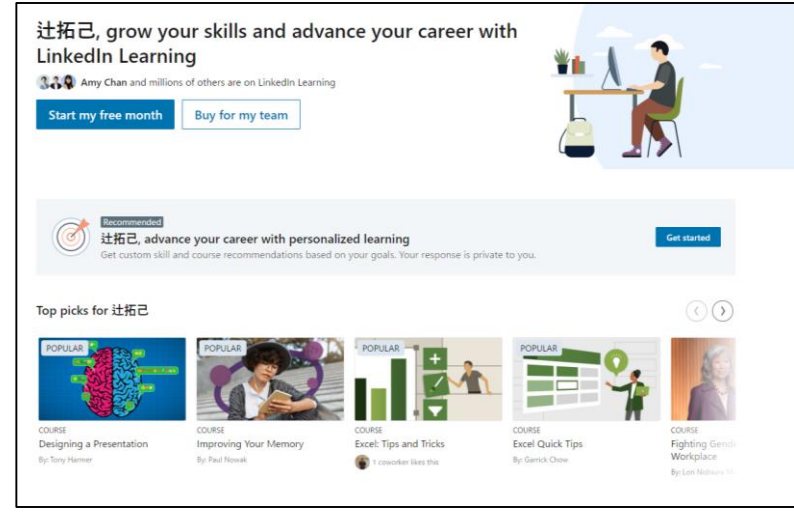
Style example Casualness: ★★★ ~



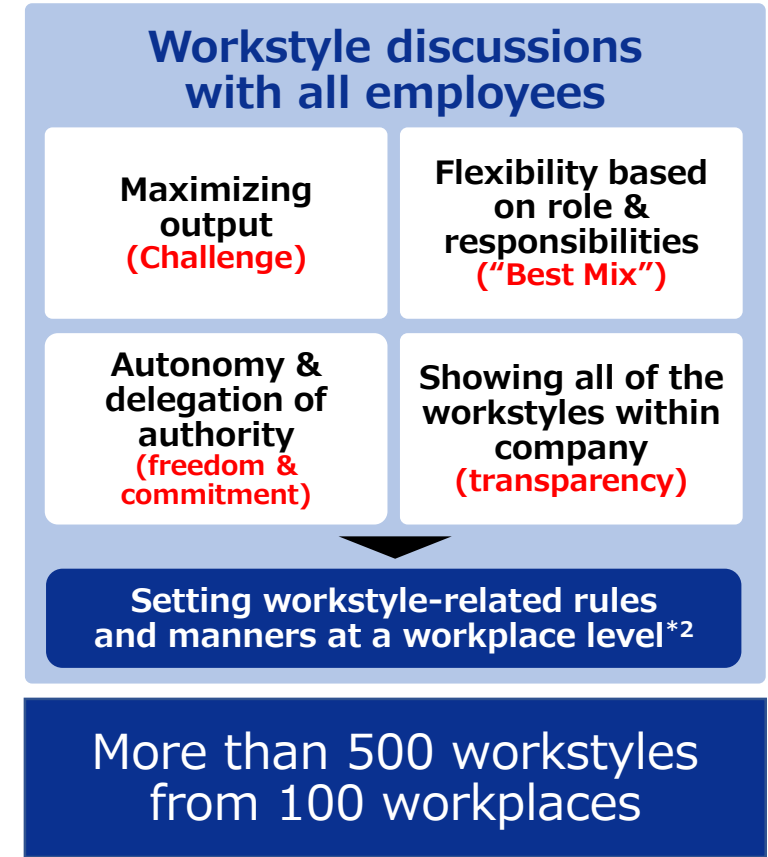
Center Executive, R&D Center:
 SHIBATA Shingo

Learning & Self-development

- ✓ Global learning platform (April 2022 onward)



- ▶ Conduct workstyle discussions with all employees*¹ for the post-COVID era
- ▶ Maximizing output by leveraging flexible workstyles based on each role and responsibilities



- ✓ Team-building initiatives
- ✓ Improving digital literacy
- ✓ Going out for lunch together on office days
- ✓ Sangen Principals (actual place, part and situation)

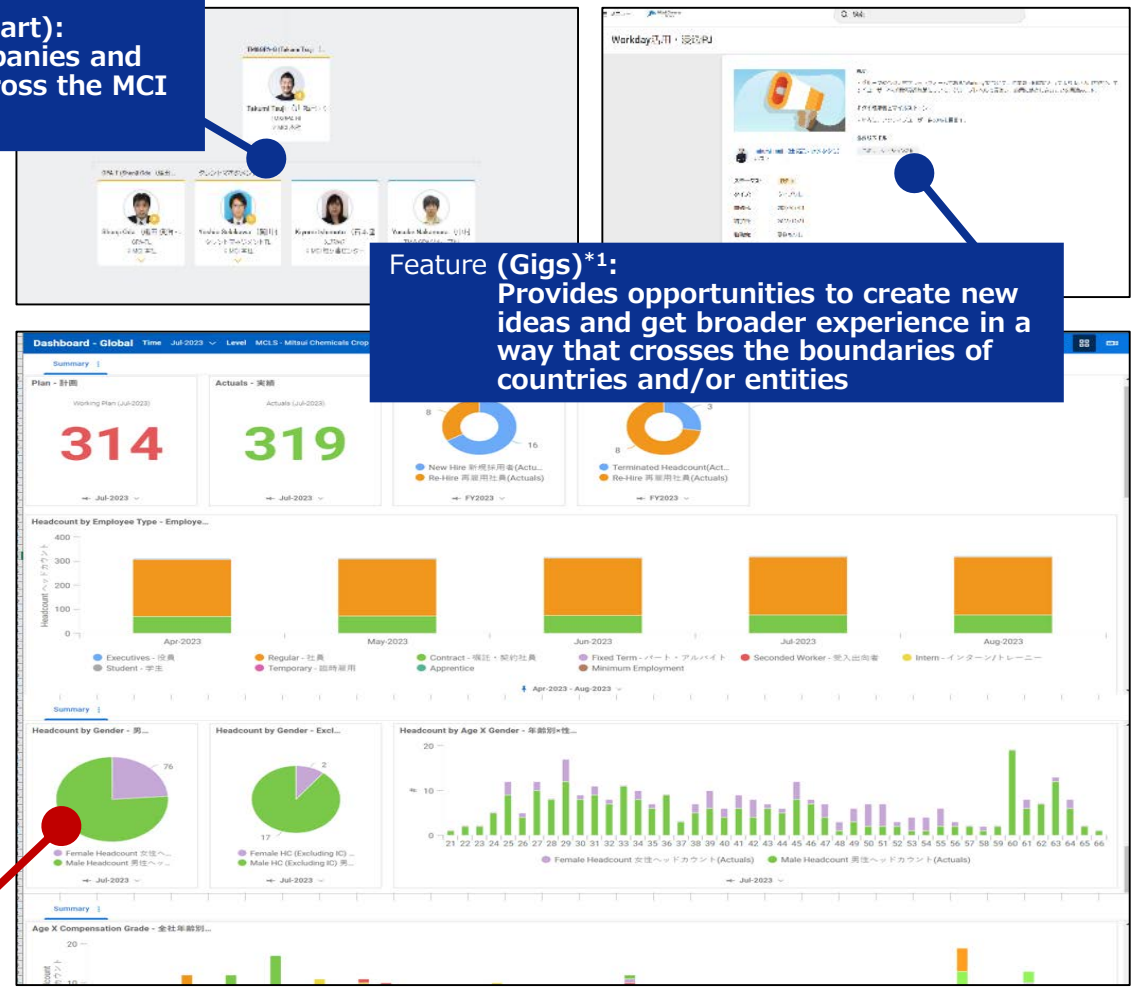
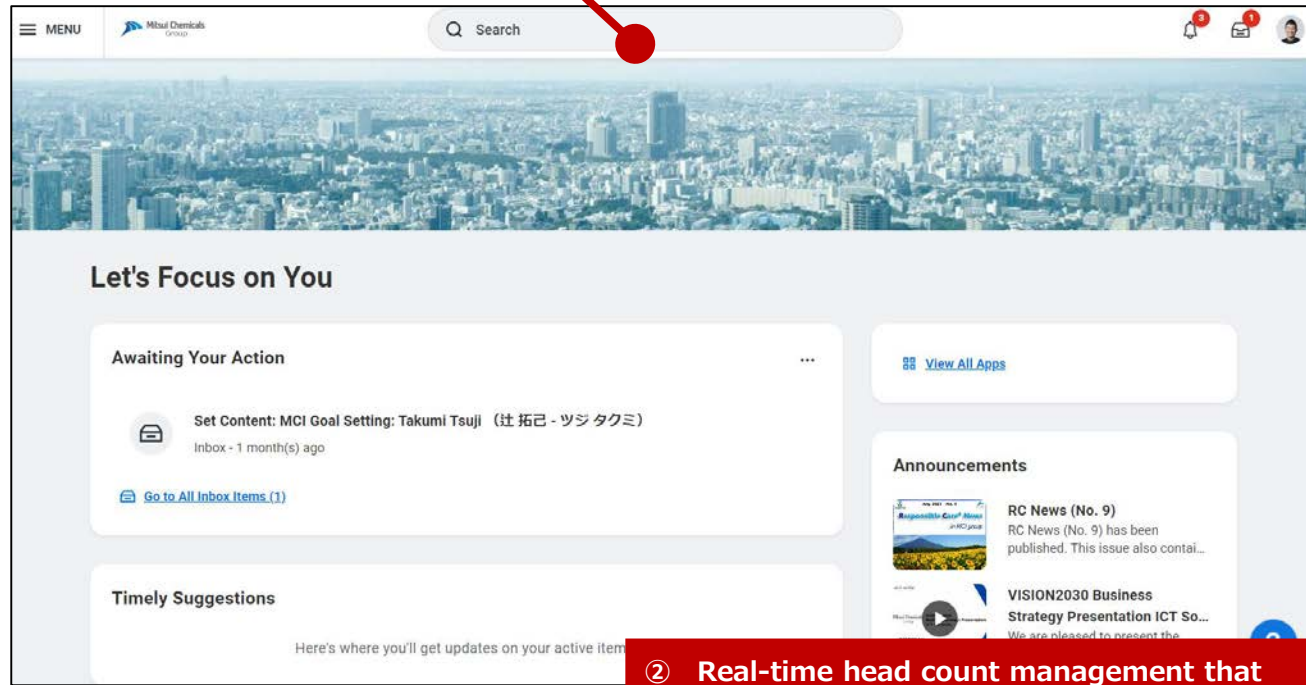
*1 Initially carried out at head office divisions & research sites. Will also be gradually rolled out to business sites, etc.
 *2 Work regulation (at MCI): need to be in the office/workplace four or more days per month

- ▶ System go-live in February 2023 (integrating all organization and HR operations across MCI Group)
- ▶ Aiming to realize fully inclusive talent management throughout MCI Group toward business portfolio transformation

① Platform can be accessed by approximately 18,000 individuals, including permanent employees of subsidiaries subject to consolidation

Feature (Organization chart): Contains all companies and organizations across the MCI Group

Feature (Gigs)*1: Provides opportunities to create new ideas and get broader experience in a way that crosses the boundaries of countries and/or entities



② Real-time head count management that includes information on diversity, specialization, ratio of management positions etc.

*1 Set up so that employees can raise their own hands for opportunities for the purposes of self-development and broadening their experience (slated for a trial launch in FY2023)

- ▶ Encouraged by independent directors, we re-built a structure that gives us more effective supervision and advice (restructured in FY2022)

	Nomination Committee	Executive Compensation Committee
Number of committee meetings	<ul style="list-style-type: none"> ✓ Five committee meetings (two in FY2021) ✓ Four executive sessions*1 	<ul style="list-style-type: none"> ✓ Eight committee meetings (three in FY2021)
Topics covered	<ul style="list-style-type: none"> ✓ Committee restructuring ✓ CEO succession plan ✓ Skills matrix and board succession for the board of directors 	<ul style="list-style-type: none"> ✓ Committee restructuring ✓ Executive compensation levels/structure ✓ Bonuses/stock compensation
Resolutions	<ul style="list-style-type: none"> ✓ Work on defining requirements for committee chair duties ✓ Evaluation standards/process for the CEO position profile ✓ Skills matrix for the board of directors 	<ul style="list-style-type: none"> ✓ Committee chair to be an outside director ✓ Increase performance bonus/stock compensation rates ✓ Introduce non-financial KPIs (Incidence of major accidents, incidence of major legal & regulatory violations, Blue Value™/Rose Value™ products sales revenue ratio, GHG emissions reduction rate, employee engagement score)

Improving our monitoring capabilities



MABUCHI Akira,
committee chairman

Linked to board succession

Linked to VISION 2030

*1 Executive sessions see members (i.e. outside directors) gather outside of committee meetings to discuss nominations (especially CEO succession plans) on a case-by-case basis



Mitsui Chemicals
Group

3. Governance

MABUCHI Akira

馬渕 晃

Member of the Board
Mitsui Chemicals, Inc.

July 12, 2023

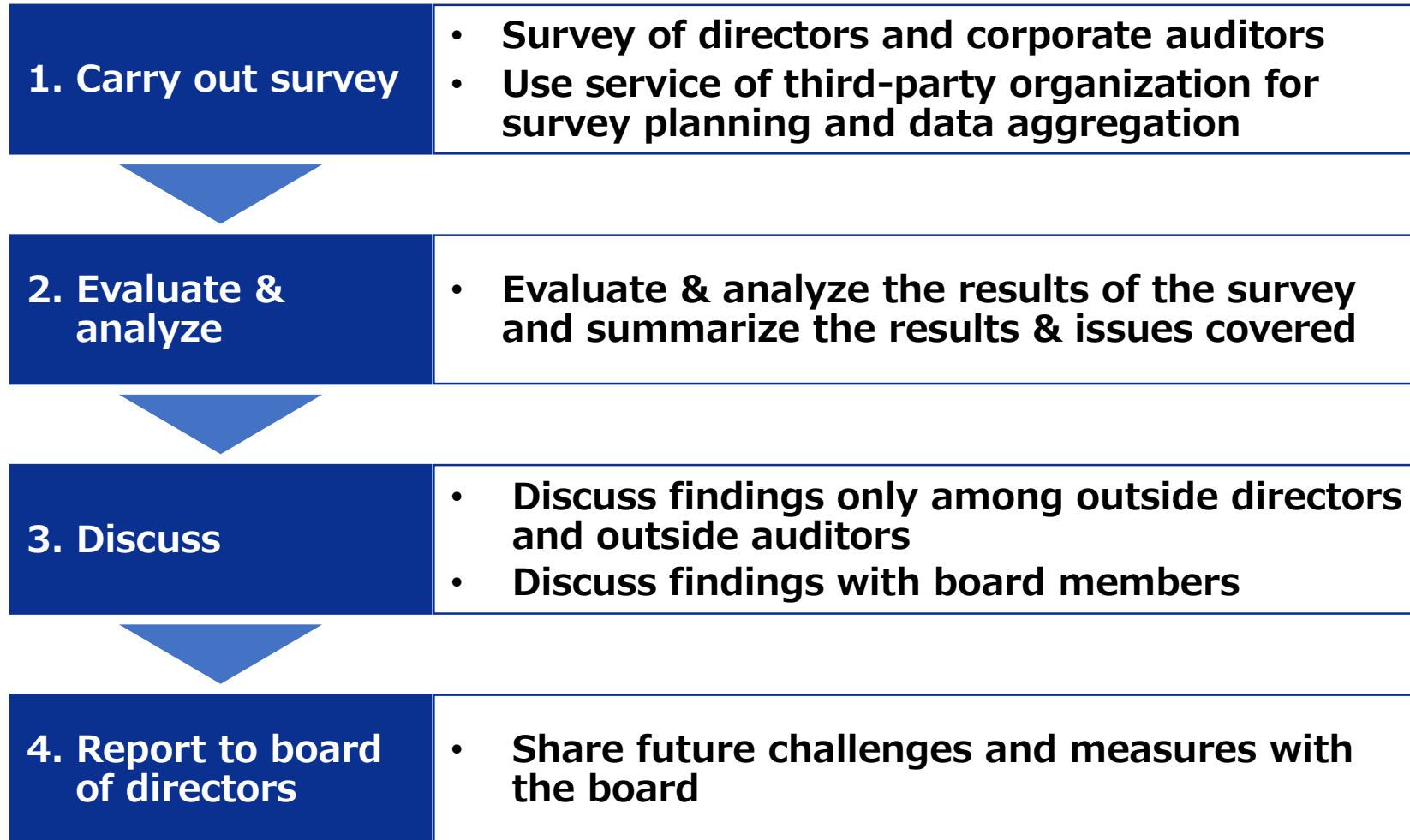
Outside Director

MABUCHI Akira

- April 1979** Joined Fuji Heavy Industries Ltd. (currently SUBARU CORPORATION)
- April 2005** Executive Officer & Senior General Manager of Subaru Engineering Division, Fuji Heavy Industries
- June 2007** Senior Vice President & Chief General Manager of Subaru Engineering Division, Fuji Heavy Industries
- April 2009** Senior Vice President & Chief General Manager of Strategy Development Division (in charge of corporate planning & affiliates), Fuji Heavy Industries
- June 2010** Director of the Board, Executive Vice President (in charge of corporate planning, Subaru Engineering Division, Subaru Purchasing Division, Subaru Quality Assurance Division, etc.), Fuji Heavy Industries
- June 2015** Corporate Auditor, Fuji Heavy Industries
- June 2021** Member of the Board (Outside Director) , Mitsui Chemicals



- ◆ I provide objective evaluations of overall management based on my extensive experience as a corporate executive and auditor in the mobility sector, which Mitsui Chemicals is focusing on.
- ◆ In board meetings, I proactively comment on discussions from the perspective of business strategy validity, governance, etc.
- ◆ In my role as part of the Nomination Committee, I help ensure transparency and validity when the committee nominates people for management positions.
- ◆ In my role as part of the Executive Compensation Committee, I have been serving as committee chairman since October 2022, helping to improve the effectiveness of discussions.



- Main items evaluated:**
- ✓ Structure
 - ✓ Management
 - ✓ Discussions
 - ✓ Monitoring capabilities
 - ✓ Performance
 - ✓ Support system for board members & auditors
 - ✓ Training
 - ✓ Communication with shareholders (investors)
 - ✓ Own efforts
 - ✓ Management of the Executive Compensation Committee & Nomination Committee
 - ✓ Summary

- ▶ Self-assessed scores from board members and auditors are largely unchanged from the previous fiscal year (overall average up by 0.1 points)
- ▶ “Discussion” and “committee management” appear particularly notable when looking at the effectiveness of Mitsui Chemicals’ board of directors

Item evaluated	Vs. other companies*	Metric
Management	+	Appropriate decision & dissemination of the annual meeting schedule & overview of items expected to be discussed
Discussion	-	Specific scrutiny of e.g. whether the benefits from cross-shareholdings stack up against the risks and capital costs
	+	Discussions of earning power & capital efficiency when deciding on management strategy & management plans
	+	Responsible involvement in the formulation & application of succession plans for the CEO and other executives
Support system	-	Provision of a system for coordination between board members/auditors and the Internal Control Division
Communication with shareholders	+	Feedback on the state of communications with investors
Own efforts	-	Communication between inside executives & outside executives
Committee management	+	Discussions, or exchanges of ideas, that are free, open and constructive, rather than formal
	+	Effectiveness of voluntary committees
	+	Discussions to set standards for CEO selection (including CEO succession plans, clarification of dismissal processes, etc.)

*For items where Mitsui Chemicals’ score is at least 0.3 points higher or lower than the average score of other companies

➤ **ESG promotion efforts**

- High opinion of the company's proactive efforts to quantify non-financial metrics, have systems for following up on those metrics, create risk management systems, etc.
- Hopes for the company to further level up its ESG-related activities & efforts and tie them into improved earning power

➤ **Business portfolio transformation brings the welcome challenge of reforming corporate culture**

- Hopes for the company to go beyond simply achieving its numerical targets and transform into an entity that continues to strive for new corporate goals

➤ **“What is Mitsui Chemicals?”: Improving the company's brand power**

- Improved brand power would offer a powerful force that has significant overlap with the direction the MCI Group should be headed in
- Hopes for MCI to unify its group-wide transformation efforts in the same direction to speed up the path to its ideal vision for the future