

## Q&A Summary for July 2023 ESG Presentation

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| Date                  | July 12, 2023<br>Morning: Media session; Afternoon: Analysts and investors session   |
| Venue                 | Tokyo Midtown Yaesu and online stream  |
| Respondents           | HASHIMOTO Osamu – Representative Director, Member of the Board, President & CEO<br>ANDOU Yoshinori – Member of the Board, Senior Managing Executive Officer & CHRO<br>IZAWA Kazumasa – Managing Executive Officer & CSO<br>MABUCHI Akira – Member of the Board, Outside Director |
| Explanatory materials | Materials for the ESG Presentation on July 12, 2023  |

### Q&A

#### ■ KPI Management

**Q1. As far as I understand it, using a two-pronged management approach based on both financial and non-financial KPIs means Mitsui Chemicals will be able to check its growth by identifying progress toward attaining non-financial KPIs, even if factors such as a worsening business environment result in failure to achieve financial KPIs. Could you please explain how the efforts to improve your risk management system you just talked about will be positioned in this context?**

**A1. IZAWA, CSO**

We regard these efforts as a combination of both financial and non-financial aspects, as our approach to risk management is not solely defensive, but involves perceiving risk in terms of opportunities as well. Our Risk Management Committee will undertake various discussions on financial and non-financial risks alike across a very wide range of fields.

**Q2. Please explain what specific KPIs you plan to set for risk management.**

**A2. IZAWA, CSO**

We're discussing whether our current 16 material topics and the KPIs linked to them really are appropriate, based on a review of our material topics and KPIs, which we have summarized in the form of logic trees. We intend to revise them as needed.

**HASHIMOTO, CEO**

Our current non-financial KPIs take the form of targets in such areas as occupational injuries, accidents and compliance, which perceive risk in terms of threats. While we intend to continue monitoring these KPIs, we also want to move forward with discussion of KPI management that considers risk in terms of opportunities to a greater extent than we are now.

**Q3. Could you go into a bit more detail about this approach to risk management based on identifying both threats and opportunities? And could you tell us whether there are any areas that will be a particular focus?**

**A3. IZAWA, CSO**

For all the issues identified as risks, we put together positive scenarios listing opportunities and negative scenarios listing threats, so that we can determine our responses to each item. For example, when it comes to the risk posed by climate change, cost increases associated with measures to combat greenhouse gas emissions are a threat to us, but at the same time, technological advances for biomass-related products, and growing demand for such products,

present opportunities. Our safety KPIs, meanwhile, have conventionally focused on threats alone, but now we aim to manage risks in this area with an eye to opportunities as well, including leveraging digital transformation and the development of advanced technologies that will help to ensure safety. I said we were discussing 29 issues that could potentially be positioned as Group-wide key risks. In doing so, we're examining whether any of these risks present opportunities in addition to threats. Debate is still ongoing as to which issues will be selected as key risks and receive particular focus, but most of our board members regard climate change and problems with plant operation arising from disasters as being important.

**Q4. How are you evaluating the 29 key risks identified by the Risk Management Committee? Please also explain how you plan to assign an order of priority to the risks that have emerged.**

**A4. IZAWA, CSO**

We held the first Risk Management Committee meeting in June and engaged in wide-ranging discussion that encompassed small risks as well. The topics discussed covered the categories of natural disasters, climate change, safety, production, quality, human resources and digital transformation. The 29 risks are being ranked in order of importance based on consideration of the severity, frequency of occurrence and probability of occurrence of each one. We intend then to narrow down the list in December and finalize it before the end of March 2024. As we work toward the ideal vision set out in VISION 2030, we believe it's important to put in place a setup that allows us to identify what risks we face and address them flexibly according to the circumstances. Rather than merely constructing mechanisms, we'll also take steps to ensure the sound operation of the PDCA cycle, based on discussion between the CEO and risk owners, followed by application of the outcomes of those discussions. Additionally, to ensure we identify not only threats, but also opportunities, we'll look to follow an approach that integrates strategies for both sides of the coin.

#### ■ Human Capital

**Q5. Last year's ratio of mid-career hires was high, at 61 percent. Could you explain how you go about training employees amid an environment in which you are hiring these mid-career professionals alongside new graduates?**

**A5. ANDOU, CHRO**

One method is to train staff while rotating them through various workplaces, but as young people today have a high level of vocational awareness, there's also the approach of training focused on honing expertise. Additionally, we're devoting our energies to leadership development training. Almost 1,000 employees have participated to date in leadership development training programs taught by the same instructor. We're nurturing the next generation of leaders through this training program, in tandem with workplace-based on-the-job training.

**Q6. I'd like to know what your thoughts are on employees trained by Mitsui Chemicals moving on to careers at other companies and in other industries.**

**A6. ANDOU, CHRO**

We're not wholly against it, given the contribution it makes to Japanese industry as a whole, but employee retention is a major cornerstone of Mitsui Chemicals' human resources strategy, so we intend to strive for a low attrition rate.

**Q7. Can you tell us about your efforts to bring back employees who've left the company?**

**A7. ANDOU, CHRO**

For some time, our mid-career hiring options have included former employees – a dozen or so individuals have returned in this way. We're currently forming an alumni base encompassing both former employees and individuals who previously refused job offers, and are also working on a referral-based recruitment program. As such, we're moving forward with recruitment activities by keeping an open mind as we expand our networks of connections.

**Q8. Looking at your employee engagement policies, I'd like to know what kind of messages the president has communicated in the online sessions and what messages have come back from employees in return.**

**A8. HASHIMOTO, CEO**

As the COVID-19 pandemic struck straight after my appointment as president, I wasn't able to talk with staff face-to-face at their workplaces, so we used these online sessions instead. In addition to explaining VISION 2030 and my ideas, I've engaged in dialogue with employees, with the aim of finding out what they think of VISION 2030 and gaining a sense of whether they regard it as something that concerns them personally. There's inevitably a gap between what a company says and what its employees hear, so ever since my appointment in fiscal 2020, I've been engaged in the task of identifying that gap and then exploring the issues that can be deduced from it. I believe that everyone in the company is aware of VISION 2030, so now I'm engaging in dialogue aimed at monitoring how well our plans are progressing.

**ANDOU, CHRO**

To give an example of feedback from employees, a number of our local staff overseas told us that it's hard to communicate their business ideas to Head Office and they don't know what process to follow to express their opinions. Afterward, at the instruction of Mr. HASHIMOTO, the relevant departments immediately put in place a mechanism for gathering ideas from employees. We reviewed numerous suggestions from staff last year and intend to continue this initiative going forward.

**Q9. I understand that executive compensation will be linked to the non-financial KPI for employee engagement score. I'd like to know when this began to be reflected in executive compensation, what impact it's had and whether attitudes among executives have changed.**

**A9. ANDOU, CHRO**

We revised the executive compensation system during the previous fiscal year and scores began to be reflected in compensation in the current fiscal year. Executive bonuses take account of multiple non-financial KPIs, one of which is the engagement score. While there were no major changes in compensation due to the engagement score during the current fiscal year, we haven't yet seen the results of this year's engagement surveys, so there's a possibility that executive bonuses could fluctuate in the next fiscal year.

**HASHIMOTO, CEO**

Awareness of the employee engagement score is growing, as it affects not only executives, but also the performance evaluations of line managers. I think people have always been aware of appraisals from their bosses, but we've been starting to focus on feedback from other sources as well in recent years – and though we don't make use of 360-degree feedback, incorporating new perspectives like this is starting to change attitudes by encouraging people to think about how they ought to be from a more 360-degree viewpoint.

**Q10. Could you please explain whether this is bringing about any changes in business policy or strategy?**

**A10. HASHIMOTO, CEO**

We hope that, rather than direct impacts on business policy or strategy, the effects will emerge in improved success rates and achievement levels in the implementation of business plans. I believe we'll see effects on line managers' approaches to leadership – for example, I think it's important to ensure that the kind of leader who leads from the front switches to a mindset of providing their subordinates with support from the rear. This will have the meaningful result of changing the level of achievement for our business plans. As we've only just begun our initiatives around non-financial KPIs, I think we'll also need to monitor how things go and make changes as needed in response to the actual situation.

**Q11. The Supreme Court recently ruled on the use of toilets by a transgender person. What efforts is Mitsui Chemicals making in this area?**

**A11. ANDOU, CHRO**

We launched our LGBTQ awareness training in fiscal 2017, starting with human resources staff, and we now have a dedicated support hotline at each of our business sites. Looking at policies on employee benefits, we have a system enabling those in same-sex partnerships to move into company housing, for example. As for toilets specifically, we plan to consider the issue while taking into account the wider social situation and the views of experts.

**Q12. What approach has Mitsui Chemicals taken to achieving cohesion among human resources over the course of the company's various mergers? I'd also like to know how the company's human capital has been changing throughout difficult periods for business, periods of improved performance and the company's business portfolio transformation.**

**A12. HASHIMOTO, CEO**

The Mitsui Chemicals Group has been formed through repeated alliances. Today, individuals who have been with us since before Mitsui Chemicals' founding in 1997 account for fewer than 20 percent of all our employees, with the vast majority having joined the company in its present incarnation. Thanks to such factors as our business alliances and mid-career hiring, the company is composed of diverse human resources from a wide range of backgrounds. While maintaining a grip on the direction we want to go in via our corporate mission and VISION 2030, among others, we endeavor to manage our human capital in a way that enables our employees to fully exercise their capabilities. We believe the role of management is to enable each employee to maximize output by demonstrating their individuality, rather than forcing employees to fit into molds. Cookie-cutter management methods might have been appropriate in a society and an age dedicated to the pursuit of efficiency and productivity, but the important thing for Mitsui Chemicals as we roll out the business models we plan to work toward will be new ideas and how we can add value to our business. While maintaining the minimum necessary grip, we want to create a carefree working environment for our employees. Due to the tough business environment after the 2008 Global Financial Crisis, we limited hiring for a while, but even then we were able to carry out the M&A we required, allowing us to secure human resources with new backgrounds across the globe. Our mid-career hires join us from a wide range of fields and have a high retention rate.

**Q13. The company's engagement score appears to be low. Could you explain the factors contributing to this?**

**A13. HASHIMOTO, CEO**

It's because we've set a demanding target for the engagement score, focused on the proportion of employees who are highly engaged. In addition, the mobility of human resources overseas has always been high, which means there's a tendency for an individual not to remain in a company if their personal engagement falls. As such, engagement scores at our affiliates abroad tend to be high. However, as career opportunities in Japan are more limited, human resource mobility is lower than in other countries, and engagement scores at our domestic affiliates in particular are therefore not high enough. We plan to introduce various policies aimed at improving the engagement score, tapping into such tools as our recently introduced global human resources platform. I'd also note that, from the current fiscal year, the engagement score is one of the KPIs for executive compensation, so the entire management team is committed to building mechanisms aimed at achieving improvements.

**Q14. Please explain why the wage gap between male and female employees is smaller than at other companies in this industry.**

**A14. ANDOU, CHRO**

First of all, there's no gap when you compare employees at the same rank, so the wage gap between male and female employees is down to differences in the personnel structure. Looking at trends at Mitsui Chemicals, our female employees have a low attrition rate and a long length of service, and we employ a large number of young male operators at our manufacturing sites. Accordingly, I think the data shows little in the way of a wage gap when you average this out.

#### ■ Governance and Other Matters

**Q15. Could you tell us about the background to the items rated negative in the evaluation of the board's effectiveness? Please also explain how you intend to achieve improvements in these areas.**

**A15. MABUCHI, Outside Director**

Based on my experience as an executive at another company, I feel Mitsui Chemicals is being managed properly. Taking "Communication between inside executives & outside executives" as an example of a metric with a negative rating, I'd venture to say my impression is that the board is falling short when it comes to the matter of truly free-flowing internal communications about management. I feel there still might be room for improvement from the perspective of improving the board's innate effectiveness, by looking at whether management is focused solely on formalities – that is to say, merely following the rules in the Corporate Governance Code. I want to drill down into this and other issues, so that we can raise the overall standard and further improve effectiveness, and thereby turn the board of directors into something even more constructive than it already is.

**Q16. Tell us your thoughts on the power of the Mitsui Chemicals brand.**

**A16. MABUCHI, Outside Director**

I would praise the company's good work in setting targets for the three growth domains and the Basic & Green Materials business segment. However, rather than simply achieving the numerical targets in VISION 2030, it would be advisable to maintain a single perspective for how Mitsui Chemicals as a whole will change through this process and where the company is headed. This certainly doesn't mean the company should head in a particular direction just

because the outside directors or the president say so; rather, it's important to discuss matters thoroughly within the company and ensure it has a banner that everyone can rally behind. At a time when society is working toward achieving carbon neutrality by 2050, Mitsui Chemicals should fulfill its responsibilities as a major Japanese corporation. In this process, the company needs to have a strong sense of purpose about how to increase profits and feed them back to employees and stakeholders. However, "efforts for carbon neutrality" alone isn't an adequate slogan for this purpose. For example, I think the company itself would improve if each and every employee developed a stronger awareness of the common thread running through the company's work – namely, providing society with products that enrich people's lives.

**Q17. In thinking about the brand, isn't there a need to consider not only what the executive management team says, but also how those messages are received by the employees at whom they are directed?**

**A17. MABUCHI, Outside Director**

Some people might think that a "brand" just consists of messages conveyed to those on the outside, but through the course of their jobs, I believe that employees actually end up with a very strong sense of what their own company's brand is. I think there are many different ways to communicate one's message.

**Q18. It's often said that it's harder to maintain a brand than to create one. Would it be fair to say that a chemical manufacturer will see the adoption of its products by automakers rise if its brand power increases?**

**A18. MABUCHI, Outside Director**

I do think the adoption rate will rise. In a previous job, I was responsible for purchasing materials and parts, and I saw suppliers through the filter of the brand images they had cultivated via many years of knowledge and experience. In this sense, too, I think that creating robust brand power is certain to contribute to corporate growth.