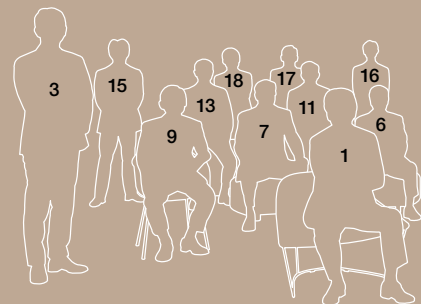
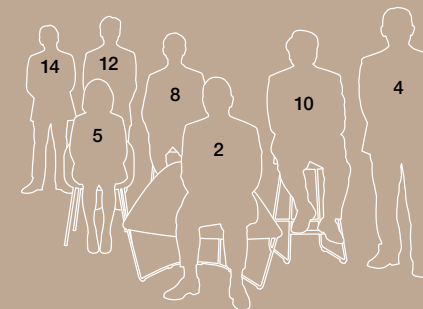


[Governance]

**Those on the supervision side and those on the execution side
fulfill their responsibilities with a sense of duty to support
the value creation of the Mitsubishi Materials Group.**



- | | | | |
|------------------------------|-----------------------------|-----------------------------|--------------------------|
| 1 Akira Takeuchi | 7 Hikaru Sugi | 13 Shinichi Nakamura | 17 Tetsuya Tanaka |
| 3 Nobuhiro Takayanagi | 9 Tatsuo Wakabayashi | 15 Shogo Yamaguchi | 18 Kazuto Hirano |
| 6 Hiroshi Watanabe | 11 Yasunobu Suzuki | 16 Jun Nagano | |



- | | | |
|--------------------------|--------------------------|-------------------------|
| 2 Naoki Ono | 8 Hiroshi Sato | 14 Tetsuro Sakai |
| 4 Yoshikazu Yasui | 10 Koji Igarashi | |
| 5 Mariko Tokuno | 12 Makoto Shibata | |

Photo taken with consideration on preventing the spread of COVID-19 (June 24, 2021).

[Governance]

Directors and Executive Officers

(As of June 24, 2021)

Directors

1 Akira Takeuchi

Director, Chairman of the Board

Audit Committee
Remuneration Committee

Apr. 1977 Joined the Company
Jun. 2009 Managing Director
Apr. 2014 Executive Vice President
Apr. 2015 President
Jun. 2018 Director, Chairman of the Board (to present)

[Reasons for nominating] Mr. Akira Takeuchi, following appointment as Managing Director of the Company in 2009, had served as Director in charge of corporate communications, general affairs, the environment, human resources, safety and health and the affiliated corporations' business. After serving as President, he has been Chairman since June 2018.

At present, as Chairman of the Board of Directors, he plays the leading role in enhancing the effectiveness of the Board of Directors noticeably by proceeding with meetings in such a way as to facilitate open and quality discussions in the Board of Directors meetings.

As explained above, he has extensive knowledge and rich experience related to the business and operations of the Group. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes his appointment to the position of Director.

2 Naoki Ono

Director, Chief Executive Officer
(Representative Executive Officer)
CEO, General Operation of the Company;
responsible for: Internal Audit

Nomination Committee
Remuneration Committee

Apr. 1979 Joined Mitsubishi Mining & Cement Co., Ltd.
Jun. 2014 Managing Director;
President, Cement Company
Apr. 2016 Executive Vice President;
President, Cement Company
Jun. 2016 Director; Executive Vice President;
President, Cement Company
Apr. 2017 Director; Executive Vice President;
General Manager, Corporate Strategy Div.
Jun. 2018 President
Jun. 2019 Director; Chief Executive Officer
Apr. 2021 Director; Chief Executive Officer; CEO (to present)

[Reasons for nominating] Mr. Naoki Ono, following appointment as Managing Director of the Company in 2014, served as President, Cement Company, and General Manager of the Corporate Strategy Division. After serving as President, he has been as Director, Chief Executive Officer, since June 2019.

At present, as Director, Chief Executive Officer and CEO, he supervises the management of the Group and is leading a variety of measures for management reform. Additionally, he reports on the overall situation of management of the Group regularly at the Board of Directors meetings, thereby fulfilling his accountability to the Board of Directors as Executive Officer.

As explained above, he has extensive knowledge and rich experience related to the business and operations of the Group. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes his appointment to the position of Director.

3 Nobuhiro Takayanagi

Director, Managing Executive Officer
CFO, responsible for: Corporate Strategy, Corporate Communications,
Finance & Accounting, Affiliated Corporations & Aluminum;
General Manager, Corporate Strategy Dept.

Apr. 1986 Joined the Company
Apr. 2016 Operating Officer; Vice President, Metals Company
Dec. 2017 Operating Officer; President of Mitsubishi Cable Industries, Ltd.
Apr. 2019 Operating Officer; President of Mitsubishi Cable Industries, Ltd.,
Vice President, Advanced Products Company of the Company
Apr. 2020 Managing Executive Officer;
Vice President, Advanced Products Company
Apr. 2021 Managing Executive Officer; CFO;
General Manager, Corporate Strategy Dept.
Jun. 2021 Director; CFO;
General Manager, Corporate Strategy Dept. (to present)

[Reasons for nominating] Mr. Nobuhiro Takayanagi took office as Managing Executive Officer of the Company in April 2020. After serving as Vice President, Advanced Products Company, he has undertaken his duties as CFO and has been in charge of Corporate Strategy, Corporate Communications, Finance & Accounting and Affiliated Corporations & Aluminum as well as General Manager, Corporate Strategy Dept. since April 2021.

He has a global perspective and insight into general aspects of management through his experience as Vice President, Metals Company; Vice President, Advanced Products Company, and the president of major Group companies in Japan. After taking office as Managing Executive Officer, in particular, not only has he supported the management of the entire Advanced Products Company as Vice President of the company, but also has been engaged mainly in strengthening the growth potential of the Electronic Materials & Component Div.

As explained above, he has extensive knowledge and rich experience related to the business and operations of the Group. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes his appointment to the position of Director.

7 Hikaru Sugi

Outside Director

Nomination Committee
Remuneration Committee

Apr. 1974 Joined Nippondenso Co., Ltd. (currently DENSO CORPORATION)
Jun. 2002 Executive Director, Member of the Board; General Manager,
Air-Conditioning Product Div.
Jun. 2004 Executive Director; General Manager, Air-Conditioning Product Div.
Jun. 2005 Executive Director; General Manager,
Thermal Systems Business Div.
Jun. 2008 Senior Executive Director, Member of the Board;
General Manager, Engineering Research & Development Center
Jun. 2011 Senior Executive Director, DENSO CORPORATION;
President and CEO, DENSO INTERNATIONAL AMERICA, INC.
Jun. 2013 Executive Vice President, DENSO CORPORATION;
President and CEO, DENSO INTERNATIONAL AMERICA, INC.
Jun. 2014 Advisor, Senior Technical Executive, DENSO CORPORATION
Jun. 2016 Advisor (resigned June 2017)
Jun. 2018 Director of the Company (to present)

[Reasons for nominating] Mr. Hikaru Sugi has extensive technical knowledge in development, design and manufacturing processes. He also has insight into corporate strategy from a global perspective and general aspects of management through his experience as a manager of a manufacturer that develops its business all over the world. Based on his insight, he has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid- to long-term corporate value of the Group and has supervised the execution of duties by Executive Officers, etc. from an independent position. Additionally, as a member of the Nomination Committee and the Remuneration Committee, he has been involved in selecting candidates for Directors and Executive Officer and deciding on the remuneration of Directors and Executive Officer, etc. of the Company from an objective and neutral position.

As explained above, he has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that he will continue helping to strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes his appointment to the position of Outside Director.

8 Hiroshi Sato

Outside Director

Chairperson of the Audit Committee

Apr. 1980 Joined The Mitsubishi Bank, Ltd. (currently MUFG Bank, Ltd.)
Jun. 2007 Executive Officer; Manager, Credit Div.
Apr. 2008 Executive Officer; Senior Superintendent
Jun. 2008 Standing Audit & Supervisory Board Member
Jun. 2011 Managing Director, Mitsubishi Steel Mfg. Co., Ltd.
(resigned June 2017)
Jun. 2017 Standing Audit & Supervisory Board Member of the Company
Jun. 2019 Director of the Company (to present)

[Reasons for nominating] Mr. Hiroshi Sato has insight into finance, accounting and other aspects of corporate management from his experience as a corporate auditor of a financial institution and as a management at a manufacturer. Based on his insight, he has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid- to long-term corporate value of the Group and has supervised the execution of duties by Executive Officers, etc. from an independent position. Additionally, as Chairperson of the Audit Committee, he has been engaged mainly in auditing the execution of duties by Executive Officers, etc. from an objective and neutral position.

As explained above, he has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that he will continue helping to strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes his appointment to the position of Outside Director.

9 Tatsuo Wakabayashi

Outside Director

Nomination Committee
Chairperson of the Remuneration Committee

Apr. 1977 Joined Mitsubishi Trust Bank (currently Mitsubishi UFJ Trust and Banking Corporation)
Jun. 2008 Managing Director, Mitsubishi UFJ Trust and Banking Corporation (MUTB)
Jun. 2009 Senior Managing Director, MUTB
Jun. 2010 Senior Managing Director and Chief Executive, Trust Assets Division, MUTB; Managing Officer and Group Head, Integrated Trust Assets Business Group, Mitsubishi UFJ Financial Group, Inc. (MUFG)
Jun. 2011 Senior Managing Director, MUTB; Director, MUFG
Apr. 2012 President, MUTB; Director, MUFG
Apr. 2013 President, MUTB; Deputy Chairman, MUFG
Dec. 2013 President, CEO and Chairman, MUTB; Deputy Chairman, MUFG
Jun. 2015 President, CEO and Chairman, MUTB;
Director and Deputy Chairman, MUFG
Apr. 2016 Chairman, MUTB; Director, MUFG
Jun. 2016 Chairman, MUTB
Jun. 2018 Part time engagement, Audit & Supervisory Board Member of the Company
Jun. 2019 Director of the Company (to present)
Apr. 2020 Senior Advisor, MUTB (to present)

[Reasons for nominating] Mr. Tatsuo Wakabayashi has insight into finance, accounting and other aspects of corporate management from his extensive experience as a manager after having served as President and Chairman at financial institutions. Based on his insight, he has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid- to long-term corporate value of the Group and has supervised the execution of duties by Executive Officers, etc. from an independent position. Additionally, as Chairperson of the Remuneration Committee and a member of the Nomination Committee, he has been involved in deciding on the remuneration of Directors and Executive Officer, etc. and selecting candidates for Directors and Executive Officer of the Company from an objective and neutral position.

As explained above, he has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that he will continue helping to strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes his appointment to the position of Outside Director.

4 Yoshikazu Yasui

Director

Nomination Committee
Audit Committee

Apr. 1984 Joined the Company
Apr. 2015 Operating Officer;
General Manager, Human Resources Dept.
Apr. 2017 Operating Officer;
General Manager, Human Resources Dept., General Administration Div.
Apr. 2018 Managing Executive Officer;
General Manager, Human Resources & General Affairs Div.
Jun. 2019 Managing Executive Officer;
General Manager, Human Resources & General Affairs Div.
Apr. 2020 Senior Executive Councillor
Jun. 2020 Director (to present)

[Reasons for nominating] Mr. Yoshikazu Yasui took office as Managing Executive Officer and General Manager, Human Resources & General Affairs Div. of the Company in April 2018. After serving as Managing Executive Officer and Senior Executive Councillor, he has undertaken the duties of Director and a member of the Nomination Committee and the Audit Committee since June 2020.

At present, as a member of the Nomination Committee and the Audit Committee, he is involved in selecting candidates for Directors and Executive Officer of the Company and auditing the execution of duties by Executive Officers, etc. He has done this by leveraging his insight into general aspects of management gained through his experience in working in the Human Resources Dept. for many years and performing business administration of Group companies in Japan and overseas.

As explained above, he has extensive knowledge and rich experience related to the business and operations of the Group. The Company believes that he will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes his appointment to the position of Director.

5 Mariko Tokuno

Outside Director

Chairperson of the Nomination Committee
Remuneration Committee

Jan. 1994 Joined Louis Vuitton Japan K.K.
Apr. 2002 Senior Director, Sales Administration
Mar. 2004 Vice President, Tiffany & Co., Japan Inc.
Aug. 2010 President and Representative Director, Christian Dior K.K.
Sep. 2013 President, Representative Director and CEO, Ferragamo Japan K.K.
(resigned September 2016)
Jun. 2016 Director of the Company (to present)

[Reasons for nominating] Ms. Mariko Tokuno has insight into corporate strategy and general aspects of management from a global perspective gained through her extensive experience as a manager of the Japanese operations of leading international firms. Based on her insight, she has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid- to long-term corporate value of the Group and has supervised the execution of duties by Executive Officers, etc. from an independent position. Additionally, as Chairperson of the Nomination Committee and a member of the Remuneration Committee, she has been involved in selecting candidates for Directors and Executive Officer and deciding on the remuneration of Directors and Executive Officer, etc. of the Company from an objective and neutral position.

As explained above, she has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that she will continue helping to strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes her appointment to the position of Outside Director.

6 Hiroshi Watanabe

Outside Director

Audit Committee

Apr. 1972 Joined the Ministry of Finance Japan (MOF)
Jul. 1998 Deputy Director-General, MOF
Personal Secretary to the Minister, MOF
Jul. 2001 Deputy Director-General, MOF
Jul. 2002 Senior Deputy Director-General, International Bureau, MOF
Jan. 2003 Director-General, International Bureau, MOF
Jul. 2004 Vice Minister of Finance for International Affairs, MOF
Jul. 2007 Special Advisor to the Minister of Finance
Oct. 2007 Special Advisor, Japan Center for International Finance
Apr. 2008 Professor, Hitotsubashi University-Graduate School of Commerce and Management / Faculty of Commerce and Management
Deputy Governor, Japan Finance Corporation
Oct. 2008 Deputy Governor, Japan Finance Corporation
Apr. 2012 CEO, Executive Managing Director,
Japan Bank for International Cooperation
Dec. 2013 Governor, Japan Bank for International Cooperation (resigned June 2016)
Oct. 2016 President, Institute for International Monetary Affairs (to present)
Jun. 2017 Director of the Company (to present)

[Reasons for nominating] Mr. Hiroshi Watanabe has knowledge of domestic and overseas finance and economics and general aspects of management gained through his experience in key positions at the MOF and in management positions in government-affiliated financial institutions. Based on his insight, he has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid- to long-term corporate value of the Group and has supervised the execution of duties by Executive Officers, etc. from an independent position. Additionally, as a member of the Audit Committee, he has been engaged mainly in auditing the execution of duties by Executive Officers, etc. from an objective and neutral position.

As explained above, he has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that he will continue helping to strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes his appointment to the position of Outside Director.

10 Koji Igarashi

Outside Director

Audit Committee

Apr. 1980 Joined Ajinomoto Co., Inc.
Apr. 2002 Senior Vice President, Ajinomoto U.S.A., Inc.
Jun. 2007 Executive Officer; Vice President, Amino Acids Company,
Ajinomoto Co., Inc.
Jun. 2009 Executive Officer; General Manager, Corporate Planning Div.
Jun. 2011 Member of the Board, Corporate Vice President
Jun. 2013 Member of the Board, Corporate Senior Vice President
Jun. 2017 Senior Advisor (resigned June 2020)
Jun. 2020 Director of the Company (to present)

[Reasons for nominating] Mr. Koji Igarashi has extensive technical knowledge in technological development and manufacturing as well as insight into overall management, such as global business development, business reform and creation, and promotion of digitalization through his experience as a manager of a food manufacturer that develops its business all over the world. Based on his insight, he has given useful advice from various viewpoints in the Board of Directors meetings so as to enhance mid- to long-term corporate value of the Group and has supervised the execution of duties by Executive Officers, etc. from an independent position. Additionally, as a member of the Audit Committee, he has been engaged mainly in auditing the execution of duties by Executive Officers, etc. from an objective and neutral position.

As explained above, he has extensive knowledge and rich experience that contributes to the sustainable growth of the Group. The Company expects that he will continue helping to strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes his appointment to the position of Outside Director.

15 Shogo Yamaguchi

Managing Executive Officer

President, Environment & Energy Business Company

16 Jun Nagano

Managing Executive Officer

Responsible for: General Affairs, Legal, Human Resources,
CSR & Compliance, Business Process Innovation

17 Tetsuya Tanaka

Managing Executive Officer

President, Metalworking Solutions Company

18 Kazuto Hirano

Managing Executive Officer

President, Cement Company

11 Yasunobu Suzuki

Executive Vice President and Executive Officer

(Representative Executive Officer)

President, Advanced Products Company

12 Makoto Shibata

Managing Executive Officer

Responsible for: DX Promotion, System Strategy,
Corporate Research & Development, New Business Development

13 Shinichi Nakamura

Managing Executive Officer

Responsible for: Procurement & Logistics, Safety, Environment & Quality,
Corporate Production Engineering, Production Technology Management,
Mineral Resources

14 Tetsuro Sakai

Managing Executive Officer

President, Metals Company

[Governance]

Message from the Chairman of the Board of Directors



Striving to further improve corporate governance and strengthen the functions of the Board of Directors

Akira Takeuchi

Chairman

Internal and External Situation and Initiatives on Corporate Governance

The role that society expects corporations to play is changing as economic and social conditions change and people's values change. The pace of change has particularly accelerated in recent years, and the content of corporate governance that stakeholders demand of the Group has become more broad-ranging and severe. The Corporate Governance Code was revised in 2021 as a measure to achieve new growth under the changing environment surrounding companies triggered by the COVID-19 pandemic. Efforts are already underway on many items, but we will continue to exercise the functions of the Board of Directors, secure diversity of core human resources, and actively address issues such as those related to sustainability.

The Group has migrated to a company with a Nomination Committee with a goal of enhancing the management supervision function of the Board of Directors, improving the transparency and fairness of management, and speeding up the decision-making in the execution of business, and two years have passed since the migration. Vigorous discussions were held at the Nomination Committee, Audit Committee, and Remuneration Committee immediately after the migration, culminating in the Company formulating and publishing a Basic Policy on Corporate Governance in April of 2020.

And regarding the effectiveness of the Board of Directors, we periodically conduct evaluation questionnaires for all Directors, and based on the results, the Board of Directors conducts discussions and discloses the evaluation results in a Corporate Governance Report. In the discussions, opinions are exchanged on measures to improve effectiveness, and a draft of the improvement plan is reported to the Board of Directors for implementation. Into the future, we will make an effort to improve the effectiveness of the Board of Directors by steadily going through the cycle of "evaluation, formulation of improvement measures, and implementation of improvements."

Further Strengthening Group Governance With an Aim of Efficient Management of the Board of Directors

One major role of the Board of Directors is to perform appropriate decision-making on important items and supervise progress of the Group management plan. In fiscal 2022, continuing from last year, the Board of Directors periodically receives reports on progress and achievement of Medium-term Management Strategy and single-year goals, as well as issues and their handling, and discusses those topics in the Board of Directors meetings. In regard to the important items, etc. in the Medium-term Management Strategy, we have discussions on a monthly theme, and exchange frank opinions with the Executive Officers in charge. Our intention is that this will enable the Board of Directors to appropriately make decisions on important items as well as to perform monitor functions more effectively. The Board of Directors will robustly support the execution side in achieving the goals in the Medium-term Management Strategy.

Another important role of the Board of Directors is its supervisory function for ensuring the corporate and legal compliance of the Group. We found that conflict-of-interest transactions were conducted at subsidiaries outside Japan in fiscal 2021, so we strengthened measures for internal control at the Group as a whole. The Board of Directors intends to further expand its monitoring function for the Group as a whole and more appropriately fulfill monitoring functions while gaining the cooperation of the execution side in areas such as early communication of information.

Changes in the environment surrounding companies are accelerating due to the global spread of COVID-19. In order to achieve sustainable growth after COVID-19 and improve corporate value over the medium to long term, further advancement of corporate governance and strengthening of the functions of the Board of Directors will be imperative. As head of the Board of Directors, I will continue to do my best to promote free and constructive discussions from the perspective of supervising the status of achieving business goals and monitoring corporate and legal compliance, and to achieve high-quality deliberation as well as effective and efficient management of the Board of Directors.

[Governance]

Message from the Chairpersons of the Nomination Committee, Audit Committee and Remuneration Committee



Supporting, from a Nominating Committee standpoint, prompt and appropriate executive decisions in response to accelerating changes in the socioeconomic environment

Chairperson of the Nomination Committee

Mariko Tokuno, Outside Director

Nomination Committee Activities Status and Major Accomplishments

The Nomination Committee met for ten times in fiscal 2021. The responsibilities of the committee are to nominate candidates for the Board of Directors, to advise on the selection of Executive Officers, and to plan for the succession of the President and develop the next generation of management.

Under a policy that Directors should be members who always adapt to changes in the business environment, we updated the list of candidates for Outside Directors and verified the fulfillment rate in the Director skills matrix in fiscal 2021. We also clarified the search process for Outside Directors and worked to create a mechanism that ensures fairness. And as new initiatives, we strove to gain a deeper understanding of qualities as leaders of candidates for successor to the President through 360-degree feedback surveys and the like for those candidates and provided opportunities for presentations by Executive Officers from the perspective of developing and evaluating the next generation of top management.

In this way, I feel activities of the Committee are becoming more specific and detail-oriented. I believe that the mission of the Nomination Committee is to accurately recognize the situation the Company faces, to nominate candidates for the Board of Directors who are most suitable for the advancement of the Company, and to work to assess the President or other Executive Officers entrusted with business execution. And I am determined that we continue to work diligently as a committee without fear of change.

Effectiveness of the Board of Directors and Evaluation of That

In December 2020, we conducted evaluation questionnaires on the effectiveness of the Board of Directors, and I believe that the results are valid. In a word, I think it would be good to have awareness to further evolve the efforts that have been accumulated so far in each item without relenting under any circumstances. The Board of Directors has changed greatly compared with when I was appointed in 2016, and I feel that it has become much more active. And I feel that, in an aim to have even more active, it would be good to form venues for Directors to discuss with each other in addition to the Board of Directors. While I do not see major issues currently in the Company's corporate governance, I intend to continue to monitor the situation closely to ensure that the governance system is maintained even at future changes in the system with corporate transformation (CX) and reforms in the corporate culture.

Deepening Understanding of the Company and Always Remembering to be Fair and Objective

I believe it is important as an Outside Director and as Chairperson of the Nomination Committee to be prepared for emergencies by constantly striving to deepen understanding of the company's situation, and to remember to be fair and objective. Moreover, executives must respond to the ever-accelerating changes in the socioeconomic environment, make quick and decisive decisions, and control the direction of the Company's operations. That is the true goal of transforming to a company with a Nomination Committee, and I intend to support quick and decisive executive decisions from the standpoint of the position I hold at the Company.

[Governance] **Message from the Chairperson of the Nomination Committee, Audit Committee and Remuneration Committee**



Supervisory functions of the Board of Directors steadily evolve, and we aim for further strengthening of effectiveness

Chairperson of the Audit Committee

Hiroshi Sato, Outside Director

Audit Committee Fiscal 2021 Activities Status and Major Accomplishments

The Audit Committee started fiscal 2021 with the three new members. Our main activities are as follows.

First is to audit status of measures for compliance with anti-trust laws. We monitored sufficiency and progress of measures for preventing reoccurrence in line with an incident that came to light in fiscal 2020 at subsidiaries in Japan and presented the opinions of the Audit Committee to the Board of Directors and others. Second is the issue of how long Accounting Auditors remain assigned. Discussions on this have continued for years, and I feel that we are close to reaching a reasonable consensus. Third is dealing with conflict-of-interest transactions discovered at subsidiaries outside Japan. As investigation of the facts proceeds, measures to strengthen internal control in Group companies are being taken in order to prevent reoccurrence, and this has been made an important audit item for fiscal 2022.

Board of Directors Firmly Fulfilling its Function of Auditing Executive Officers

The Company's Board of Directors is firmly fulfilling its function of auditing Executive Officers. I think this is largely due to the formation of an awareness that Executive Officers make much of the discussions of the Board of Directors under the strong leadership of top management. And that means that the Board of Directors must work to enhance its own effectiveness in order to achieve a growth strategy with a sense of speed. Listening to shareholders directly is also effective. For example, meetings between institutional investors and Outside Directors enable valuable opinions to be heard, and I would like to see those continue.

Further Strengthening Group Governance

Since finding a quality issue, the Company has promoted Group governance enhancement as one of the most important top management issues and worked to enrich that by means such as transforming to a company with a Nomination Committee. Listening to Group company employees, I get a feel that the intentions of top management have come to be communicated well. Into the future, we need to work on the following two points as well.

First is to further strengthen internal control at locations where it is difficult for governance to reach. This is mainly companies that entered the Group by M&A, especially, subsidiaries outside Japan. Second is organization of Group companies taking into account our governance capabilities. Like with growth strategies, I believe that working with a sense of speed is essential.

I, myself, will try to enhance "defense" as Audit Committee Chairperson. I will work to run the Audit Committee with the aim of us becoming a company that sets the norm for a society with a deeply ingrained awareness of compliance. Meanwhile, as an Outside Director, I will push for bold and aggressive growth strategies, always taking capital efficiency into consideration with the aim of having a vigorous "offense" stance. By balancing "offense" and "defense," I believe we will do everything in our power to make the Company one that is highly valued by its stakeholders and contributes to society.



It is important for all employees to be aware that the basis for corporate governance lies is in their daily work

Chairperson of the Remuneration Committee

Tatsuo Wakabayashi, Outside Director

Remuneration Committee Activities and Future Issues

The Remuneration Committee met six times in fiscal 2021 with the five members attending all times.

The fiscal 2021 Remuneration Committee decided fiscal 2021 Director and Executive Officer remuneration, decided to introduce a system of stock-based remuneration using a trust, and deliberated subjects such as suitability of the executive remuneration system.

As an issue for the future, we will continue to discuss design of a remuneration system from the perspective of investors, thereby enabling us to build a system that contributes to maximizing corporate value.

Executive Officer remuneration is composed of the fixed remuneration of basic remuneration and the performance-linked remuneration of annual bonuses and stock-based compensation. That stock-based compensation achieves a shared sense of profit with shareholders in a simple manner, and the goal of that system is to function as an incentive to improve the Group's medium- to long-term corporate value. If the market demands a remuneration system with a more medium- to long-term perspective in the future, we will consider necessary measures such as increasing the ratio of stock-based compensation.

Steadily Increasing Effectiveness of the Board of Directors

I feel that the effectiveness of the Company's Board of Directors is steadily increasing. Areas requiring improvement are clearly identified based on a questionnaire survey implemented annually, and actions for improvement are steadily being taken. On the other hand, I feel that in order to make the Board of Directors even more active, it is necessary to spend more time explaining and discussing matters that are important to the management of the Company. Many of the reported items on the agenda include matters that can be omitted from the Board of Directors meeting by providing advance explanation, so further improvement of the efficiency of the operation method would be desirable in order to secure sufficient time for deliberations on important issues.

I believe that corporate governance is essential for companies because it maximizes the interests of shareholders and other stakeholders and that the basis for this is the identification, control, and management of risks associated with the company in question. Therefore, the basis of corporate governance lies in the "worksite," and "worksite abilities" hold the key to that. It is important for all employees to be aware that corporate governance is not something that the officers and executives come up with, but rather has its basis in their own daily work.

I, myself, would like to contribute to the sustainable growth of the Company in my day-to-day activities by exchanging frank opinions through the Board of Directors and committees.

[Governance]

Corporate Governance

Basic Approach

The basic approach to corporate governance of Mitsubishi Materials Corporation (the “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 (hereinafter, the “Group”), 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.

As the Group is an integrated business entity supplying basic materials and elements indispensable to the world, and is involved in recycling business and renewable energy business, we adopted an in-house company system so as to facilitate and appropriately execute business operations.

* 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; and
- 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.

The Board of Directors is comprised of 10 Directors (including 6 Outside Directors), and the Chairman of the Board of Directors is performed by the Chairman of the Company.

(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

■ Overview of the Corporate Governance System (Chart as of April 1, 2021)

Committee reviews and responds to inquiries from the Board of Directors concerning the election and dismissal, etc. of Executive Officers.

The Nomination Committee is comprised of 5 Directors (including 3 Outside Directors), and the Chairman of the Nomination Committee is performed by an Outside Director.

(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.

The Audit Committee is comprised of 5 Directors (including 3 Outside Directors), and the Chairman of the Audit Committee is performed by an Outside Director.

The Audit Committee also elects 2 full time Member of the Audit Committee in order to improve the effectiveness of audits conducted by the Audit Committee.

(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.

The Remuneration Committee is comprised of 5 Directors (including 3 Outside Directors), and the Chairman of the Remuneration Committee is performed by an Outside Director.

(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 10 Executive Officers, of which the Chief Executive Officer Naoki Ono, and the Executive Vice President and Executive Officer Yasunobu Suzuki, are elected as Representative Executive Officers upon the decision of the Board of Directors.

(Executive Officers' Meeting)
Following the delegation of authority from the Board of Directors, Executive Officers' Meetings review and determine important matters concerning the management of the entire Group. Executive Officer's Meeting is attended by all 10 Executive Officers, and the Chairman of the Executive Officer's Meeting is performed by the Chief Executive Officer.

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 Candidates for Directors (Skill Matrix)

		Expertise and experience						
Name	Business experience outside the Company	corporate management & organizational management	International experience	Sales & marketing	Production engineering	Research & developme	Legal affairs	Finance & accounting
Akira Takeuchi		●	○				●	○
Naoki Ono		●	○	○	○		○	○
Nobuhiro Takayanagi		●	○	○			○	○
Yoshikazu Yasui		●	○				○	○

Outside Director

Mariko Tokuno	Consumer goods	●	○	○			○	○
Hiroshi Watanabe	Tax system and international finance	●	●				●	○
Hikaru Sugi	Automotive products	●	○		○	●		
Hiroshi Sato	Finance and steel	●					○	●
Tatsuo Wakabayashi	Finance	●	○				○	○
Koji Igarashi	Food and food materials	●	○		●	○		○

○ means the expertise and experience that candidates have (● refers to their strengths)

(Note) The above table does not cover all insights that the candidates are equipped with.

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 (hereinafter, "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 based on an appropriate evaluation of the performance in each fiscal year as well as the status of the implementation of medium- to long-term management strategies, etc., and reflected in remuneration.
- (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 evaluation of consolidated operating profit growth rate compared with other companies, as well as a performance evaluation and nonfinancial evaluation, on a single-year basis.

The specific evaluation items shall be as follows:

<<Evaluation Items>>

- (i) Current net profit attributable to owners of parent, which is the final result of management and by which common profit awareness is shared with shareholders
- (ii) 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
- (iii) Non-financial evaluation that evaluates the value of efforts aimed at the improvement of medium- to long-term corporate value, which is less likely to be represented in a short-term performance
- (iv) Consolidated operating profit growth rate compared with other companies, as a final adjustment factor to give an impression of growth greater than market growth (comparison with 6 non-ferrous metal companies and similar-sized manufacturing companies)

<<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 200% based on a performance.

<<Evaluation Weight>>

Based on the evaluations of each portion of 40%, 40% and 20% of the base amount, which depends on one's job position, in terms of current net profit attributable to owners of parents, consolidated operating profit (or, in the case of an Executive Officer in charge of business activities, operating earnings from the relevant business sector) and non-financial factors, respectively, the annual bonus shall be determined by using consolidated operating profit growth rate as an adjustment factor.

Chief Executive officer, Non-Business related Executive Officers

Evaluation of current net profit attributable to owners of parent: 40%

+

Evaluation of consolidated operating profit: 40%

+

Evaluation of non-financial factors: 20%

Adjustment Factor

Evaluation of growth rate 0.9 to 1.1

Business related Executive Officers

Evaluation of current net profit attributable to owners of parent: 40%

+

Evaluation of operating earnings from the relevant business: 40%

+

Evaluation of non-financial factors: 20%

Adjustment Factor

Evaluation of growth rate 0.9 to 1.1

<<Target of performance evaluation indicators for annual bonus>>

With regard to the target of performance evaluation indicators for annual bonuses, in principle, the consolidated performance forecast for the next fiscal year at the time of the announcement of financial results at the end of the current fiscal year shall be applied (For operating income of the business for which the Officer is responsible, the figures on which the consolidated performance forecast was based 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 shall be delivered and paid (hereinafter referred to as "deliver, etc."), in accordance with one's job position, upon retirement from the post of Executive Officers, Operating Officers or Fellows (hereinafter referred to as "Executive Officers, etc."). 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, etc. the shares of the Company's common stock, etc. It is an incentive plan to accumulate points to be given to Executive Officers, etc. in accordance with their positions for each three consecutive fiscal year (initially from Fiscal 2021 to Fiscal 2023) (the "Applicable Period"), 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, etc. 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, etc. during the initial Applicable Period shall be 350,000 points in total.

■ Amount of remuneration, etc. for Directors and Executive Officers

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*4	
		Total amount (Million yen)	Number of eligible recipients (persons)	Total amount (Million Yen)	Number of eligible recipients (persons)	Total amount (Million Yen)	Number of eligible recipients (persons)
Director (Outside Directors)	245 (111)	245 (111)	13 (7) *2	—	—	—	—
Executive Officers*1	438	316	11	— *3	— *3	121	11

Notes:
1. The total amount of remuneration, etc. paid to those who concurrently serve as Directors and Executive Officers is shown in the row for Executive Officers.
2. The number of eligible recipients includes 3 Directors who resigned during the fiscal 2021. As of the end of the fiscal 2021, the Company has 10 Directors and 11 Executive Officers.
3. The Remuneration Committee has deliberated and decided not to pay bonuses to Executive Officers based on the performance of the previous fiscal year.
4. 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 the fiscal 2021. The outline of the remuneration system for Directors and Executive Officers is as described in the Policy on Determination of Remuneration, etc. for Directors and Executive Officers below.

Evaluation of the Effectiveness of the Board of Directors

The Company analyses and evaluates the effectiveness of the Board of Directors based on the evaluation by each Director on an annual basis.

The method applied to evaluate the effectiveness of the Board of Directors in fiscal 2021, and a summary of the results of such are outlined below.

1. Method of analysis/evaluation

Answers to a questionnaire distributed to all 10 Directors in December 2020 were retrieved. (The questionnaire uses a three-grade evaluation for each question (3 points: Fulfilled; 2 points: Mostly fulfilled, but with issues or items requiring improvements, 1 point: Did not fulfill) and provides a free comment space for each question.)

Based on the results of this questionnaire, a review of the evaluation of the effectiveness of the Board of Directors in fiscal 2021 was conducted at a meeting of the Board of Directors held in February 2021, with a resolution reached at a meeting of the Board of Directors held in March 2021.

2. Fiscal 2021 questionnaire items

The core questionnaire items are as follows.

- (1) Matters concerning operation after the change to a Company with a Nomination Committee
 - Confirmation of the status of achievement of the purpose of the change
 - Supervision of the status of execution of duties by each of the Nomination Committee, Audit Committee and Remuneration Committee
- (2) Matters considered important for improving corporate value
 - Supervision of management strategies, such as the Medium-term Management Strategy and Digital Transformation
 - Supervision of the status of operations related to understanding of capital cost and setting of indicators
- (3) Matters pertaining to the effectiveness of management monitoring
 - Supervision of the reduction of the Strategic Share Holdings
 - Confirmation of reporting system for corporate ethics issues
 - Supervision of Group governance, etc.

- (4) Matters pertaining to the operation of the Board of Directors
 - Balance, diversity, and size of the Board of Directors
 - Frequency of meetings, proposals and discussion materials of the Board of Directors
 - Information provision and support system for Directors

3. Measures for improving effectiveness in fiscal 2021

The Company made the following efforts in fiscal 2021 based on the results of the fiscal 2020 evaluation of the effectiveness of the Board of Directors.

- (1) Improvement measures for opinions related to supervision of management strategies (supervision of measures taken based on the Medium-term Management Strategy, understanding of capital cost, setting of indicators, confirmation of management strategies including Digital Transformation)

In order to effectively fulfill the supervision function for the management strategies, the contents of reports from Executive Officers to the Board of Directors were changed to focus on the budget for measures based on the Medium-term Management Strategy and progress and issues on targets for the measures based on the Medium-term Management Strategy. In addition, forums for discussion were held periodically at the Board of Directors for important measures of the Medium-term Management Strategy, including Digital Transformation.
- (2) Improvement measures to opinions related to supervision of the policy for reduction of the Strategic Share Holdings

The Company examined its Strategic Share Holdings based on business alliances, transaction relationships, and investment effect and reduced shares if they were not deemed to be necessary to hold. For the status of actual reduction efforts, see P88, “Reduction of Strategic Share Holdings.”
- (3) Improvement measures to opinions related to the content and volume of the discussion materials for the Board of Directors and time for prior consideration

In addition to thorough enforcement of rules for the preparation of the discussion materials, the Company created a rule to attach a summary to some discussion materials to facilitate understanding of key points and distributed a glossary of terms containing

industry and professional terminology. In addition, efforts were made to secure time for Directors to consider matters in advance through such measures as sending reference materials related to proposals to the Board of Directors early.

4. Summary of fiscal 2021 evaluation results

As a result of deliberations by the Board of Directors, the Board of Directors was able to verify that it achieved a sufficient level of effectiveness for fiscal 2021. A summary of questionnaire responses and key discussions within the Board of Directors are as follows:

- (1) Matters pertaining to enhancement of management supervisory functions (the manner of supervision, including supervision of the measures taken based on the Medium-term Management Strategy, the appropriate content and number of proposals to the Board of Directors, the content and volume of materials for the Board of Directors, and time for prior consideration)

While the view was raised that thorough discussions took place on important issues, etc., by setting time outside the Board of Directors, some opinions were raised that supervision of the measures taken based on the Medium-term Management Strategy would need analysis of the cause of differences between plans and results and strengthening of the supervision of countermeasures for the cause. In addition, some opined that there was still room for improvement in the manner of supervision, including the content of reports from Executive Officers.
- (2) Matters pertaining to understanding of capital cost, setting of indicators

While the view was raised that thorough enough explanations were provided regarding the review of the business portfolio, some opined that further discussions and consideration would be needed to clarify the way of thinking regarding capital cost.
- (3) Matters pertaining to supervision of the policy for reduction of the Strategic Share Holdings

While the view was raised that certain improvement was seen through the steps taken, some opined that close examination of the need to hold the Strategic Share Holdings would be necessary again.
- (4) Matters pertaining to supervision of Group governance, etc.

While the view was raised that there were sufficient reports and discussions at the Board of Directors and the Audit Committee, some opined that periodic reporting and supervision would continue to be needed for matters pertaining to compliance, etc.

5. Fiscal 2022 efforts to further improve effectiveness

The following measures to improve effectiveness in fiscal 2022 were enacted based on results of fiscal 2021 Board of Director evaluation of effectiveness improvement.

- (1) Improvement measures for opinions related to enhancement of management supervisory functions. (Regarding supervision of various measures based on the Medium-term Management Strategy, the content and number of appropriate proposals by the Board of Directors, and the content and amount of Board of Directors materials including prior investigation time)
 - Thorough distribution of Board of Directors materials at an early stage with particularly important parts highlighted.
 - Regarding reports from Executive Officers at meetings of the Board of Directors, emphasis is placed on explaining causes and countermeasures for projects that are new or not progressing well.
 - Regarding matters to be discussed by the Board of Directors, reports on business results, budget, settlement of accounts, etc. are made in the first half in order to enable Directors to judge the appropriateness of each measure based on business performance, etc.
 - Regular briefings are added to impart understanding to our Outside Directors regarding our business, major projects, overseas bases and business development, summary of measures related to the Medium-term Management Strategy and past history.

- (2) Improvement measures for opinions related to understanding of capital cost, setting of indicators
 - Along with partial review of the Medium-term Management Strategy, the financial plan including ROIC was reviewed upon discussion at regularly held Board of Directors meetings in March and April (Disclosed on May 14, 2021).
 - In order to build a monitoring system based on appropriate management indicators for the next Medium-term Management Strategy, the Board of Directors has focused discussion on appropriate calculation and operation methods, etc. for management indicators including ROIC.
- (3) Improvement measures for opinions related to supervision of the policy for reduction of the Strategic Share Holdings
 - Regarding Strategic Share Holdings, identify shares deemed necessary to be held for business strategy in accordance with our Basic Policy on Corporate Governance.
 - For listed shares other than mentioned above, systematically promote sale, aiming for early sale of all shares.
- (4) Improvement measures for opinions related to supervision of Group governance, etc.
 - Continue to work on measures to activate communication and to enhance internal control for the entire Group.
 - Continue to report on work place safety, quality management, compliance, etc. to the Board of Directors via the Sustainable Management Office that we previously established in order to provide information needed for monitoring.
- (5) Other matters
 - In principle, all Board of Directors materials are disclosed to Executive Officers for the sake of strengthening a common understanding between Directors and Executive Officers.
 - In order to improve convenience and further enhance information provision to Outside Directors, continue to work on providing dedicated PCs and tablets, and utilize our online meeting system (for details on the support system for provision of information to Outside Directors, see the Corporate Governance Report “Supporting System for Outside Directors”).

Status of Audits

Status of audits performed by the Audit Committee

Utilizing online methods, in addition to attending meetings of the Executive Officer Committee and other important meetings, 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. Select 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, and conduct visiting audits of subsidiaries, etc. as needed, as well as forming a framework for conducting audits of the state of the execution of duties by Directors and Executive Officers. Additionally, the Audit Committee holds regular meetings with Corporate Auditors at major Group companies as part of efforts to enhance coordination of audit systems in line with Group management measures in place. An organization has been set up within departments responsible for internal audits to assist the Audit Committee in its duties concerning such audits performed by members of the Audit Committee.

Mr. Hiroshi Sato, Chairperson of the Audit Committee, has experience as a corporate auditor of a financial institution and has extensive knowledge of finance and accounting.

Also, Mr. Hiroshi Watanabe, a Member of the Audit Committee, has extensive knowledge of finance and accounting through his experiences as Vice-Minister of Finance for International Affairs at the Ministry of Finance and in management at government-affiliated financial institutions.

The Audit Committee examines the status of the formation and operation of the internal control system, the status of the formation and operation of the internal control system for financial reporting, the status of measures for work place safety and mental health, the status of the implementation of measures to comply with the Antimonopoly Act, the status of the preparation and implementation of measures to enhance the Group's governance system, the appropriateness of auditing methods and the results of audits by Accounting Auditors as well as other matters. In addition, regarding conflicts of interest in actions taken by our consolidated subsidiary Robertson's Ready Mix Ltd. (USA), we listened to details and causes of inappropriate transactions in order to consider the validity and effectiveness of measures to prevent recurrence.

Full-time Members of the Audit Committee attend important meetings such as the Executive Officers' Meeting, Mitsubishi Materials Group's Management Committee, Budget Deliberation, Development Strategy Meetings and the Governance Deliberative Council, and make comments or suggestions on matters of concern. Furthermore, we hold regular meetings with the Chief Executive Officer and executive officers to exchange opinions.

In addition, they receive reports from the head office administration departments on a regular or timely basis and make suggestions or recommendations. Details thereof are shared with the Audit Committee in a timely manner.

Status of internal audits

The Internal Audit Dept., which consists of the General Manager and other 22 employees as of June 24, 2021, is responsible for conducting internal audits works on the instructions of the Chief Executive Officer in cooperation with the Audit Committee to investigate whether internal control systems are configured and applied in an appropriate manner, and audit 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 internal audit plans approved by the Chief Executive Officer and the Audit Committee.

Further, the Internal Audit Dept. conducted closely work with the Audit Committee on its audits by regularly reporting the results of its audits to and sharing information with the Audit Committee.

Additionally, the Audit Committee regularly receives reports from independent accountants on audit results, shares this information, and engages in audits in close cooperation with said independent auditors after conferring on the audit plans for both with independent auditors.

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.

Evaluations conducted during fiscal 2021 found our internal control systems in relation to financial reporting to be sufficient and effective, with no material weaknesses identified. The results were then submitted in June 2021 in the form of an Internal Control Report with the qualified opinion of an auditing firm.

Reduction of Strategic Share Holdings

The Company has a policy of not acquiring or holding shares (strategic holdings) other than purely for investment purposes, except when it is required for their business strategy.

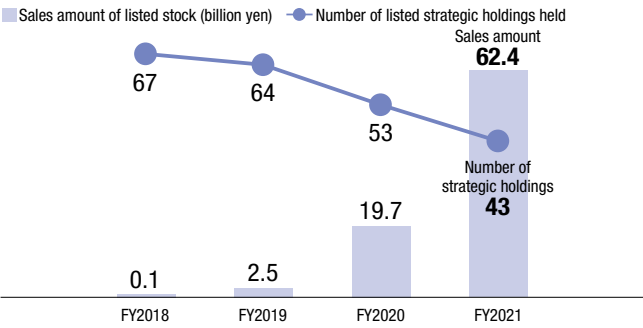
With regard to the Shares in the Form of Strategic Share Holdings, the appropriateness of such holdings shall be specifically reviewed and examined at a meeting of the Board of Directors on an annual basis. As a result of such reviews and examinations, the Company will reduce any Shares in the Form of Strategic Share Holdings if it is not deemed to be necessary to hold such shares.

The Company will make a continuous effort to reduce the Strategic Share Holdings in accordance with the result of such reviews and examinations.

Strategic shareholding reduction in fiscal 2021

In fiscal 2021, out of all of the Strategic Share Holdings (Listed shares held by the Company at the beginning of fiscal year: Shares issued by 60 issuing companies), we sold all or a part of the shares issued by 31 issuing companies. The sales price was approximately 62.4 billion yen (at market value) in total.

Changes in Number of listed Strategic Holdings



Percentage of Strategic Holdings in consolidated net assets

