

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
3 Makoto Shibata
5 Mariko Tokuno

7 Hikaru Sugi
9 Tatsuo Wakabayashi
13 Shinichi Nakamura

15 Tetsuro Sakai
17 Nobuhiro Takayanagi



2 Naoki Ono
4 Yoshikazu Yasui
6 Hiroshi Watanabe

8 Hiroshi Sato
10 Koji Igarashi
11 Yasunobu Suzuki

12 Kazuhiro Kishi
14 Susumu Sasaki
16 Shogo Yamaguchi

18 Jun Nagano
19 Tetsuya Tanaka

Photo taken with consideration on preventing the spread of COVID-19 (June 30, 2020).



Directors and Executive Officers

(As of June 30, 2020)

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] Following his 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 Director, Chairman of the Board, 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 he is suitable for the position of Director.

2 Naoki Ono

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

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

[Reasons for nominating] Following his 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, 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 he is suitable for the position of Director.

3 Makoto Shibata

Director; Managing Executive Officer;
General Manager, Corporate Strategy Div.; CFO

Apr. 1984	Joined the Company
Apr. 2013	General Manager, Energy Business Div., Mineral Resources & Recycling Business Unit
Apr. 2016	Operating Officer; General Manager, Environment & Energy Business Unit
Apr. 2017	Managing Executive Officer; General Manager, General Administration Div.
Apr. 2018	Managing Executive Officer; General Manager, Governance Div.
Jun. 2018	Director; Managing Executive Officer; General Manager, Governance Div.
Apr. 2019	Director; Managing Executive Officer; General Manager, Corporate Strategy Div.
Jun. 2019	Director; Managing Executive Officer and General Manager, Corporate Strategy Div. (to present)

[Reasons for nominating] Following his appointment as Managing Executive Officer in 2017, served as General Manager, General Administration Division, General Manager, Governance Division, and General Manager, Corporate Strategy Division. He has been Director, Managing Executive Officer since June 2019.

At present, as Director, Managing Executive Officer, he is responsible for the management of the Group and has taken the lead in planning and formulating the medium-term management strategy, publicized in March 2020 (from FY2021 to FY2023), and pushing forward with measures based on the strategy. Additionally, he reports on the business performance 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 he is suitable for 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] He 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.

He gives 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 supervises the execution of duties by Executive Officers, etc., from an independent position.

As explained above, he has extensive knowledge and experience related to the Group's business and operations. 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 he is suitable for 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] He 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.

He gives 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 supervises the execution of duties by Executive Officers, etc., from an independent position.

As explained above, he has extensive knowledge and experience related to the Group's business and operations. 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 he is suitable for 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 Executive 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] He 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.

He gives 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 supervises the execution of duties by Executive Officers, etc., from an independent position.

As explained above, he has extensive knowledge and experience related to the Group's business and operations. 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 he is suitable for 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] He assumed the position of Managing Executive Officer and General Manager, Human Resources & General Affairs Division, in April 2018, and has served as Managing Executive Officer since June 2019. He has a global perspective and knowledge in general aspects of management, based on his experience in business administration in Group companies in Japan and overseas and serving as General Manager, Aluminum Division of the Company.

Until March 2020, he was responsible for the management of the Group as Managing Executive Officer and had developed solutions to human-resources issues and promoted HR development and exchange as measures to strengthen governance. Additionally, he reported on the Group's measures for human resources in the Board of Directors meetings regularly, 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 he is suitable for 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] She 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.

She gives 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 supervises the execution of duties by Executive Officers, etc., from an independent position.

As explained above, she has extensive knowledge and experience related to the Group's business and operations. The Company believes that she will strengthen the appropriate supervisory and decision-making functions of the Board of Directors. For these reasons, the Company believes she is suitable for 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	Professor, Hitotsubashi University-Graduate School of Commerce and Management /
Apr. 2008	Faculty of Commerce and Management
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 Jun. 2016)
Oct. 2016	President, Institute for International Monetary Affairs (to present)
Jun. 2017	Director of the Company (to present)

[Reasons for nominating] He 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.

He gives 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 supervises the execution of duties by Executive Officers, etc., from an independent position.

As explained above, he has extensive knowledge and experience related to the Group's business and operations. 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 he is suitable for 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	Advisor (resigned June 2020)
Jun. 2020	Director of the Company (to present)

[Reasons for nominating] He 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.

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 he is suitable for the position of Outside Director.

15 Tetsuro Sakai

Managing Executive Officer
President, Metals Company

16 Shogo Yamaguchi

Managing Executive Officer
President, Environment & Energy Business Company

17 Nobuhiro Takayanagi

Managing Executive Officer
Vice President, Advanced Products Company

18 Jun Nagano

Managing Executive Officer
General Manager, Human Resources & General Affairs Div.

19 Tetsuya Tanaka

Managing Executive Officer
President, Metalworking Solutions Company

11 Yasunobu Suzuki

Executive Vice President and Executive Officer
(Representative Executive Officer)
President, Advanced Products Company

12 Kazuhiro Kishi

Managing Executive Officer
President, Cement Company

13 Shinichi Nakamura

Managing Executive Officer
General Manager, Technology Div.

14 Susumu Sasaki

Managing Executive Officer
General Manager, Governance Div.
responsible for: Aluminum Business and
Affiliated Corporations Business

Message from the Chairman of the Board of Directors

Further enhancing the function for supervising the status of achieving business goals and monitoring corporate and legal compliance

Akira Takeuchi
Chairman



Migrating to a Company with a Nomination Committee and Enriching Measures and Systems for Supporting the New Structure

The Company migrated to a company with a Nomination Committee in June 2019 for the 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. With the new structure, Outside Directors account for the majority of the Board of Directors, Nomination Committee, Audit Committee, and Remuneration Committee, and they are also appointed as chairpersons of those committees. The Board of Directors has transferred wide-ranging privileges to executive officers in order to concentrate on supervising operations and to establish a system for swiftly executing work centered on the Executive Officers' Meeting.

After becoming a company with a Nomination Committee, we have worked on enriching various measures and systems in order to increase the effectiveness of the new structure. The Nomination Committee has been involved in lively debate regarding Executive Officer appointment, the selection of a candidate to succeed the Chief Executive Officer, and a successor development plan, as well as deciding the new policy for selecting Executive Officers and determining candidate Directors. The Audit Committee migrated to a new audit system that utilizes an internal control system, in addition to the audits conducted by Member of the Audit Committee of the Audit Committee. The Remuneration Committee reviewed the executive remuneration system. These discussions culminated in the Company formulating and publishing a basic corporate governance policy in April 2020.

Improving the Effectiveness of the Board of Directors to Perform the Supervisory Function More Effectively

One major role of the Board of Directors is to supervise progress in the Group management plan. Since September

2019, Directors and Executive Officers have been having lively discussion on everything from business strategy to financial targets and medium to long-term management policies, mainly at Board of Directors meetings, and the results were used to formulate and announce a mission and new Medium-term Management Strategy in March 2020. In fiscal 2021, the Board of Directors periodically receives reports on the progress of the Medium-term Management Strategy and the achievement of single-year goals, as well as issues and their handling, and discusses those topics within the Board of Directors. In regard to the important items in the Medium-term Management Strategy, etc., 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 supervisory function of the Board of Directors to function more effectively and thereby robustly support the execution side in the achievement of the goals in the Medium-term Management Strategy.

Another important role of the Board of Directors is its supervisory function for monitoring the corporate and legal compliance of the Group. We deeply regret the antitrust violation of Universal Can Corporation and the series of quality issues discovered in the Group, and will ensure that the Board of Directors supervises that corporate and legal compliance continue to be strongly promoted and enforced, in order to ensure that the same failures never happen again.

Achieving Effective and Efficient Management of the Board of Directors

Although the immediate business environment is becoming more uncertain due to the impact of the global spread of COVID-19 infections, the issues surrounding climate change and sustainability need to be discussed from a long-term perspective. As head of the Board of Directors, I will strive 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 effective and efficient management of the Board of Directors.

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

Facilitating good and sound communication between committee members and tightly linking with members of management to lead to more valuable conclusions

Chairperson of the Nomination Committee

Mariko Tokuno, Outside Director



Role of Nomination Committee and Responsibilities as Committee Chairperson

I believe that the reason Mitsubishi Materials Corporation migrated to a company with a Nomination Committee was to divide the functions of the Directors and Executive Officers in order to ensure the transparency, fairness, and objectivity of the management structure while achieving rapid management. In addition to deciding the appointment and dismissal of Directors, the Nomination Committee deliberates the appointment and dismissal of the Executive Officers led by the Chief Executive Officer and plays an important role in corporate governance such as the deliberation and supervision of the Chief Executive Officer succession plan (the process for changing the Chief Executive Officer and plan for cultivating candidates), which are the key to achieving continuous growth and improving value in the long-term.

As Chairperson of the Nomination Committee, I lead the committee to more valuable conclusions by deeply understanding the Corporate Philosophy, respecting the viewpoint of Outside Directors that possess a wide range of objective knowledge and experience by facilitating good and healthy communication between committee members, and ensuring close cooperation with the current Chief Executive Officer, who is the person that best understands the current strategy and management environment of the company.

Main Efforts of the Nomination Committee

In fiscal 2020, the Nomination Committee made decisions on Director candidates and the policy for appointing Director candidates after long discussion, as well as deliberating the Executive Officer appointments proposed by the Chief Executive Officer and reporting to the Board of Directors. The Committee also exchanged opinions with the Chief Executive Officer on the concept and process for selecting candidates for Outside Directors, as well as the Chief Executive Officer succession plan. I am proud that both external and internal members held frank discussions on all points of these two topics, and I believe that our migration to a Nomination Committee had the result of deepening discussions on the construction of the process for changing the Chief Executive Officer and plan for cultivating candidates in a manner that ensured both transparency and fairness. Looking ahead, I hope

to create various opportunities that enable the Nomination Committee to learn about the candidates from an earlier stage.

Since the strategy and performance of a company is closely tied to its top leadership, long-term success is entirely up to those at the top. As written in "Boards That Lead" by Ram Charan et al., the most important fundamental qualities of a Chief Executive Officer are business sense, or the ability to solve problems, leadership, and humanity, but I believe that there are two other qualities that are required, and they are optimism and a spirit of never giving up.

Enhancing Corporate Governance

Since migrating to a company with a Nomination Committee, I believe that we have been successful in expanding opportunities for sharing information about business matters, which is essential for ensuring the supervisory functions of the Board of Directors. In regard to management policy, we have had many opportunities to exchange opinions and pose and answer questions during the process for formulating our Medium-term Management Strategy, and that has enabled us to understand things clearly. Looking ahead, we will be required to ensure that policies and plans are achieved. I believe that the DX Project in the Medium-term Management Strategy will greatly contribute to doing so, as well as internal revitalization, and I hope that we can invest the required resources into doing so.

Handling Unexpected Events That Impact Corporate Value

Finally, a major challenge that we face is our handling of events that can have a major impact on our corporate value, such as climate change and the spread of COVID-19. We must respond to these highly uncertain events, and when there is limited time to do so, I believe that Outside Directors must actively participate in decision-making. Since Outside Directors have a deep understanding of the fundamental principles, business strategy, and core values of the company, while also possessing knowledge gained from a different route to internal management, their inclusion may enable us to find better methods to solve problems than internal management alone. In other words, I hope that we can utilize our Outside Directors as much as possible.

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



Linking the three committees to enhance communication with Executive Officers and strengthen supervisory functions

Chairperson of the Audit Committee

Hiroshi Sato, Outside Director

Role of Audit Committee and Responsibilities as Committee Chairperson

The role of the Audit Committee is to audit the compliance and suitability of the Directors and Executive Officers. The Audit Committee of a company with a nomination committee differs from the auditors of a company with an Audit & Supervisory Board in that it performs an organizational audit as a committee. As the leader of that committee, I have greatly expanded the items and content in the agenda for the Audit Committee compared to the time when the company had an Audit & Supervisory Board, and I utilize the internal control systems such as the audits of the Internal Audit Department and information of the Corporate Divisions to ensure lively debate and productive activities.

In fiscal 2020 (including the period where the company had an Audit & Supervisory Board), the Audit Committee mainly debated and worked on the following three items. First of all, the committee worked to thoroughly investigate and audit the anti-trust violation of Universal Can Corporation, and gave suggestions to the Board of Directors on measures for preventing reoccurrence. Secondly, the committee carefully and adequately discussed and decided upon the reassignment of Accounting Auditors, as the continuous appointment period had become too long. Finally, the committee conducted a hearing with the supervising organizations regarding the management method of inventory assets due to the inventory shrinkage of valuable metals recorded in fiscal 2019, and exchanged opinions with Accounting Auditors.

Main Efforts of the Audit Committee

In regard to strengthening audit functions, the committee worked to enhance cooperation with the Internal Audit Department regarding business audits and enhance discussion with Accounting Auditors regarding accounting audits. In June 2019, the Internal Audit Department became an organization under the direct control of the Chief Executive Officer, and increased its number of members. In the future, we expect that it will improve auditing expertise and further cultivate human resources. We also increased the number of meetings with Accounting Auditors and allow all five members of the Audit Committee attend the meetings where possible.

A challenge for the Audit Committee is that since not all Executive Officers attend the Board of Directors meetings, there are now fewer opportunities to directly talk with Executive

Officers compared to when the company had an Audit & Supervisory Board. I believe that we will need to increase opportunities to communicate with Executive Officers.

Enhancing Corporate Governance

In regard to the Board of Directors, governance has clearly become stronger since Outside Directors became a majority on the board since migrating to a company with a Nomination Committee. Since the Audit Committee reports its activities to the Board of Directors, it has become able to maintain transparency and fairness. I believe the next challenge we face is to strengthen cooperation between the three committees. From fiscal 2021, Audit Committee members that double as Nomination Committee/Remuneration Committee members have been appointed, and this should promote the sharing of information and enhance cooperation. It would also be desirable for us to increase opportunities for part-time Outside Directors to learn more about our talent and companies, as they have limited opportunities to interact with the directors and employees of the head office and Group companies. Although I am an Outside Director, I am able to obtain a lot of information via my duties as a full-time Audit Committee members, and I will strive to provide information at the information exchange sessions for Outside Directors held twice a year, so that we can have meaningful discussions.

Handling Unexpected Events That Impact Corporate Value

In regard to the future handling of risks, I believe that the medium to long-term challenges of climate change have the potential to become the most important deciding factor of corporate value. We must properly survey whether investment appropriate for the environment is being made, in light of our Corporate Philosophy and Vision. On the other hand, other relatively short-term crises such as COVID-19 will surely repeat, like the 2008 financial crisis and the Great East Japan Earthquake. For the Company, it is important to build a corporate structure that enables loss to be minimized when such risks occur. This involves diversifying our customer industries and fields of business and remembering to build a portfolio that considers volatility. This is the perspective that I hope to face these challenges with as an Outside Director.



Establishing a remuneration system with a multifaceted perspective aiming for medium to long-term growth

Chairperson of the Remuneration Committee

Tatsuo Wakabayashi, Outside Director

Role of the Remuneration Committee and Responsibilities as Chairperson

The principal role of the Remuneration Committee is to build an appealing remuneration system for outstanding management resources that will lead improvement in the corporate value of the Group in the medium to long-term, while also formulating the policy for determining remuneration for Directors and Executive Officers and remuneration system, in order to build remuneration governance for maintaining our accountability to all stakeholders including our shareholders. We also determine the remuneration for individual executives based on that. As Chairperson, my job is to ensure the smooth running of the committee so that the required discussion is provided when making decisions on individual remuneration based on the remuneration system and the policy for determining remuneration for Directors and Executive Officers from fiscal 2021, which were decided by the Remuneration Committee. Another important role I have is to continuously investigate whether the remuneration system needs to be reviewed, according to changes in the environment and the social landscape. In fiscal 2020, the Remuneration Committee mostly focused debate on the remuneration system and the policy for determining remuneration for Directors and Executive Officers from fiscal 2021, and made its decisions upon discussion at multiple meetings.

Main Activities of the Remuneration Committee

The Remuneration Committee must constantly investigate the state of executive remuneration according to medium to long-term performance, for the goal of continuously creating value for the company. In order for a company to achieve continuous growth, it needs the support of all stakeholders, including shareholders, society, and its employees. That's why a medium to long-term rather than short-term view of growth is essential, and an executive remuneration system with a multifaceted perspective is desirable.

Path to Enhanced Corporate Governance

If there is one challenge facing our Board of Directors, it is the need for close cooperation between those on the business supervision side and those on the business execution side. After becoming a company with a Nomination Committee in June 2019, the Board of Directors became a monitoring board that fulfills the role of supervision. The goal of separating supervision and execution is to speed up management, but it is only possible to do so if the execution side provides sufficient information to the supervision side at the right time in the appropriate manner. I believe that we must constantly check and improve the content provided from the execution and how it is provided, so that the monitoring board can adequately fulfill its supervisory function. We must also strive for lively discussion between our three committees.

Handling Unexpected Phenomena That Affect Corporate Value

In conclusion, please permit me to mention that the spread of COVID-19 as a future issue of concern. Although the situation is gradually becoming clearer, it is difficult for anyone with interests related to the spread of infection to view the facts calmly and objectively. Since the parties concerned or Executive Officers tend to see what they want to see, it is important for us (Outside Directors) to show them what they can see, or in other words, to provide an objective point of view. Of course, this is only possible if we have an adequate understanding of how the execution side thinks. This requires even more exchange of information than before. While a great paradigm shift is expected due to COVID-19, I believe that it will become even more important to maintain a stance of seeing what is actually happening, rather than what one wants to see. I will provide support while valuing such a perspective.

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 six 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 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 five Directors (including three Outside Directors), and the Chairperson 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 five Directors (including three Outside Directors), and the Chairperson of the Audit Committee is performed by an Outside Director. The Audit Committee also elects two 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 five Directors (including three Outside Directors), and the Chairperson 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 11 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 Officer's 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 Meetings are attended by all 11 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 in corporate management (business similar to or different from the Group's business, etc.) and individuals who possess broad and advanced expert knowledge and extensive experience in relation to finance and accounting affairs, legal matters, administrative affairs, science and technology, 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.

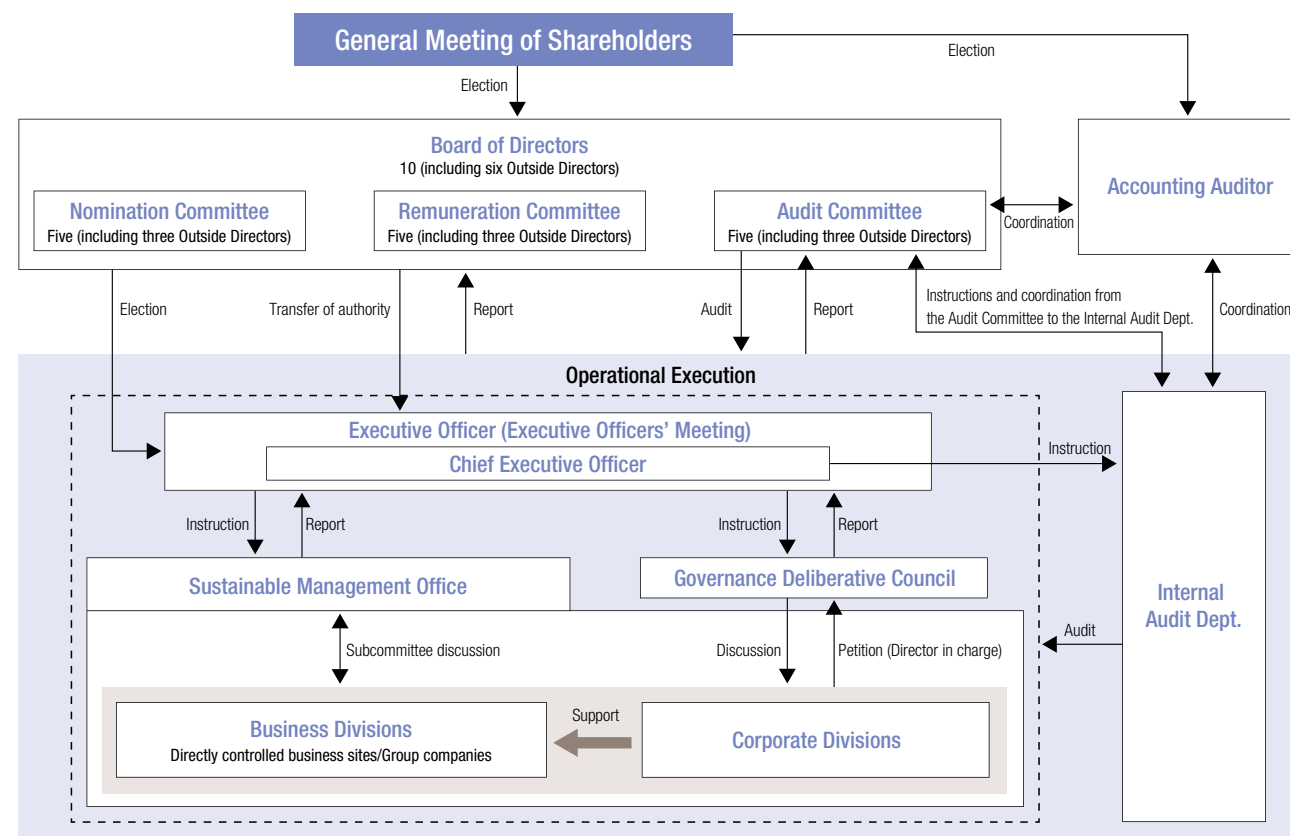
1. An individual who falls under or has fallen under any of items (1) or (2) below, either presently or in the past:
 - (1) An executive or non-executive Director of the Company; or
 - (2) An executive or non-executive Director of the Company's subsidiary.
2. An individual who falls under any of items (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.

Overview of Corporate Governance System



Corporate Governance

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.

Policy on Determining 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 non-financial 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>>

With the amount to pay when targets are achieved (base annual bonus) as 100%, the amount for each individual is calculated based on the following formula.

Annual bonus = base annual bonus x performance evaluation payment rate^(*)

(*) The performance evaluation payment rate varies within a range of 0% to 200%, based on the level of performance achievement.

<<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, Corporate-related Executive Officers

$$\left(\begin{array}{c} \text{Evaluation of} \\ \text{current net profit} \\ \text{attributable to} \\ \text{owners of} \\ \text{parent: 40\%} \end{array} + \begin{array}{c} \text{Evaluation of} \\ \text{consolidated} \\ \text{operating} \\ \text{profit: 40\%} \end{array} + \begin{array}{c} \text{Evaluation of} \\ \text{non-} \\ \text{financial} \\ \text{factors:} \\ \text{20\%} \end{array} \right) \times \begin{array}{c} \text{Adjustment Factor} \\ \text{Evaluation of} \\ \text{growth rate} \\ \text{0.9 to 1.1} \end{array}$$

Business-related Executive Officers

$$\left(\begin{array}{c} \text{Evaluation of} \\ \text{current net profit} \\ \text{attributable to} \\ \text{owners of} \\ \text{parent: 40\%} \end{array} + \begin{array}{c} \text{Evaluation of} \\ \text{operating} \\ \text{earnings from} \\ \text{the relevant} \\ \text{business: 40\%} \end{array} + \begin{array}{c} \text{Evaluation of} \\ \text{non-} \\ \text{financial} \\ \text{factors:} \\ \text{20\%} \end{array} \right) \times \begin{array}{c} \text{Adjustment Factor} \\ \text{Evaluation of} \\ \text{growth rate} \\ \text{0.9 to 1.1} \end{array}$$

<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, in accordance with one's job position, upon retirement from the post of Officer. 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.

(*) Under the stock-based compensation plan, the Company's shares shall be delivered or otherwise distributed to officers, etc. by means of utilizing a BIP Trust. This stock-based compensation plan is an incentive plan where a BIP Trust will grant points to each of the officers, etc. according to their respective job positions in each fiscal year for three consecutive fiscal years (initially, from FY2021 to FY2023) and accumulate such points. Thereafter, when each officer, etc. resigns, the BIP Trust will deliver and pay the Company's shares and cash equivalent to the proceeds from the realization of the Company's shares corresponding to such accumulated points to the resigned officers as remuneration on behalf of the Company.

Remuneration of Directors, Audit & Supervisory Board Members and Executive Officers

Position	Total Amount of Remuneration (Millions of yen)	Remuneration by Type (Millions of yen)		Number of Executives (persons) ⁷⁾
		Basic ⁵⁾	Bonus ⁶⁾	
Directors (of which Outside Directors)	273 ³⁾ (99)	273 (99)	—	14 (6)
Audit & Supervisory Board Members ¹⁾ (of which Outside Audit & Supervisory Board Members)	33 ⁴⁾ (15)	33 (15)	—	5 (3)
Executive Officers ²⁾	275	275	—	10

- Note 1: The Company made the transition from being a Company with a Board of Auditors to a Company with a Nomination Committee upon approval at the 94th Ordinary General Meeting of Shareholders held on June 21, 2019. Accordingly, the total amount of remuneration to Audit & Supervisory Board Members and the number of executives to be paid described on the above table refer to those in the fiscal year under review for Audit & Supervisory Board Members who served between April 1 and June 21, 2019.
- Note 2: The total amount of remuneration paid to executives who served as Director and Executive Officer concurrently is described in the Executive Officers column.
- Note 3: It was resolved at the 91st Ordinary General Meeting of Shareholders held on June 29, 2016, that the amount of remuneration to Directors prior to the transition to being a Company with a Nomination Committee should not exceed ¥49 million per month, including remuneration not exceeding ¥6 million per month to Outside Directors.
- Note 4: It was resolved at the 82nd Ordinary General Meeting of Shareholders held on June 28, 2007, that the amount of remuneration to Audit & Supervisory Board Members prior to the transition to being a Company with a Nomination Committee should not exceed ¥17 million per month.
- Note 5: Of the basic remuneration for Directors, stock-based remuneration (paying a fixed monthly amount used for purchasing the Company's shares) is ¥6 million. Of the basic remuneration for Executive Officers, stock-based remuneration is ¥27 million. Based on a resolution at the Remuneration Committee, the Company revised a remuneration system for Directors and Executive Officers from fiscal 2021 onward and has adopted stock-based remuneration using a trust instead of the current stock-based remuneration system.
- Note 6: It was resolved at the 81st Ordinary General Meeting of Shareholders held on June 29, 2006, that the amount of bonuses for Directors other than Outside Directors prior to the transition to being a Company with a Nomination Committee should not exceed ¥170 million per annum.
- Note 7: The number of executives to be paid includes three (3) Directors and five (5) Audit & Supervisory Board Members who resigned during the fiscal year under review. There are eleven (11) Directors and ten (10) Executive Officers as of the end of the fiscal year under review. The number of Executives to be paid include those who resigned as Directors and then were appointed as Executive Officers, and those who resigned as Audit & Supervisory Board Members and then were appointed as Directors at the time of the transition to a Company with a Nomination Committee, as well as those who serve as Directors and Executive Officers concurrently. There are overlaps in the total.

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 2019, and a summary of the results of such are outlined below.

1. Method of Analysis/evaluation

Answers to a questionnaire distributed to all 11 Directors in December 2019 were retrieved. Based on the results of this questionnaire, a review of the effectiveness of the Board of Directors was conducted at a meeting of the Board of Directors held in February 2020, with a resolution reached on evaluations of the effectiveness of the Board of Directors in fiscal 2020 at a meeting of the Board of Directors held in March 2020.

This questionnaire was implemented by revising the questions, taking into consideration the change to a Company with a Nomination Committee after the approval at the 94th Ordinary General Meeting of Shareholders held on June 21, 2019 and other factors.

2. Fiscal 2020 Questionnaire Items

The core questionnaire items are as follows.

- (1) Matters concerning the change to a Company with a Nomination Committee
 - Matters pertaining to the confirmation of the status of achievement of the purpose of such change, supervision of the status of execution of job duties by each of the Nomination Committee, Audit Committee and Remuneration Committee, etc.
- (2) Matters considered particularly important for improving corporate value
 - Matters pertaining to management strategies, digital transformation, etc.
- (3) Matters pertaining to the effectiveness of management monitoring
 - Matters pertaining to supervision of the reduction of the Strategic Share Holdings, supervision of Group governance, etc.
- (4) Matters pertaining to the operation of the Board of Directors
 - Matters pertaining to the composition of the Board of Directors, the frequency of meetings, proposals and discussion materials, etc.

3. Summary of Fiscal 2020 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 2020. A summary of questionnaire responses and discussions within the Board of Directors is provided as follows:

- (1) Matters pertaining to the change to a Company with a Nomination Committee

Although the objectives of the change to a Company with a Nomination Committee, that is, “acceleration of decision making in business execution,” “strengthening of management supervisory functions,” and “improvement of management transparency and fairness”, are in the process of being effectively achieved, the view was raised that improvements would need to be made continually going forward as it has not been long since such change was made. In particular, as for the “strengthening of management supervisory functions,” some opined that there was still room for improvement of the manner of supervision, including the content of reports made by the Executive Officers.

In view of this feedback, the Board of Directors will consider how to appropriately manage the Company as a Company with a Nomination Committee.

- (2) Matters considered particularly important for improving corporate value

While the view was raised that thorough discussions took place in establishing the Medium-term Management Strategy, some opined that there was still room for improvement of method and content, etc. of reporting so as to effectively fulfill the supervisory function for the management strategies, including the measures taken based on the Medium-term Management Strategy.

In view of this feedback, the Board of Directors will review the appropriate means of supervising the management strategies, including the Medium-term Management Strategy, etc.

- (3) Matters pertaining to the effectiveness of management monitoring

While the view was raised that in-depth discussions took place with respect to the policy, etc. for reduction of the Strategic Share Holdings, some opinions were raised that the status of reductions to be made hereafter would need to be overseen continually going forward.

While the evaluation of the supervision of Group governance, etc. had improved compared with last year, and the view was raised that sufficient reports and instructions had been provided, some opinions were raised that further discussions and consideration would be required so as to achieve a higher level of Group governance.

In view of this feedback, the Board of Directors will look at taking further steps to improve the effectiveness of management monitoring measures.

- (4) Matters pertaining to the operation of the Board of Directors
- The evaluation of the proposals to be submitted to the Board of Directors had improved compared with last year, and some opined that it had become organized to a certain extent as a result of the change to a Company with a Nomination Committee and the delegation of authority to the Executive Officers.

As for the materials for the Board of Directors, while the view was raised that some ideas had been devised therefor and the materials had become more efficient, some opinions were raised that there was still room for improvement as to the volume and the content thereof.

In view of this feedback, the Board of Directors will review the form that the materials should take in order to facilitate smoother discussions.

Looking ahead, the Board of Directors will keep making continuous efforts toward further effectiveness improvements, including in relation to the above matters.

Status of Audits

Status of audits performed by the Audit Committee

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.

Status of internal audits

The Internal Audit Dept., which is consisted of the General Manager and other 24 employees as of June 30, 2020, 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 audits after discussion with the Audit Committee on the audit plans for both bodies (the Internal Audit Dept. and the Audit Committee) at the beginning of the term, and closely works 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 2020 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 2020 in the form of an Internal Control Report with the qualified opinion of an auditing firm.

Toward the Enhancement of Group Governance

In light of the recent quality issues the Group has caused, we recognize the need to further enhance our Group governance, including quality control, and are implementing several measures, with which we are aiming at resolving the concerns with the Group that led to the recent quality issues and avoiding the same situation repeating itself in the future.



Susumu Sasaki, Managing Executive Officer

Future Group governance enhancement initiatives

In light of the recent quality issues the Group has caused, we recognize the need to further enhance our Group governance, including quality control, and are implementing several measures, with which we are aiming at resolving the concerns with the Group that led to the recent quality issues and avoiding the same situation repeating itself in the future. These measures have been steadily progressing and desired results are obtained.

Up until now, the Committee for Monitoring of Measures to Enhance Governance confirmed and supervised reports on the performance and results of our activities, and this committee was disbanded on May 13, as our efforts over

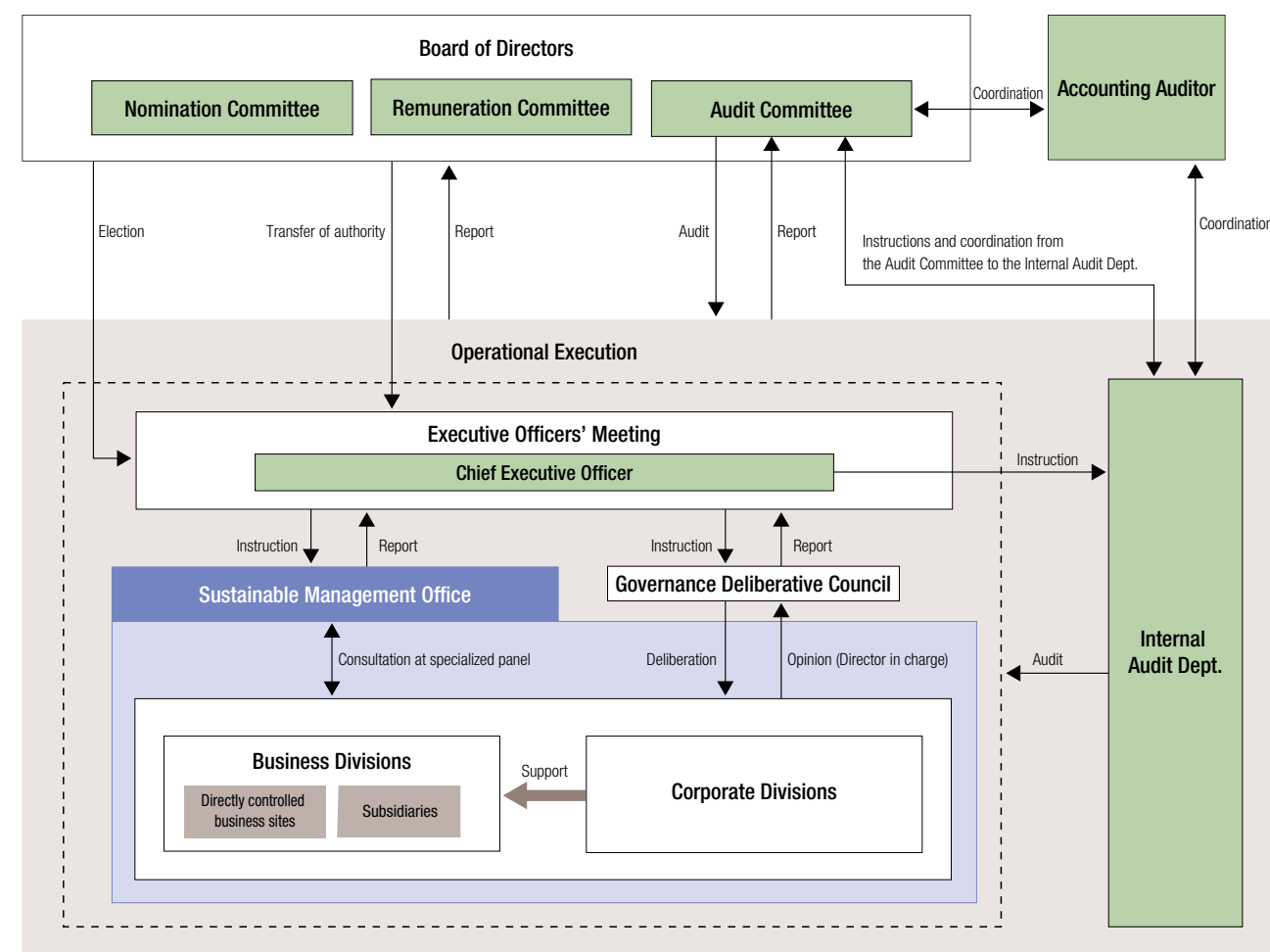
these two years have ensured that the various measures were executed properly and led to the expected results.

Hereafter, the Sustainable Management Office established at the Company will supervise and promote the enhancement of Group governance including quality control. We will also continue the Governance Deliberative Council which reviews and checks the progress of governance plans at each of our business sites.

Business sites will continue autonomous activities regarding quality control and governance enhancement, following the Group policy formulated by organizations such

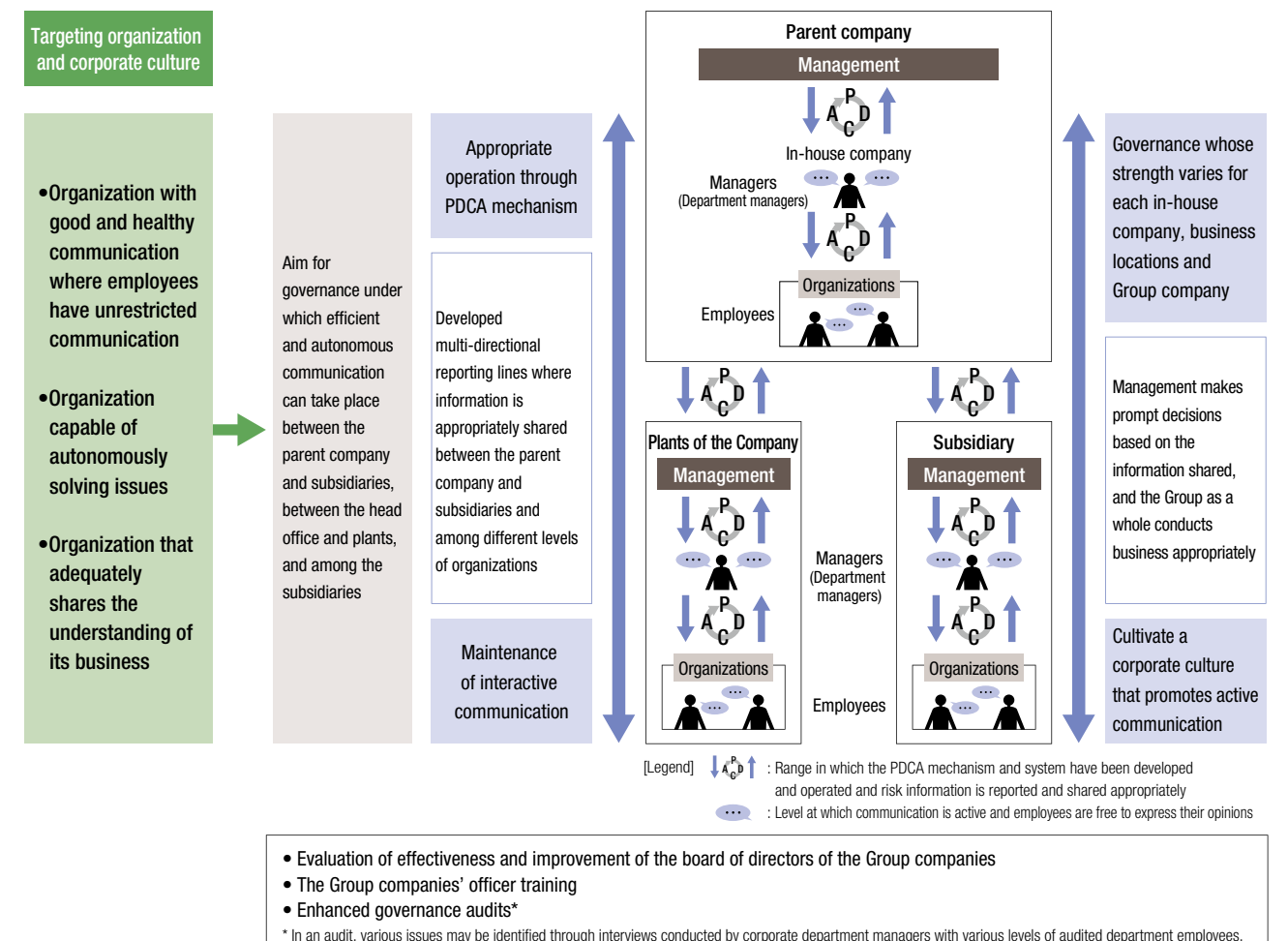
as the Sustainable Management Office and the governance plan approved by the Governance Deliberative Council. As we have done until today, we will continue our efforts to enhance Group governance including quality control, report the status of those efforts to the Board of Directors, and continue monitoring them at Board of Directors meetings. We are committed to ensure that the various measures we have implemented do not become a mere facade, and continue to remind the whole Group of the strong will of management to uphold the SCQDE priority, even when various environmental changes cause difficulty.

Governance system (from April 2020)



* Of the specialized panels, the Governance panel, Compliance panel, Risk Management panel, and Quality Management panel are involved in governance

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



Group Governance Framework Enhancement Measures

We have formulated and executed measures for enhancing the Group governance framework in order to solve issues regarding the governance of the entire Group that were identified based on the background of quality issues and an analysis of their causes. A summary of our activities over the past two years, which we promoted based on advice and monitoring of Outside Directors and outside experts, is indicated below.

Having achieved what we expected from these efforts over the past two years, we have concluded the monitoring of Outside Directors and outside experts. As we move forward, we will continue autonomous efforts.

Recognition of Group Governance Issues	Group Governance Framework Enhancement Measures	Concrete Measures	FY2019 to FY2020 Performance	Effect/Future Measures
1. Communication <ul style="list-style-type: none"> Harmful effects of vertically-segmented organizations Insufficient control over subsidiaries Insufficient sharing and communication of information regarding governance-related matters 2. Compliance Framework and Awareness <ul style="list-style-type: none"> Compliance awareness is insufficient at each level; necessary knowledge has not been acquired Awareness of our responsibilities as an organization and business is shallow Insufficient capacity to discover misconducts, take initiatives to resolve issues, and make timely reports 3. Resource Allocation <ul style="list-style-type: none"> Insufficient process capabilities that are adequate for received orders or insufficient inspection and quality assurance framework Unsuitable resource allocation due to priority on earnings, postponement of necessary capital investment, etc. 	① Enhancement of Framework for Discussion, Reporting and Follow-up of Governance-Related Matters ② Improvement of Functions of Management Divisions and their Collaboration with Operating Divisions	Development of group governance reporting system	<ul style="list-style-type: none"> Governance Deliberative Council: Held twice a year Operated plan for the conduct of governance and progress reports 	<ul style="list-style-type: none"> Identified and handled governance issues and considered resource allocation as a group
		Improvement of the management/assistance function of the corporate divisions concerning governance-related matters	<ul style="list-style-type: none"> Selected the locations for prioritized support and enhanced support (approx. 20 sites) Strengthened the assistance function of overseas regional management companies and assisted their education function 	<ul style="list-style-type: none"> Measures are still needed at small-scale overseas sites with weak governance systems
		Operation of new risk management system	<ul style="list-style-type: none"> Constructed a new risk management system Conducted training sessions on the new system for managers and people in charge Improved the new system 	<ul style="list-style-type: none"> Critical risks over the entire Group have been identified and handled; countermeasures for three of them (labor shortage and equipment deterioration and obsolescence) should be continued
	③ Improvement of Human Resources Training and Encouragement of Active Interaction	Governance training for directors	<ul style="list-style-type: none"> All 290 Group directors All 59 newly-appointed Group directors 	<ul style="list-style-type: none"> Improved management awareness on roles and responsibilities
		Enhance communication and improve compliance awareness in all levels	<ul style="list-style-type: none"> Conducted training sessions for CSR managers: Approx. 220 attendants Communication workshop: Approx. 1,000 frontline leaders and approx. 2,500 managers Deployed CSR training sessions and small group compliance activities for the entire Group Published an employee handbook (for the entire Group, both in Japan and overseas) 	<ul style="list-style-type: none"> Ensured compliance awareness and a policy of reporting bad news first Despite better communication between Mitsubishi Materials Corporation and Group companies having been achieved, further improvements are needed in the workplace Expand target levels for communication workshop
		Compliance awareness surveys	<ul style="list-style-type: none"> Conducted once every six months (once a year overseas) approx. 90% of Group employees, or about 20,000 employees, answered 	<ul style="list-style-type: none"> Change frequency to once a year and continue to conduct
		Encouragement of active interaction	<ul style="list-style-type: none"> Conducted personnel exchange of approx. 30 employees between Mitsubishi Materials Corporation and Group companies 	<ul style="list-style-type: none"> Expand the scope as exchange is not happening at each level of management
		Governance audits/quality audits	<ul style="list-style-type: none"> Changed the audit frequency from once every five to six years to once every two years, and conducted for approx. 200 companies 	<ul style="list-style-type: none"> Continue to conduct
		Categorizing Group companies from the perspective of governance	<ul style="list-style-type: none"> Disclosed the concept of business portfolio optimization in the Medium-term Management Strategy 	<ul style="list-style-type: none"> Promote optimization according to the concept
	④ Internal Audit Strengthening			
	⑤ Studies with a Business Optimization Focus			

Restructuring of the Governance Framework for Quality Management and Measures for Preventing Reoccurrence

To enhance the governance related to the Group-wide quality management, the quality issues have been shared all across the Group and the preventive measures have been implemented and strengthened. The preventive measures have been implemented successfully. As a result, quality mindset and the level of its quality management of the Group have been improved. To prevent the recurrence of quality issues, we will continue to work on further quality management improvement incorporating the preventive measures with relevant daily works. Also, we will pursue a proactive quality management, which was announced in the Medium-term Management Strategy recently, to prevent out-of-specification products.

See Quality Management Strategy on p.41

Main causes of the shipment of non-conforming products	Preventive Measures for Quality Issues	Detailed Actions	FY2019 to FY2020 Performance	Effect/Future Measures
<ul style="list-style-type: none">◆ Inadequate framework for exerting influence on product development and order receiving processes at order receiving stage◆ Attitude excessively prioritizing “order receiving” and “delivery date”◆ Order received and mass production that the specifications exceeding manufacturing capability	① Implementation of a Front Loading System (FLS) for Order Receiving	<ul style="list-style-type: none">• FLS guidelines issued• FLS performance audit	<ul style="list-style-type: none">• FLS performance checked in quality audits and external consultation	<ul style="list-style-type: none">• Issues were not identified when the operation status was checked in quality audits• Checks to be continued in quality audits
	② Enhancement of the Framework and Authority of the Quality Control Department	<ul style="list-style-type: none">• Check the quality assurance function and ensure its independence• Check the right of access and the actual work at quality assurance departments	<ul style="list-style-type: none">• Checked in quality audits	
	<ul style="list-style-type: none">◆ Insufficient framework of quality assurance system◆ Pressure on quality assurance departments from other departments	③ Expansion of Quality Training	<ul style="list-style-type: none">• Quality compliance training for employees at sites in Japan and overseas	<ul style="list-style-type: none">• Quality control guidelines and a quality control handbook issued• Approx. 40 quality training sessions conducted over two years• Quality review day established <div></div> <div>Quality training (overseas)Quality training (Japan)</div>
<ul style="list-style-type: none">◆ Low awareness of compliance with specifications◆ Arrogance in thinking that quality management is being achieved◆ Low sensitivity to risk in relation to quality issues	<ul style="list-style-type: none">• Quality training by job grade		<ul style="list-style-type: none">• Training by job grade held 11 times over two years	
<ul style="list-style-type: none">◆ Insufficient business resources (insufficient inspectors, inspection equipment, etc.)	<ul style="list-style-type: none">• Quality training for developing professional quality control skills		<ul style="list-style-type: none">• Internal quality auditor training held 8 times over two years <div></div> <div>ISO training (Japan)</div>	
	④ Promoting Automated Inspection Equipment	<ul style="list-style-type: none">• Automation of inspection equipment	<ul style="list-style-type: none">• Total number of automated inspection equipment: Planned: Approx. 3,300 Actual: Approx. 2,800 at the end of fiscal 2020 (total 5,300 planned for three years) <div></div>	<ul style="list-style-type: none">• Effective for the automatic collection of data and prevention of data overwriting• Aiming to mostly complete plan in fiscal 2021 despite partial delay due to COVID-19• Quality data to be utilized for “proactive quality management”
<ul style="list-style-type: none">◆ Audit procedures that have become a mere facade	⑤ Enhancement of Quality Audits	<ul style="list-style-type: none">• Quality audits conducted at all target sites	<ul style="list-style-type: none">• Conducted at 145 sites over two years (in Japan and overseas)	
	⑥ Utilization of Outside Consultants	<ul style="list-style-type: none">• Quality consultation by external consultants	<ul style="list-style-type: none">• Held 54 times over two years	
		<ul style="list-style-type: none">• Sharing information on the consultation	<ul style="list-style-type: none">• Information sharing at quality manager meetings <div></div> <div>Quality manager meeting (Japan)</div>	<ul style="list-style-type: none">• Third-party perspective reflected in various initiatives• To be utilized for quality training

Establishment of Sustainable Management Office

We have established a Sustainable Management Office for the purpose of promoting the centralized handling of company-wide management issues regarding sustainability.

Purpose

Since tackling management issues regarding sustainability is essential for the Group to improve its corporate value in the medium- to long-term, we established the Sustainable Management Office on April 1, 2020 to promote centralized handling of such issues. The activities led by the Sustainable Management Office will enable the Group to actively solve issues regarding sustainability and appropriately handle issues from a risk management perspective, which will contribute to both building a sustainable society and improving corporate value in the medium- to long-term.

Mission and Overview of the Organization

The mission of the Sustainable Management Office is to promote centralized handling of various management issues in order to contribute to developing a sustainable society and enhance corporate value in the medium- to long-term via business activities that follow the corporate philosophy of the Group.

The organization is led by the Chief Executive Officer as Chairperson and composed of members across the entire company. It contains ten specialized panels: The (1) Communications Panel, (2) Corporate Functions Optimization Panel (3) Governance Panel, (4) Compliance Panel, (5) Risk and Crisis Management Panel, (6) Climate Change and Energy Panel, (7) Environmental Management Panel, (8) Quality Management Panel, (9) Information Security Panel, and (10) Zero Disaster Promotion Panel. Each panel identifies related challenges, plans countermeasures, and executes and follows up on those measures. As the issues we should address shift with social or other factors, the composition of the Panels and the issues to be dealt with will be flexibly rearranged.

The roles and functions of the previous committees and departments such as the Group Governance Enhancement and Promotion Division, CSR Committee, and Zero Accident Committee have been absorbed in the Sustainable Management Office or its panels, and centralized management will enable the Group to work together to solve issues.

Centralized management will also enable us to gather together the opinions of stakeholders and reflect those opinions in our management issues, and we will aim to build a system that enables us to appropriately disclose and explain our activities and promote dialog.

■ Sustainable management system

