

# Mitsubishi Materials Corporation Holds ESG meeting: Implementing Various Initiatives to Build a Prosperous, Recycling-Oriented and Decarbonized Society

## Mitsubishi Materials Corporation ESG meeting

Naoki Ono ("Ono," hereafter): Hello everyone, I am Naoki Ono, Chief Executive Officer of Mitsubishi Materials Corporation. Thank you for attending our ESG meeting today.

This is the second ESG meeting after the first one held this March, and I would also like to describe the progress we have made since then. I also hope that you can gain a deeper understanding through a question and answer session. I would like to start by giving a brief overview of the main parts.

## Our Corporate Philosophy and Vision

### Our Corporate Philosophy and Vision



#### Corporate Philosophy

For People, Society and the Earth

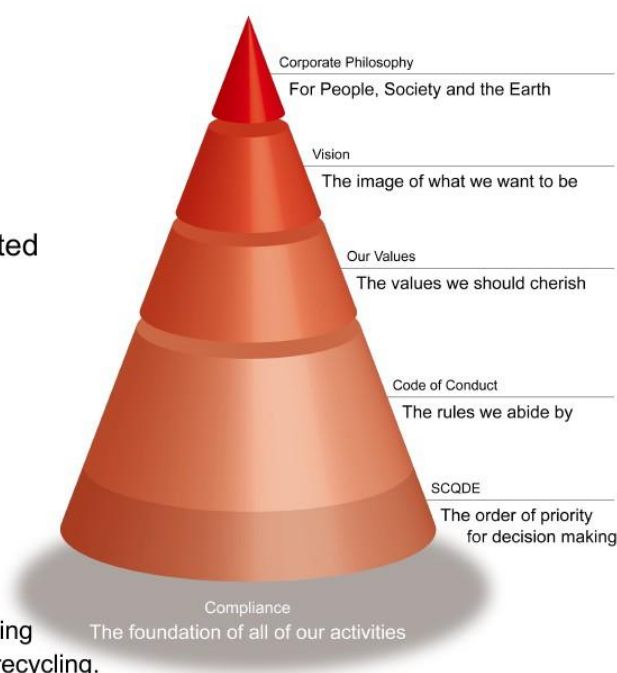
#### Vision

We will become the leading business group committed to creating a sustainable society through materials innovation, with use of our unique and distinctive technologies, for People, Society and the Earth

#### Mission

Create both social and economic values

- **Contribute to build a prosperous society** by providing nonferrous metal materials, predominantly copper, and high value-added functional materials and products.
- **Contribute to build a recycling-oriented society** by providing recyclable products and advanced technology-based waste recycling.
- **Contribute to build a decarbonized society** by developing and promoting the use of renewable energies such as geothermal energy, and ensuring to consider the reduction of environmental impact in manufacturing.



This slide describes the Mitsubishi Materials Group's Corporate Philosophy, Vision and Mission. Our Corporate Philosophy is "For People, Society and the Earth", and if we were to add some words that reflect the recent trend of describing an entity's raison d'être, I think it would be "For People, Society and the Earth, helping to solve social issues through our own business activities."

Our Mission is "Contribute to building a prosperous, recycling-oriented and decarbonized society". Each item also describes how we plan to achieve those qualities in society.

As shown, we will achieve this mission by providing various products and materials, predominantly copper, by providing recyclable products and advanced technology-based waste recycling, and by developing and utilizing renewable energies while thoroughly ensuring considerations of environmental impact in manufacturing.

## Global Sustainability Trends

### Global Sustainability Trends



- Global sustainability trends change dramatically in a short time period
- Understanding these changes will allow the Group to develop new initiatives

## E Environment

### Circular economy, climate change response, biodiversity

- In January 2021, the Ministry of the Economy, Trade and Industry and the Ministry of the Environment published the Disclosure and Engagement Guidance to Accelerate Sustainable Finance for a Circular Economy
- In August 2021, the Intergovernmental Panel on Climate Change (IPCC) strongly cautioned that the global temperature had already risen 1.2 degrees in the Sixth Assessment Report
- In November 2021, the Glasgow Climate Pact, which was the result of COP26, was adopted. This detailed efforts to limit the rise in the average global temperature to 1.5°C, etc.

## S Social

### Human capital, human rights, diversity and inclusion

- In August 2020, the US Securities and Exchange Commission mandated that listed companies disclose human capital information
- In October 2020, the Ministry of Foreign Affairs established a plan of action for Business and Human Rights
- In 2021, the 2020 Tokyo Olympic and Paralympic Games were held, reaffirming the importance of diversity and harmony

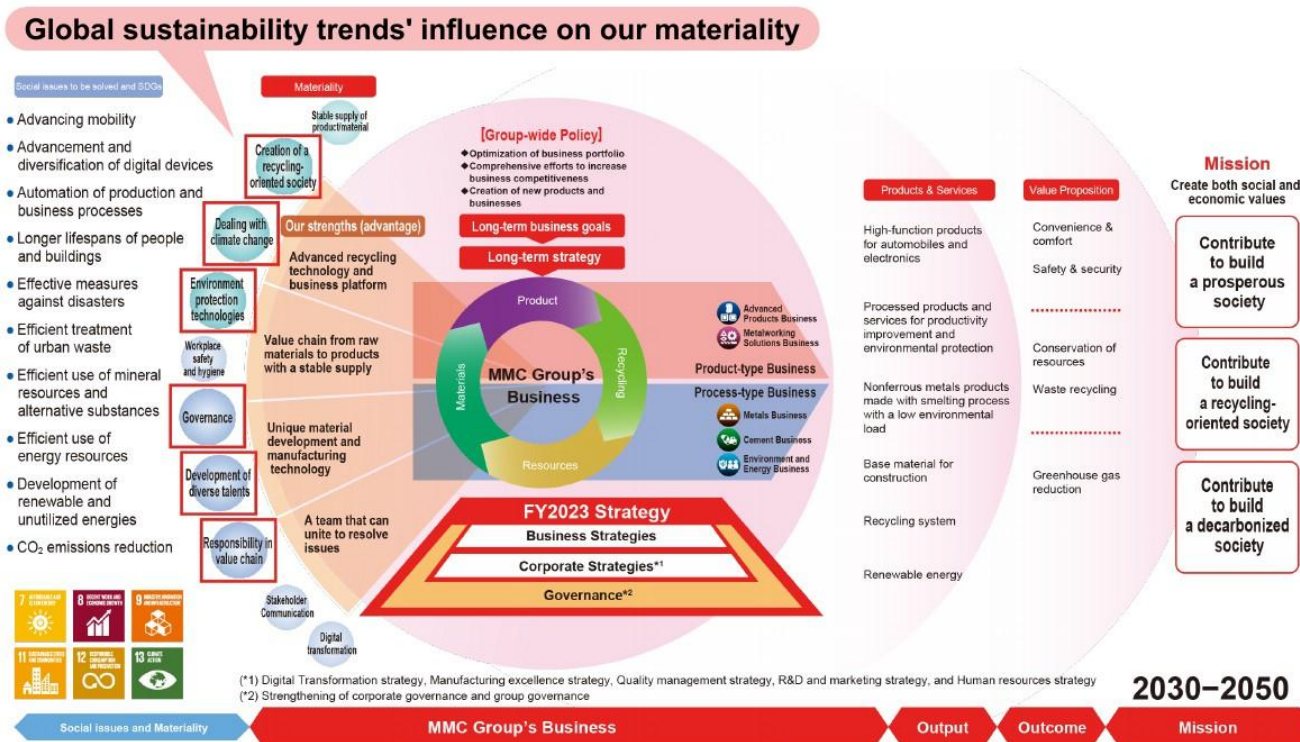
## G Governance

- In June 2021, the Corporate Governance Code was revised to require disclosure of a broader range of information on sustainability and governance systems

These are the latest trends associated with ESG. As I am sure you are all familiar with these topics, I will spare you the explanation.

# Value Creation Process

## Value Creation Process



This is our Value Creation Process. This diagram shows the material issues, what we regard as priority issues, on the left. For these material issues, we deliver value by providing the products and services shown on the right through the activities shown in the center circle, and this translates to our Mission.

As today is a meeting on ESG, the items on the left are displayed as small circles, and the material issues highlighted with red borders represent major themes.

There were various layers to the process of identifying these material issues, including so-called multi-stakeholders, shareholders, investors, local residents, Group employees and Mitsubishi Materials itself. We utilized a process of considering which points pose priority issues for each layer and identified the priority issues by adding these together.



# Today's Key Points

## Today's Key Points



### Accelerating initiatives for various sustainability issues

Start of Medium-term Management Strategy  
(FY2023 Strategy)  
▼ April 2020

ESG meeting (March 2021)  
▼ April 2021

<b>E</b> Creation of a recycling-oriented society Dealing with climate change Environment protection technologies	September 2015 Acquisition of forest certification for nine forests in Hokkaido	Start of commercial operation of a biogas power plant	Setting and revision of greenhouse gas emission reduction targets	E-Scrap • Processing capacity improvement expansion work • Start of operation of the MEX business platform
	Participation in Keidanren's "Challenge Zero" Support of TCFD recommendations Participation in the TCFD Consortium		Carbon footprint calculation  CO <sub>2</sub> recovery, methanation and utilization test progress	Promotion of GHG reduction through industry-academia-government collaboration  Adoption of carbon recycling technology for NEDO business
<b>S</b> Responsibility in value chain Development of diverse talents	Establishment of Novel Coronavirus Response Headquarters	Optimization by positioning the head office as the communication core	Human Resource Transformation	Implementation of diversity and inclusion initiatives
	Recognition under the 2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program (large enterprise category) From FY2018 Joint industry-academia activities (endowed course)	Establishment of the Mitsubishi Materials Group Health and Productivity Management Declaration	Donations to four organizations working to solve social issues for the 150th anniversary of the Group's founding	Establishment of Human Rights Policy and Procurement Policy
<b>G</b> Governance	Corporate governance Migration to a company with a Nomination Committee	Review of executive remuneration system Establishment of Basic Policy on Corporate Governance Increase in the ratio of outside directors (6/11→6/10)	Revisions to the Corporate Governance Code	• Application for Prime Market listing • Establishment of the Sustainability Policy • Strategic IP formation activities and promotion of IP governance • Third-party evaluation of the effectiveness of the Board of Directors
	Group governance Group governance framework enhancement measures Enhancement measures for the system of compliance with the Antimonopoly Act Establishment of Sustainable Management Office	Internal control enhancement measures	Introduction of a global in-house reporting system  Inner branding, reverse mentoring and other communication initiatives	

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MITSUBISHI MATERIALS

The information I would like to talk about today is organized from an ESG perspective and also in chronological terms. This is shown in detail on the slide, and in a moment, I will go over the initiatives we have implemented since the previous ESG meeting in particular. Those are the items in bold text in the red-framed area.

For example, looking at the "E" section, I can introduce several specific initiatives aimed at meeting our newly revised greenhouse gas emission reduction targets.

For the "S" section in the center row, I would like to give additional descriptions particularly about the enhancement of human capital, human rights initiatives, D & I, and so on.

For "G," or "Governance," as we have recently applied for listing in the Prime Market of the Tokyo Stock Exchange, I would like to share information about related revisions to the Corporate Governance Code, matters concerning our Basic Policy on Sustainability, and efforts to improve the Board of Directors in various ways.

That completes my description of the main parts. Now I would like to hand it over to Managing Executive Officer Nobuhiro Takayanagi.





## Environment

- Climate Change Initiatives
- Initiatives to Build a Recycling-oriented Society (circular economy)

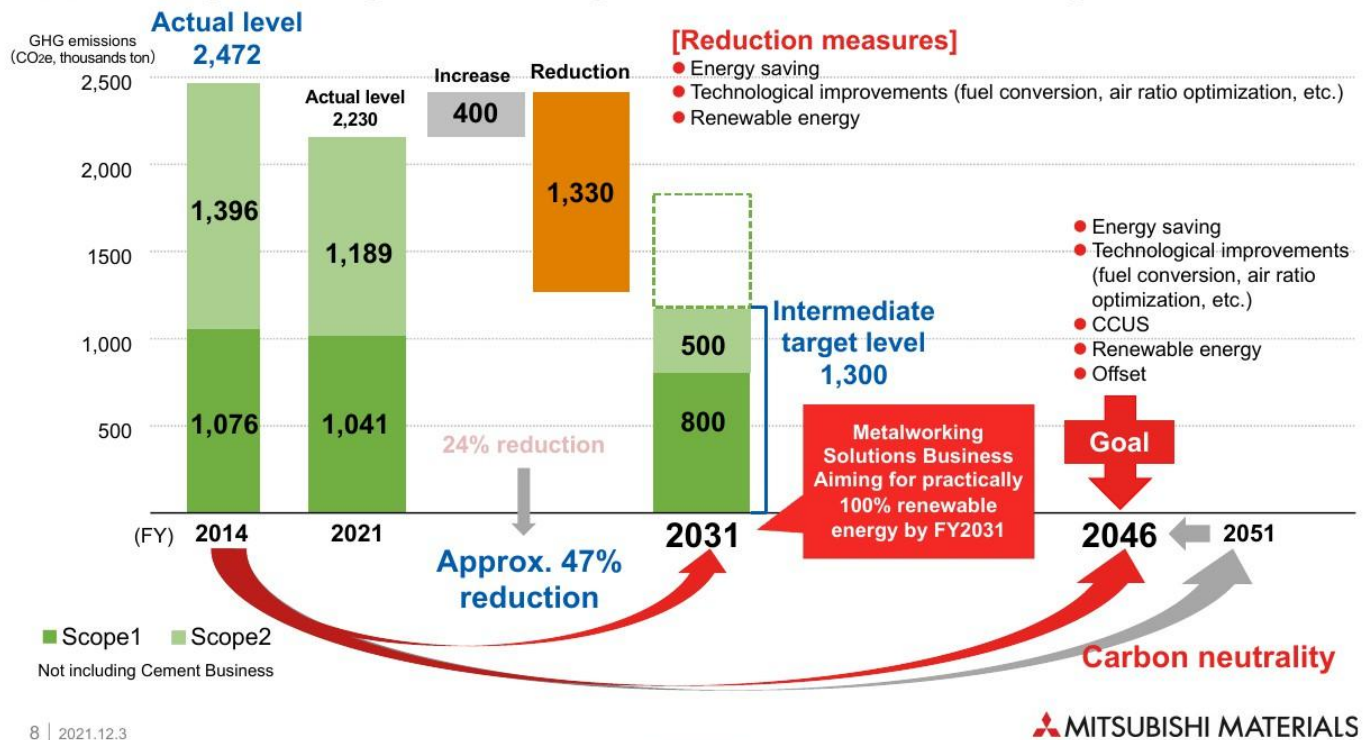
Nobuhiro Takayanagi ("Takayanagi," hereafter): Hello, I will be speaking for this section of the meeting. First, let's look at the environment.

# Setting of new greenhouse gas emission reduction targets

## Climate Change Initiatives



### Setting of new greenhouse gas emission reduction targets



This relates to action on climate change. In March this year, Mitsubishi Materials announced greenhouse gas emission reduction targets, but these targets were revised in light of later external conditions. These targets apply to all businesses except for the Cement Business.

With the latest revision, we now aim to achieve carbon neutrality by fiscal 2046, five years earlier than planned, with regard to "Scope 1" emissions that we directly emit, and "Scope 2" emissions indirectly emitted in connection with the use of energy we are supplied. At fiscal 2031, which is the mid-point on the way to the carbon natural target, we have raised our reduction target from the previous 24 percent to 47 percent of fiscal 2013 levels.

As the bar graph on this slide shows, on a CO<sub>2</sub> volume basis, we will reduce emissions from around 2.5 million tons in fiscal 2014 to 1.3 million tons by fiscal 2031. for the Metalworking Solutions Business in particular, we aim to achieve practically CO<sub>2</sub>-free operation by fiscal 2031.

This is a breakdown of the reductions. Looking at the orange part of the bar graph, out of this 1.33 million tons, about one-fourth corresponds to so-called Scope 1 reductions from currently envisaged energy efficiency investments and technological improvements. For the remainder, we plan to switch Scope 2, the indirect emissions part of energy usage, to renewable energy-derived sources.

We originally thought we would be able to show targets that included reduction figures for the Cement Business, but we plan to have the new company formed after the business integration scheduled for April next year formulate and substantiate effective reduction measures with Ube Industries, Ltd.

Also note that the figures mentioned today include the Aluminum Business. As we announced on November 25, two companies that make up our Aluminum Business will be transferred in April next year. As we will make adjustments

to our emissions and reduction targets at the time the business transfer takes place, we would like you to keep this in mind as well.

On our analysis of the risks and opportunities posed by each of the scenarios of a 2°C or 4°C rise in average global temperatures compared with pre-industrial times, the situation has not changed substantially since March this year and we have not made any revisions this time.

## Switching Power Sources Used at business sites to practical Renewable Energy

### Climate Change Initiatives



### Switching Power Sources Used at business sites to practical Renewable Energy

#### Procurement of practical renewable energy

- **Saitama Office (Saitama, Saitama Prefecture) [to be introduced in January 2022]**
  - Saitama Property Management Office
  - Smart Factory Promotion Center
  - Production Engineering Center, etc.
- **Central Research Institute (Naka, Ibaraki Prefecture) [to be introduced in April 2022]**

### Annual reduction of approximately 4,200t-CO<sub>2</sub>e (based on FY2021)

Switching approximately 60% of the energy used by the Group to renewable energy-derived electricity by FY2031



Saitama Office



Central Research Institute

Offices and laboratories with zero CO<sub>2</sub> emissions from power consumption

Although small in scale, this is an example of switching the electricity used at business sites to renewable energy. The expression "practically" here means switching to CO<sub>2</sub>-free electricity by purchasing non-fossil fuel certificates.

From fiscal 2023, we will also be switching power sources in this way at our manufacturing sites as well. As the slide shows, by fiscal 2031 we aim to switch 60% of the energy used by the Group to renewable energy.

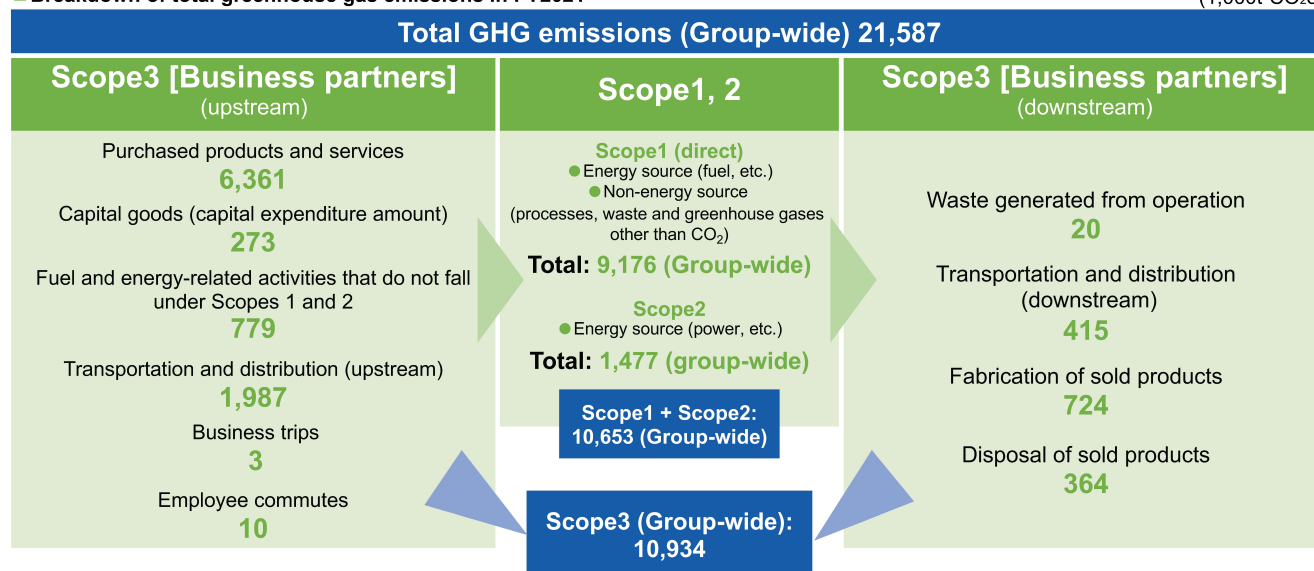


### Understanding Scope3 results

- Improvement of calculation accuracy by sharing information with business partners to collect individual basic unit data, etc.
- Promotion of cooperation across the value chain and understanding long-term reduction prospects based on business partners' GHG reduction plans

#### ■ Breakdown of total greenhouse gas emissions in FY2021

(1,000t-CO<sub>2</sub>e)



We now have estimated Scope 3 figures for the first time. This is an estimate of emissions across the entire value chain of Mitsubishi Materials. At this stage, since we are making simply calculations based on the per-industry intensity used by the IEA and other organizations, we cannot attest to the accuracy of the figures.

Additionally, in the model for estimating Scope 3, since we have included the Cement Business in the calculations for some items when they could not be separated from other businesses, these latest figures include data from the Cement Business.

Therefore, emissions from the Cement Business are included in the total for Scope 1 and Scope 2 emissions, which are just over 10 million tons, and although Scope 3 emissions are roughly the same as Scope 1 and Scope 2 combined, note that figures from the Cement Business are included.

If you look at Scope 3 emissions in the upstream section on the left side of the slide, you can see that a large percentage is purchased products and services. This is mainly from the business partner from which we purchase copper concentrate. For transportation and delivery, copper concentrate also accounts for the most Scope 3 emissions.

Many of the mining companies that are our business partners, as you know, are very active in efforts to reduce greenhouse gas emissions. However, in this estimate, since we are not able to reflect figures to deal with each business partner individually, in the future we will closely share information with each mining company in an effort to improve the accuracy of the data.

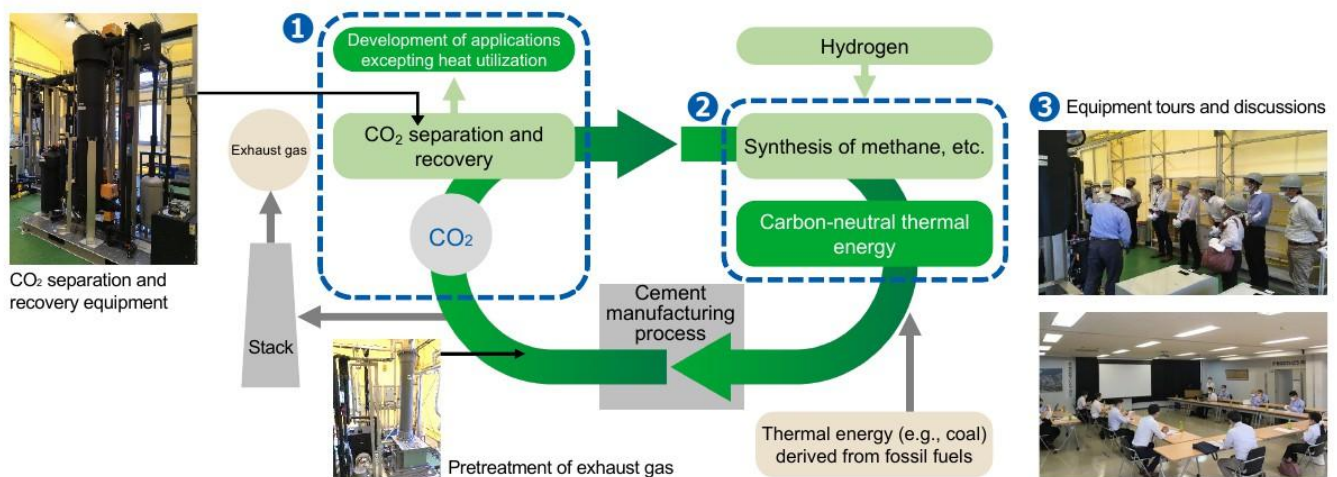
In addition to mining companies, we will endeavor to improve the accuracy of Scope 3 figures through the exchange of information on greenhouse gas emission reductions with all business partners, both upstream and downstream.

### CO2 recovery, methanation and utilization test progress

Progress since the previous report (end of March)

- 1 From July 2021: Sequential installation and start of testing for CO<sub>2</sub> separation and recovery equipment utilizing plant exhaust gas
- 2 Implementation of combustion analysis assuming that synthetic methane is used in the original process
- 3 Equipment tours and discussions with the Kitakyushu City government, neighboring universities and equipment manufacturers

Steady promotion with a view of external collaboration for social implementation of GHG reduction and CO<sub>2</sub> utilization



Here I would like to explain about the technological development that will be needed for the greenhouse gas reductions we are currently working on. Instead of improved energy efficiency for existing equipment and other technological improvements, we are working on research and development as new technologies.

What I am going to talk about now will overlap slightly with the IR Day and media conference we held at the beginning of this week, but please bear with me.

Mitsubishi Materials is pursuing research and development into CO<sub>2</sub>-based technologies known as Carbon Capture and Utilization, or CCU, at the Kurosaki Production Section of the Kyushu Plant. For research and development into a technology that separates and captures the CO<sub>2</sub> emitting from the manufacturing process and synthesizes methane and other substances through a chemical reaction with hydrogen, we have been progressively introducing equipment from July of this year, and are now at the stage of conducting demonstration testing.

We are also working on the development of combustion technologies to reuse the methane and other materials obtained as thermal energy for cement manufacturing. One of the keys to this technology itself is of course hydrogen. Unless this hydrogen is green hydrogen, it will attenuate the overall reduction effects, so that is one key point.

In that sense, there are aspects that make it difficult to develop the entire system on our own. As explained in slide ③ and the images on the right of the slide, we hope to complete this overall loop with a view to pursuing external collaboration between industry, academia and government.

# Promotion of GHG reduction through industry-academia-government collaboration

## Climate Change Initiatives



### Promotion of GHG reduction through industry-academia-government collaboration

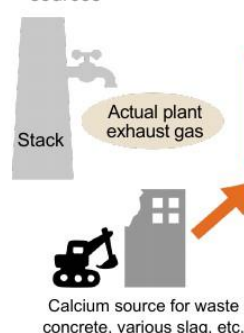
- Responding to decarbonization megatrends and the need for carbon-neutral products

Initiative case study: Participation in Kitakyushu City Green Growth Strategy Advisory Board\*

Proposal to establish an **industry-academia-government open platform** to promote the development of GHG reduction technology in the Kurosaki Production Section of the Kyushu Plant  
(Collaborative promotion between Mitsubishi Materials Corporation and Mitsubishi UBE Cement Corporation after the latter is established in April 2022)

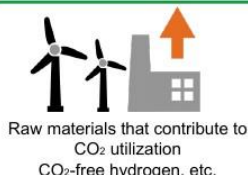
#### Proposal for building a research/business system in the Kitakyushu area

##### ■ GHG emission sources



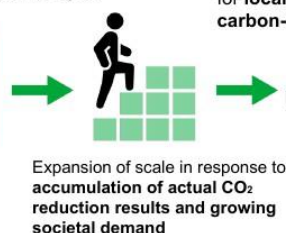
##### ■ Industry-academia-government open platform

Demonstration test utilizing actual plant exhaust gas  
Searching for innovative and inexpensive GHG reduction technologies



##### ■ Outlet installation

Contributing to GHG reduction for customers and society through in-house utilization



#### Image of future goal

- Creation of new businesses take advantage of unique features of the area  
Industry-academia-government collaboration for **local production and consumption of carbon-neutral energy and materials**



\*A meeting of experts to formulate a green growth strategy for Kitakyushu City, aiming for decarbonization that leads to the creation of new industry and increased corporate competitiveness by presenting a new way to grow (through a virtuous cycle of the environment and economy of Kitakyushu City), as well as by promoting comprehensive and strategic collaborative industry-academia-government efforts.

With regard to collaboration between industry, academia and government, as I just mentioned there are still areas in which we have not yet established collaboration for CCU technologies, and this slide highlights one example of an industry-academic-government collaboration effort.

In response to the new rules imposed by decarbonization, Kitakyushu City is pursuing the Kitakyushu Green Growth Strategy based on the mission of enhancing industrial competitiveness and its appeal as a city. Mitsubishi Materials is participating on its advisory board.

As shown in the diagram at the bottom of the slide, part of the initiative involves preparing an open platform for industry-academia-government collaboration that can drive a decarbonization business from the conceptual stages through to launch, and we hope to provide support for the implementation of innovations in society through this project.

This month a final report is scheduled for completion regarding the Kitakyushu Green Growth Strategy. At that point the action plan will be finalized, and the project will steadily shift into an implementation phase.

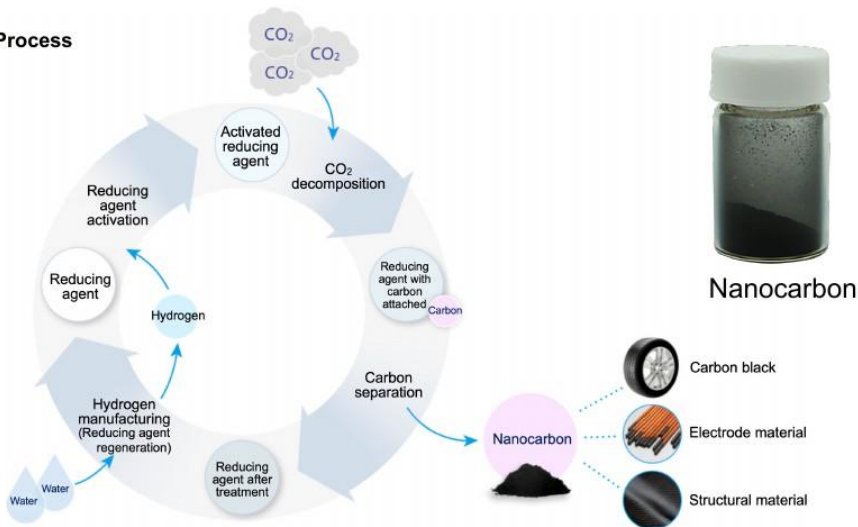
Although it is too early to say precisely what technology we will use and how we will participate, we hope to contribute to the Kitakyushu Green Growth Strategy going forward based on the experience participating on the advisory board.



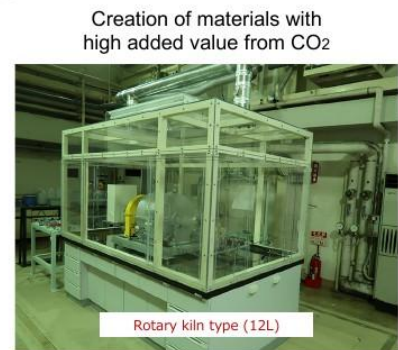
### Adoption NEDO business\* as a carbon recycling technology

- **Decomposing CO<sub>2</sub>** using a reducing agent to **produce nanocarbon**, as well as **production of hydrogen** in the regeneration process for the reducing agent
- Implementation of underlying technology development, process optimization and feasibility studies in this operation (scheduled from FY2022 to FY2026)
- After 2026, we will conduct a scaled-up demonstration test and **put into use around 2030**

#### ■ Process



Nanocarbon



Creation of materials with high added value from CO<sub>2</sub>

Reactor

\*One of the six newly adopted themes for the effective use of CO<sub>2</sub> in chemicals, fuels and minerals for the development of carbon recycling technologies in the Green Growth Strategy Through Achieving Carbon Neutrality in 2050. From an October 15, 2021 NEDO press release.

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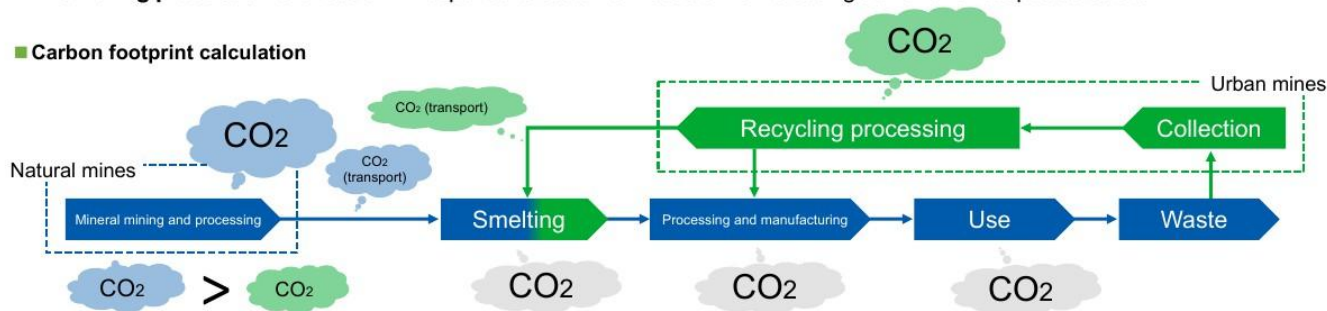
This is a commissioned project that was adopted by NEDO in October. This involves a reductant, powdered metal oxide, which was activated by reacting with hydrogen gas. It is then reacted with CO<sub>2</sub> at 300 degrees Celsius to break down the CO<sub>2</sub>, where the "C" element - the carbon - adheres to the reductant and is recovered as fine nanoparticles.

The commissioned project is scheduled to run from fiscal 2022 to fiscal 2026. We are proud of the fact that this extremely innovative technology allows us to directly create materials to the nanoparticle stage after CO<sub>2</sub> capture, and we hope to push forward with commercialization of the technology.

### Evaluation of carbon footprint (CFP) and utilization

- Focusing on circular economy using recycled materials with low CO<sub>2</sub> emissions
- Starting trial CFP evaluations from the standpoint of ensuring future transparency through utilization of digital technology
  - It is possible to **understand GHG emissions within** the product life cycle and **manufacturing process**
  - It is also possible to **compare GHG emissions in manufacturing** from natural resources compared to that of recycled materials
  - **Achieving product differentiation** in response to customer needs amid increasing demand for Scope3 calculation

#### Carbon footprint calculation



#### Initiative case study: Evaluation of GHG emissions reduction through review of copper product processing at Wakamatsu Plant

Trial comparative calculation of a conventional precipitation-type process, which requires high-temperature, long-term heat treatment GHG emissions for the MSP1 copper alloy manufacturing process used in small in-vehicle terminals

The carbon footprint is extracted from evaluation items related to GHG emissions in LCA\*

\*LCA (Life Cycle Assessment): A method of quantitatively evaluating input resources, environmental load and related environmental impact within a product's life cycle

#### Future plans

- CFP in consideration of tungsten recycling
- CFP in consideration of copper scrap raw materials

This is a calculation of our carbon footprint. The carbon footprint is derived by extracting the parts of a life cycle assessment that related to greenhouse gas emissions.

By ascertaining total emissions across the entire supply chain, we can measure the differences in emissions between regular production from raw materials and production from recycled materials, and gauge differences in emissions on a per-product basis, which enables us to achieve differentiation in the relevant products.

You will see the term MSP mentioned in this slide. For MSP1, a type of copper alloy, we calculate the carbon footprint from raw materials when producing copper alloys.

In the future, we will calculate carbon footprint by considering raw materials from tungsten and copper scrap with recycling in mind. We will look at the overall balance that I just mentioned, and conduct analyses to increase reductions, such as through product differentiation or based on the knowledge gained from our carbon footprint.

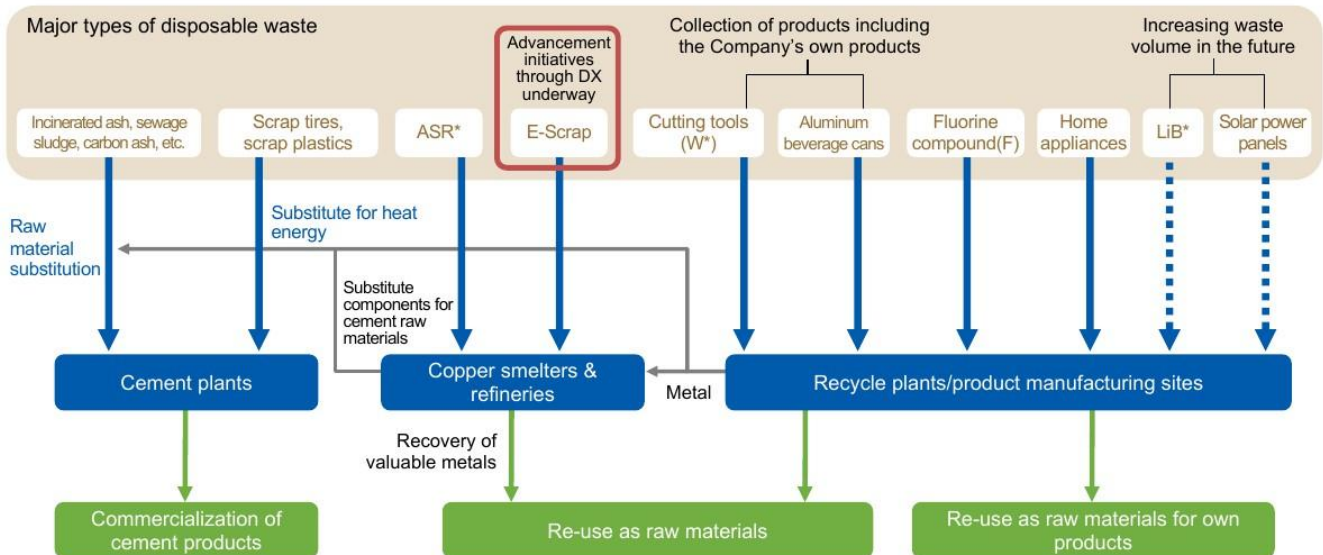
# The Group's pursuit of recycling-oriented business models

## Initiatives to Build a Recycling-oriented Society (circular economy)



### The Group's pursuit of recycling-oriented business models

- Further advancement through digital transformation (DX)



\*ASR: Automotive shredder residue; LiB: Lithium-ion battery; W: Tungsten

Here I would like to briefly describe our recycling-based business model. We also used the diagram on this slide at the ESG meeting in March, but I think looking at this diagram is the best way to get a sense of scale when giving an overview of the Mitsubishi Materials Group's overall recycling efforts.

It shows how we collect all kinds of waste and used products, recycle them, and return them to society. To put it in terms of scale, cement production at a Cement Plant, copper smelting and refining operations, and the recovery of valuable metals at copper smelters involve vary large volumes.

We also have home appliance and automotive recycling plants, although they are not that big. Additionally, we maintain manufacturing sites to turn the materials back into products for use. The waste products that can be handled at the Mitsubishi Materials Group sites are indicated by the enclosed area at the top of the slide.

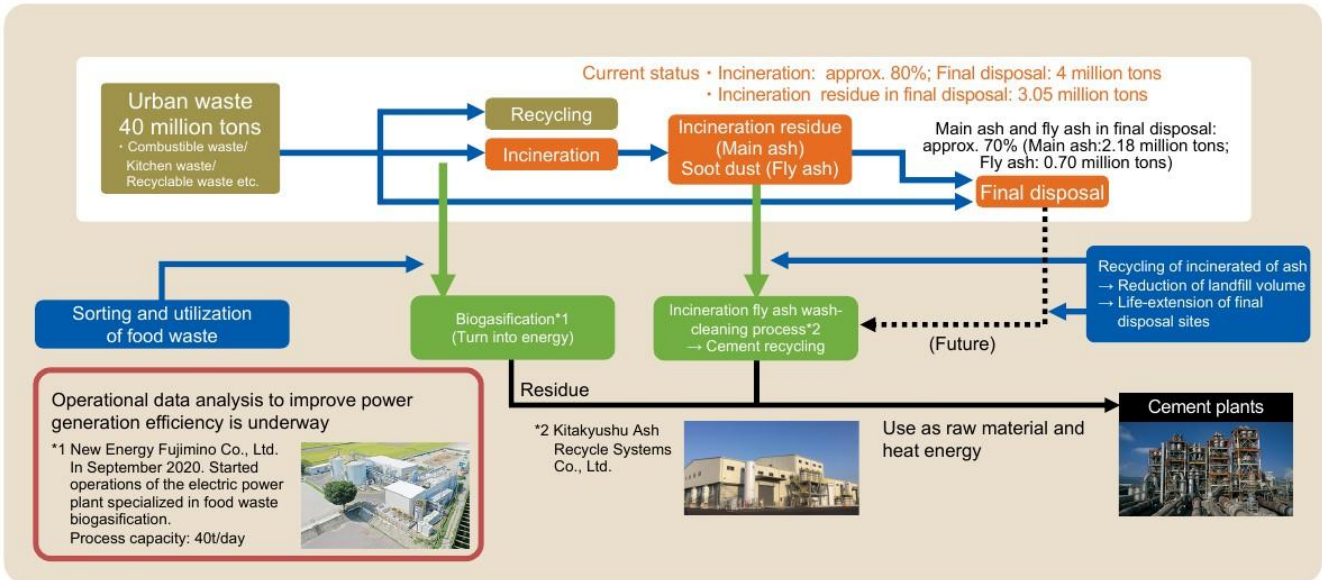
In addition to materials such as incinerated ash and sewage sludge, we recycle a wide range of things, including E-Scrap from various used products, and products made from recovered cutting tools and aluminum beverage cans originally supplied by the Group.

This topic of E-Scrap appeared earlier. At the moment we are taking on the challenge of building a cargo collection plant through digital transformation (DX).





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This is our approach to the disposal of urban waste. This diagram is also the same one we showed at the meeting in March. Ultimately, as it is extremely difficult to establish new landfill disposal sites in Japan, and we believe that we can play an important role in helping reduce the impact on the environment through involvement in urban waste disposal projects such as this one.

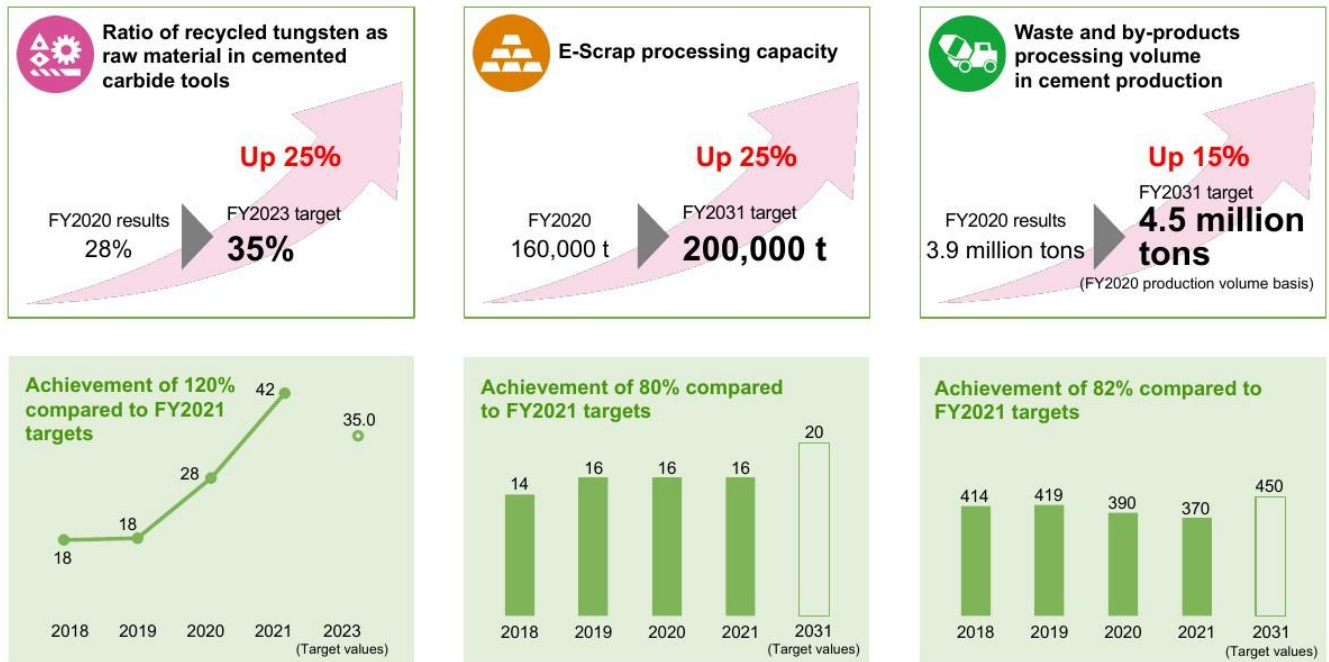
The section enclosed in a red border at the bottom left of the slide describes an initiative to improve power generation efficiency by applying DX to the analysis of operational data at New Energy Fujimino Co., Ltd., which sorts and utilizes food waste for biogasification, and turns it into energy.

# Contribution goals for a sustainable society

## Initiatives to Build a Recycling-oriented Society (circular economy)



### Contribution goals for a sustainable society



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This slide shows progress on our contribution goals for a sustainable society. For the ratio of recycled tungsten as raw material in cemented carbide products, we set a target value of 35 percent for fiscal 2023, but as you know in fiscal 2021 operation fell dramatically, in part due to the COVID-19 pandemic.

For this reason, the recycling rate was an extremely high level of 42 percent. More recent figures will be less than this and the lower numbers will continue for the meantime, but we are still running slightly above the target.

Regarding our E-Scrap processing capacity, in fiscal 2020 we processed 160,000 tons, and have set the goal of achieving 200,000 tons by fiscal 2031, which I will explain in detail later.

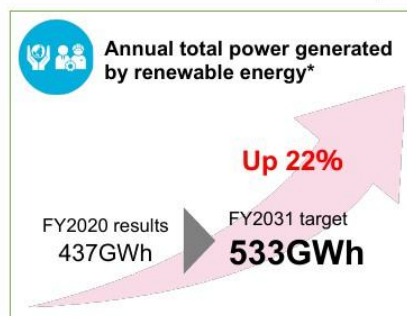
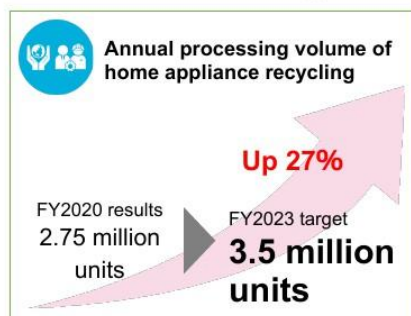
Regarding the processing volume of waste products and by-products from cement manufacturing, in the cement business I mentioned earlier our target processing volume is 4.5 million tons, while actual processing volume in fiscal 2021 was 3.7 million tons. For fiscal 2021, this figure is a result of lower operating rates due to the overall slowdown in demand, as well as partial production troubles. Although we are still in the middle of fiscal 2022, we expect figures to be higher than fiscal 2021.

# Contribution goals for a sustainable society

## Initiatives to Build a Recycling-oriented Society (circular economy)



### Contribution goals for a sustainable society



\*The definition of renewable energy generated has been revised to be the generated volume of each business multiplied by our ownership share.

\*Total amount of steam supplied to geothermal power plants (converted to the amount of generated power) and the amount of power transmitted (amount of power sold) other than steam supply.

The annual number of units processed for home appliance recycling has been very strong, with 3.67 million units processed in fiscal 2021, surpassing the 3.5 million unit goal. There have been no significant changes to the total amount of renewable energy generated annually, as you can see from the figures on the slide.



# Building a Recycling-oriented Society Utilizing the Mitsubishi Process for Continuous Copper Smelting, and Contributing to Climate Change Countermeasures

## Initiatives to Build a Recycling-oriented Society (circular economy)



### Utilization of the Mitsubishi Process for continuous copper smelting to contribute to building a recycling-oriented society and climate change countermeasures

- The Mitsubishi Process for continuous copper smelting is a unique copper smelting technology that has achieved the **industry's top environmental impact reduction performance**
- Implementation of efficient recycling of E-Scrap such as copper, gold, silver, lead, tin and platinum
- Recovery and use of heat energy generated during E-Scrap processing and replacement, and replacement and reduction of fossil fuels

### Promotion of E-Scrap processing to accelerate replacement and reduction of fossil fuels

- We boast **the world's number one E-Scrap acceptance and processing capacity of approximately 160,000 tons annually**, which we aim to increase to **200,000 tons annually by FY2031**.
- In order to capture the growth of the European E-Scrap market, we will increase the capacity of a collection plant in the Netherlands (scheduled for completion in March 2022)



E-Scrap: Waste boards for home appliances, personal computers and other electronic devices



The MM Metal Recycling B.V. is a collection plant, located in the Netherlands

## Introduction of a new platform to further improve customer service

This is related to the topic of E-Scrap which I mentioned earlier. As the Mitsubishi Process for Continuous Copper Smelting is a very tightly closed off smelting process, gas efficiency is excellent and it leads the industry in terms of low environmental impact.

We are promoting the processing of E-Scrap, and by capturing and utilizing the thermal energy generating during processing, we can reduce the amount of fossil fuels used. To contribute to climate change as mentioned earlier and to increase this recycling, I think we will need to increase our processing capacity from 160,000 tons to 200,000 tons.

On recovery rates for each type of metal, in addition to the Naoshima Smelter and Refinery we collect metals such as lead and tin from each business site. It will be important to make improvements to raise this recovery rate and increase cargo handling. As one of the important elements in increasing cargo handling, in March 2022 we plan to expand our cargo-handling location in the Netherlands.

### MEX : Mitsubishi Materials E-Scrap EXchange

- Start of operation of a **new platform** for E-Scrap business from December 20, 2021
- Utilization of the latest digital technology and equipped with many features
- Around-the-clock access to all information required for E-Scrap trading
- The inquiry feature that accepts questions anytime and allows interactive communication by dealing with frequently asked questions using e-mail or a chatbot (currently under development) that is capable of automatic responses.



For cargo handling, we will start operation of a new platform as part of DX efforts. I will spare you the details as they were explained at the IR Day held the other day, but from the customer's perspective, the ability to see the progress from delivery to the final stage of processing at the Naoshima Smelter & Refinery almost in real-time from the customer's own site is a very new feature, and we believe this makes it a highly transparent platform.



## Social

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- Human Rights Initiatives
- Human Capital Initiatives

#### Perspective and system

- It is essential to **respect international human rights standards** while also complying with the laws and regulations of each country to expand business globally
- Comprehensively addressing human rights concerns reduces risk and captures new growth opportunities
- Appropriate response to human rights risks while balancing corporate ethics and business activities

##### Current status of initiatives

- Commitment to respecting human rights in the Code of Conduct
- Internal dissemination through human rights awareness training, etc.

##### Prioritizing respect for human rights in business

##### Expanding initiatives to meet global standards

- Commitment in line with international standards
- Respect for human rights through supply chains
- Due diligence for continuation of initiatives



Today I would like to describe our initiatives on human rights and efforts with regard to human capital. First, let's look at initiatives on human rights.

Mitsubishi Materials already includes items on respect for human rights in its Code of Conduct, but this is not based on international frameworks, laws or regulations.

However, in every facet of business from raw materials procurement to R&D, production, distribution and disposal, global regulations concerning business and human rights are becoming stricter and attracting increased attention from the public. Human rights itself is a priority issue to be addressed as part of management responsibility and has a significant impact on corporate value.

For these reasons, we recognize that it has become even more important to express a commitment to respecting human rights from a broader perspective, and to put in place schemes to prevent involvement in human rights violations.

As initiatives to address human rights that are consistent with international standards are essential when running a business globally, Mitsubishi Materials has set up a new Human Rights Panel in the Sustainable Management Office and has established a human rights policy that respects international norms such as the 10 principles of the United Nations Global Compact.



### Supply chains initiatives

- Development of Procurement Policy that reflects Human Rights Policy
- Evaluation and examination of supplier human rights risk



### Supplier evaluation and assessment

(167 companies evaluated and assessed in FY2021)

Supplier self-check sheets (responses from 111 pre-existing suppliers and 103 new suppliers in FY2021)

**General items:** Quality, cost, delivery

**Social responsibility:** Human rights (child labor, forced labor, unreasonably cheap labor, etc.), environmental impact, etc.

Based on the human rights policy I mentioned, we have now established a procurement policy for the Mitsubishi Materials Group. As a comprehensive materials manufacturer, we work in partnership with wide range of suppliers throughout the value chain, in an effort to improve added value and promote global procurement with an emphasis on stable product supplies and more competitive products.

In the supply chain of each business, we reflect the human rights policy in risk management systems such as the supplier evaluation and review practices we have implemented to date. We also respond appropriately to human rights risks at suppliers and aim to forge cooperative relationships with them.

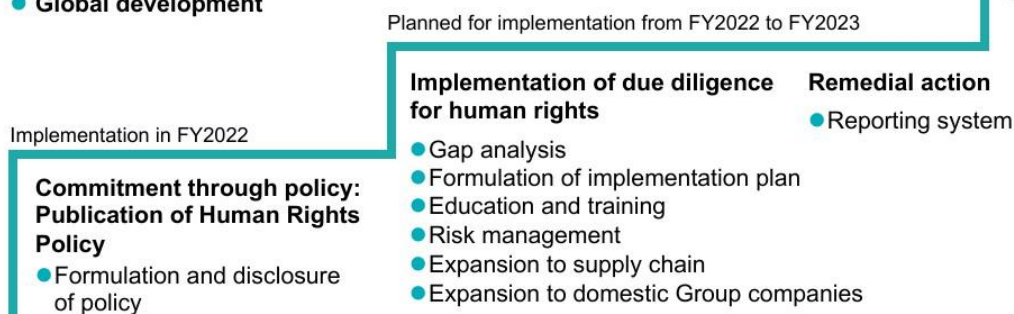
### Initiatives roadmap

Establishment of **Human Rights Policy** that comprehensively covers business activities while implementing **due diligence for human rights** and **managing human rights risks**

#### Our roadmap

- Establishment of new Human Rights Policy to strengthen human rights initiatives
- Promotion of due diligence for human rights, striving to reduce human rights risks and **promotion in collaboration with suppliers**
- PDCA cycle for identification and review of risks assumed based on the results of field studies
- Further internal dissemination through human rights awareness training, etc.
- **Global development**

- Realization of a sustainable society
- Stakeholder trust
- Prevention and reduction of negative human rights impact



This slide shows our roadmap for human rights initiatives. I think it is easiest to understand by looking at the part that shows a phased progression. This year we formulated the human rights policy I just mentioned, and this has already been disclosed.

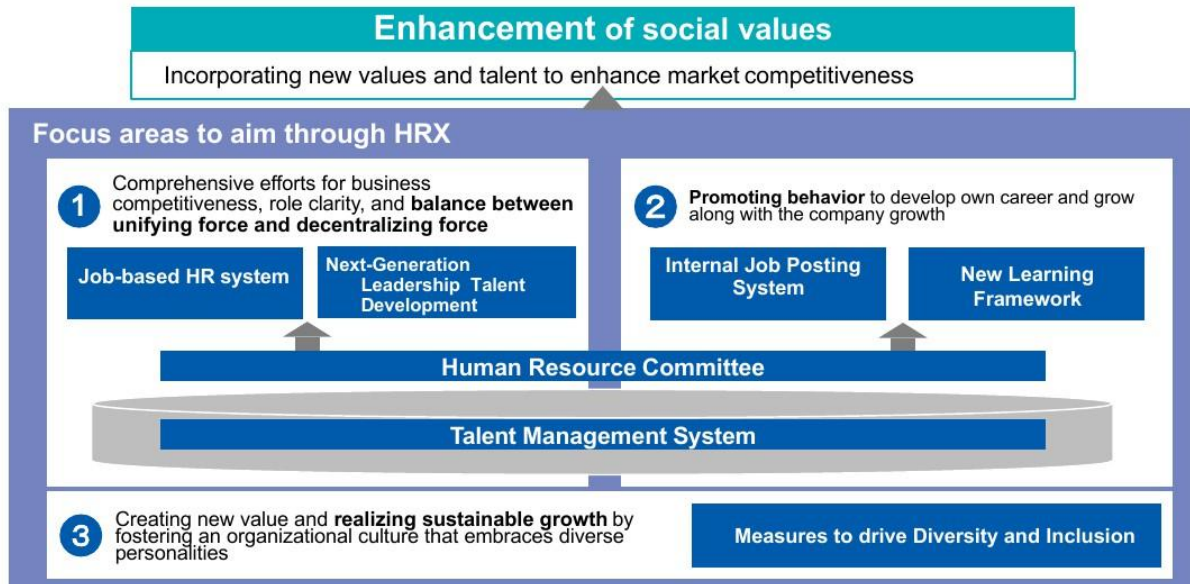
Going forward, we are looking to perform human rights due diligence based on the human rights policy. Regarding human rights due diligence, as you are probably aware, the elements shown on this slide are consistent with the United Nations' "Ruggie Principles." We have currently completed the gap analysis and are at the state of formulating implementation plans based on it.

We will formulate implementation plans on education and training, risk management, expansion to supply chain and expansion to domestic Group companies during the current fiscal year, for implementation starting in fiscal 2023.

We are also considering the implementation of remedial action from fiscal 2023. Later, from fiscal 2023 to fiscal 2024, we plan to implement an expansion to overseas Group companies.

### Human Resource Transformation (HRX)

- To sustain and enhance market competitiveness in an increasingly complex business environment, actively incorporate **new ways of working, values, perspectives and talent from external markets**, to **our strengths** built over the past 150 years.



This is another area we have already described, but I would like to touch on Human Resource Transformation, or HRX, once more. HRX refers to the important HR systems and workstyle reforms that are needed to achieve targets in the corporate transformation we are currently working on.

There are three main points to this. The first is maintaining a balance between unifying and decentralizing forces, the second is Promoting behavior to develop your own career and grow together with the company, and the third is realizing sustainable growth.

It is a so-called job-based HR system that helps maintain the balance between unifying and decentralizing forces. Each job is specifically defined, which forms the basis for working in clearer and more autonomous ways.

On the point of autonomous behavior, the second element of "Promoting behavior to develop your own career and grow together with the company" is where our Internal Job Posting System comes in. This reflects our desire to encourage all employees to think about their own careers autonomously on their own.

The Human Resource Committee is responsible for supporting each of the above measures and maintaining overall coordination functions, while the Talent Management System provides backup for those activities with data and systems.

Overall, lying at the root of our HRX targets are measures to drive diversity and inclusion, which are necessary for the third element, realizing sustainable growth. In other words, an organizational culture of accepting and respecting one another's diverse individuality is the most important foundation.

# Measures to drive Diversity and Inclusion

## Human Capital Initiatives



### Measures to drive Diversity and Inclusion

- Actively drive diversity and inclusion in order to **embrace and respect diverse personalities**, as well as to **create new value**, that are sources of sustainable growth for the Group
- Accelerating **women's development and advancement** based on the Guidelines for Support of Women's Development and Advancement

#### Guidelines for Support of Women's Development and Advancement

- 1) Actively promoting diversity and inclusion to embrace and respect diverse personalities, as well as to create new value, that are sources of sustainable growth for the Group. Such promotion is one of our management strategies, and active participation of female talent is indispensable.
- 2) Aiming to be a place where all female talent, with their diverse personalities, can demonstrate their individual at their very best at all workplaces, occupations, fields and positions, while experiencing growth and self-realization.
- 3) Fostering a culture where all female talent can independently and autonomously build and realize their careers by improving the work environment, expanding the work area and support that respect viewpoints of work.

#### ■ Number of female, non-Japanese and mid-career managers

Target by FY2026		
Female managers	FY2021 Ratio	Approx. 2.5x
Non-Japanese managers		Approx. 2.5x
Managers hired mid-career		Approx. 1.5x

Trends and targets for the ratio of female managers



This slide details our initiatives related to human capital. With regard to diversity and inclusion, today I would like to focus in particular on the promotion of women's development and advancement. We have long supported women in this respect, but as this slide shows, we have now established Guidelines for Support of Women's Development and Advancement.

Looking at the ratio of female managers, in fiscal 2021 this figure was 2.1 percent. We think it will rise to around 2.5 percent in fiscal 2021, and by fiscal 2026 we expect it to increase to 5 percent.

In addition to female managers, we have also set targets for the number of non-Japanese and mid-career managers to be met by the end of fiscal 2026.



## Human Capital Initiatives



### ■ Key diversity and inclusion initiatives

#### Support of women's development and advancement

- Sponsorship by directors (for female managers)
- Career building support (for female career-track employees)
- Action plans at offices and plants
- Provide external training opportunities

#### Support for employees hired mid-career

- Enrich information related to mid-career recruitment on our website
- Support for building an internal network
- Facilitate connection to share Q&As regarding internal policies

#### LGBTQ+ support

- Upgrade HR system
- Develop consultation system
- Implement in-house training and training for new employees

#### Support of non-Japanese employees

- Actively participate in recruitment events for international students
- Foreign language support for company entrance exams
- Language education support both before and after hiring
- Support for internal promotion exams

#### Support for employees with disabilities

- Implement action plans at offices and plants
- Strengthen connection with external associations for employees with disabilities
- Employment support for employees with disabilities (accepting trainees from special education schools)

#### Building a base

- Drive initiatives to promote male employees to take parental leave
- Implement on-line learning content related to diversity (for all employees)
- Upgrade HR system

### ■ HR system (that goes above and beyond statutory requirements)

#### Childcare

- Shortening of prescribed working hours (for childcare), etc.: Employees caring for a child up until the sixth grade of elementary school are eligible
- Child nursing care leave: One child: 10 days/year, two or more children: 15 days / year
- Support interviews for employees returning to work after childcare leave (leave to raise children), etc.

#### Caregiving

- Employees may take up to a maximum of 36 months' leave per person requiring care
- Employees may work shortened hours for up to a maximum of 72 months' per person requiring care, including long-term care leave

This slide describes our initiatives addressing each specific item on diversity and inclusion. In terms of support for women's development and advancement, we will support their development through sponsorship by directors. This is a system where a director will individually monitor the development and advancement of female managers.

A noteworthy initiative on support for non-Japanese employees is a system to support foreign language learning before and after joining the company. In terms of support for employees hired mid-career, we are working to expediently share information through Q&A content on internal rules and other information to ensure a smooth fit after mid-career hires join the company.



## Governance

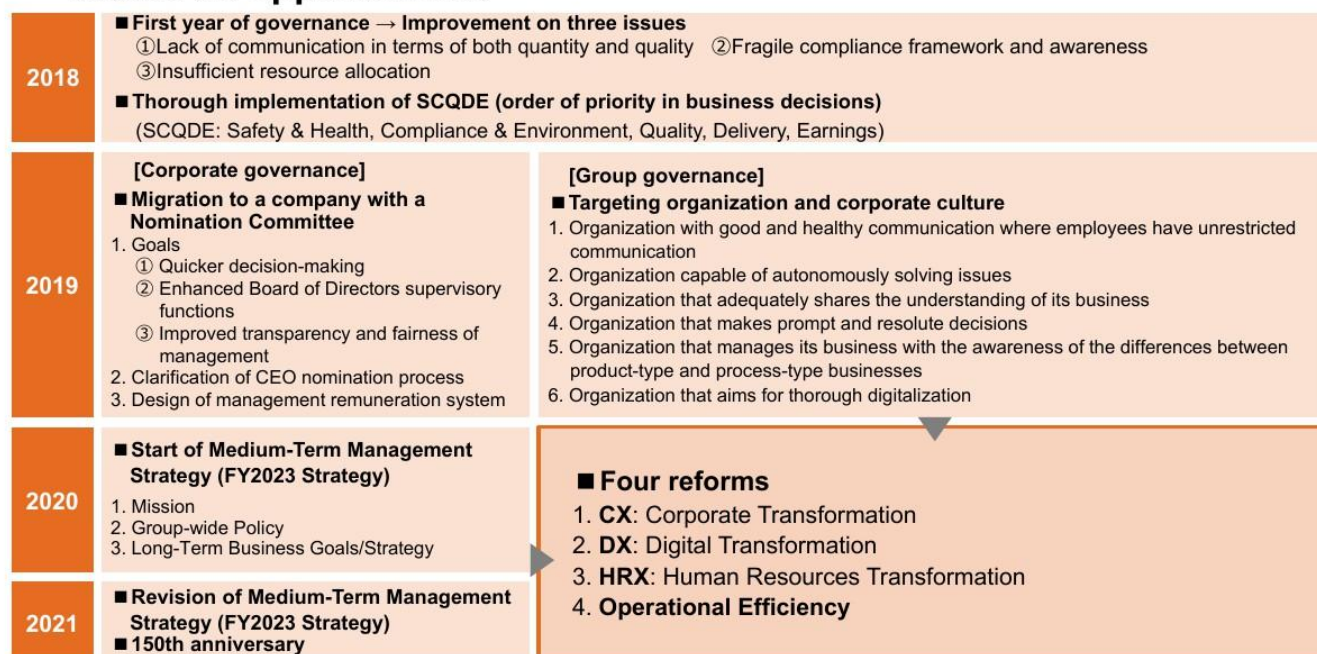
- Governance Initiatives
- Intellectual Property Initiatives
- Improvement of Communication

# Enhancing governance and organizational ability by utilizing quality issues as opportunities

## Governance Initiatives



### Enhancing governance and organizational ability by utilizing quality issues as opportunities



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MITSUBISHI MATERIALS

As you are aware, the Mitsubishi Materials Group experienced quality issues in November 2017 and has responded in various ways in the years since. This slide describes the initiatives we have undertaken since FY2019 in chronological format.

We established FY2019 as the first year of governance, taking quality issues as an opportunity to address (1) a lack of communication in terms of both quantity and quality, (2) the fragility and low standards of our compliance framework and awareness, and (3) unsuitable resource allocation for the entire Group, and have seen worked on making improvements.

Additionally, around this time we began to thoroughly implement SCQDE as the order of priority when carrying out operations, and have continued to pursue this approach.

During this process, in FY2020 we transitioned to be a company with a Nomination Committee, in the interests of corporate governance. We believe this will help clarify the CEO's nominating process.

Meanwhile, from the perspective of Group governance, we have declared the six items on the right of the slide as our vision for the organization and corporate culture, and have taken on various reforms targeting these areas. At this point, we had also turned to the path of digitization.

In response, we began a new mid-term strategy in FY2021 and are currently tackling the four reforms shown at the bottom right of this slide. The first is corporate transformation, an effort to optimize our Group management structure, while the second is DX, a digitization initiative.

To transform human resources, we are largely moving away from membership-type employment and adopting a job-specific personnel system, and we are pursuing changes to human resources management itself in connection with this.

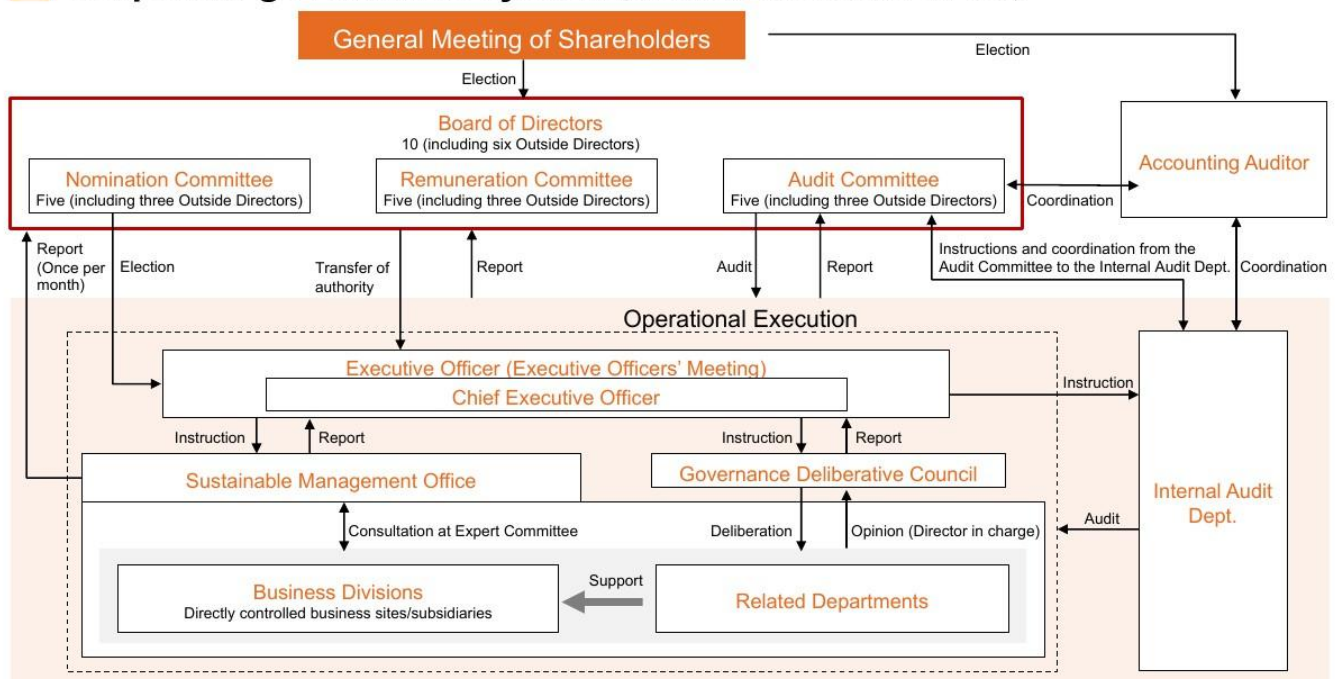
Over the same period, we will also strive to establish a more efficient management structure by working to optimize overall operations.

## Corporate governance system

### Governance Initiatives



### Corporate governance system (current as of December 1, 2021)



The Board of Directors is the part of our corporate governance system bordered in red at the top of this slide. As we have adopted the structure of a company with a Nomination Committee, this includes three statutory committees.

The bottom half of the slide relates to operational execution. On the executive side, from FY2021 we launched the Sustainable Management Office, which we also mentioned when discussing the newly formed Human Rights Panel. The President personally serves as general manager of the office, and receives reports from and checks the progress of its various panels in this capacity.

The office meets once a week to monitor progress, and also reports to the Board of Directors on a monthly basis.



# Status of Board of Directors meetings / Major agenda items at Board of Directors' meetings

## Governance Initiatives



### Status of Board of Directors meetings (April to November 2021)

- Meetings were held 14 times by the Board of Directors, 10 times by the Nomination Committee, 12 times by the Audit Committee and 6 times by the Remuneration Committee
- Briefing sessions were held 3 times and meetings for exchange of opinions were held 5 times for Outside Directors

Resolutions	Reports
24	108

### Major agenda items at Board of Directors' meetings (April to November 2021)

- Materiality such as sustainability, important management strategy and the direction for Board of Directors that are deliberated as matters discussed by the Board of Directors before resolution by the Board of Directors or Board of Executives (20 cases)

Agenda item	Month deliberated	Agenda item, details	Resolution by the Board of Directors or Board of Executive Officers
Sustainability	July, September, October	• Response policy for revisions to the Corporate Governance Code - Establishment of the Sustainability Policy and Human Rights Policy, etc.	November
	September, October	• Diversity and inclusion initiatives	November
	February, October	• Setting of new greenhouse gas emission reduction targets and reduction plan	February, November
Important management strategy	March, April	• Revision of Medium-Term Management Strategy	May
	July	• Status of FY2022 management policy initiatives	-
	January, April, July, August, September, October	• Regarding examination status of improvement to management - Organizational form, HR system, etc.	November
Direction of the Board of Directors	February	• Evaluation of the effectiveness of the Board of Directors	March
	July	• Regarding the future of the Board of Directors	-

Note) Individual measures and business restructuring plans were discussed in addition to the above

Now I will talk about the Board of Directors. With the Company's listing on the Prime Market, I think the role and functions of the Board of Directors itself will become increasingly important going forward. Accordingly, I think how we shape the Board of Directors will be an important challenge facing the Company.

The top of the slide shows the results of Board of Directors meetings. As for the major agenda items raised at Board of Directors meetings, in addition to matters for resolution and reporting, time is set aside to freely discuss the themes shown in this table.

The items discussed include important management strategy details and many topics that relate to sustainability.

### Supervisory function of Outside Directors

Item	Details
One-on-one meetings with the President	<ul style="list-style-type: none"> <li>One hour every two months for each director</li> </ul>
Talks with institutional investors	<ul style="list-style-type: none"> <li>Annual meeting with Outside Directors</li> </ul>
Outside Director discussions for exchange of opinions	<ul style="list-style-type: none"> <li>Discussions for exchange of opinions between Outside Directors and sharing of information between committees</li> <li>FY2021: 2/year, FY2022: Monthly (from August)</li> </ul>
Lectures, conversations with employees, etc.	<ul style="list-style-type: none"> <li>Lectures by Outside Directors and conversations with employees through individual sessions, etc.</li> <li>Examples of lecture themes                             <ul style="list-style-type: none"> <li>➢ Conversations with female employees (multiple times)</li> <li>➢ Business characteristics and DX conversion for process-type and product-type products</li> <li>➢ Experiences at manufacturing companies, environmental impact and response, approach for these</li> <li>➢ Investor perspective on Mitsubishi Materials Corporation</li> <li>➢ An organization where young employees demonstrate leadership</li> </ul> </li> </ul>
Business meetings	<ul style="list-style-type: none"> <li>Regularly held business meetings for major businesses and important issues</li> <li>Explanations from general managers, plant managers, subsidiary presidents, etc.                             <ul style="list-style-type: none"> <li>➢ Deepening understanding of business, opportunities to get to know candidates who will be the next generation of executives</li> </ul> </li> </ul>
Observer participation in meetings, etc.	<ul style="list-style-type: none"> <li>Aiming to deepen understanding of business                             <ul style="list-style-type: none"> <li>➢ Group technology development tours, meetings on Group-wide development strategy, etc.</li> </ul> </li> </ul>

Currently six of the Company's ten directors are outside directors. We believe that strengthening communication between outside directors and stakeholders is essential for enhancing monitoring functions.

The table on this slide summarizes the specific initiatives being pursued. Going from the top, we have established one-to-one meetings with the president, and hold an annual small meeting between institutional investors and outside directors.

From FY2021 we have also launched meetings for outside directors to exchange opinions between themselves. This year the outside directors will be convened once a month and exchange views on various themes, including information sharing between each committee.

We are also aware of the need for dialogue with employees, and we conduct lectures and individual sessions involving outside directors on the themes shown at the center of the slide.

To enhance its functions as a monitoring board, it is also essential for outside directors to have a deeper understanding of our business. To further this, we encourage outside directors to attend the business meetings and various other meetings as observers.

# Main initiatives to further improve the effectiveness of the Board of Directors in FY2022 / Implementation of third-party evaluation

## Governance Initiatives



### Main initiatives to further improve the effectiveness of the Board of Directors in FY2022

Issues	Initiative details
Strengthening of management supervisory functions	<ul style="list-style-type: none"><li>Efficient Board of Directors management</li><li>Regularly held business meetings for Outside Directors</li></ul>
Understanding capital cost and setting indicators	<ul style="list-style-type: none"><li>Review of financial plan due to partial revision of Medium-Term Management Strategy</li><li>In-depth discussion on appropriate calculation and operation methods for management indicators</li></ul>
Supervision for Strategic Share Holdings reduction policy	<ul style="list-style-type: none"><li>Identification of stocks deemed necessary to be held for business strategy</li><li>Systematic promotion of sale for all listed stocks other than those above</li></ul>
Supervision of Group governance, etc.	<ul style="list-style-type: none"><li>Continuing promotion of measures to activate communication and to enhance internal control for the entire group</li><li>Regular reports to the Board of Directors regarding the Sustainable Management Office, compliance, etc.</li></ul>

### Implementation of third-party evaluation

- The FY2022 evaluation of the effectiveness of the Board of Directors is to be conducted by appointing a third-party organization

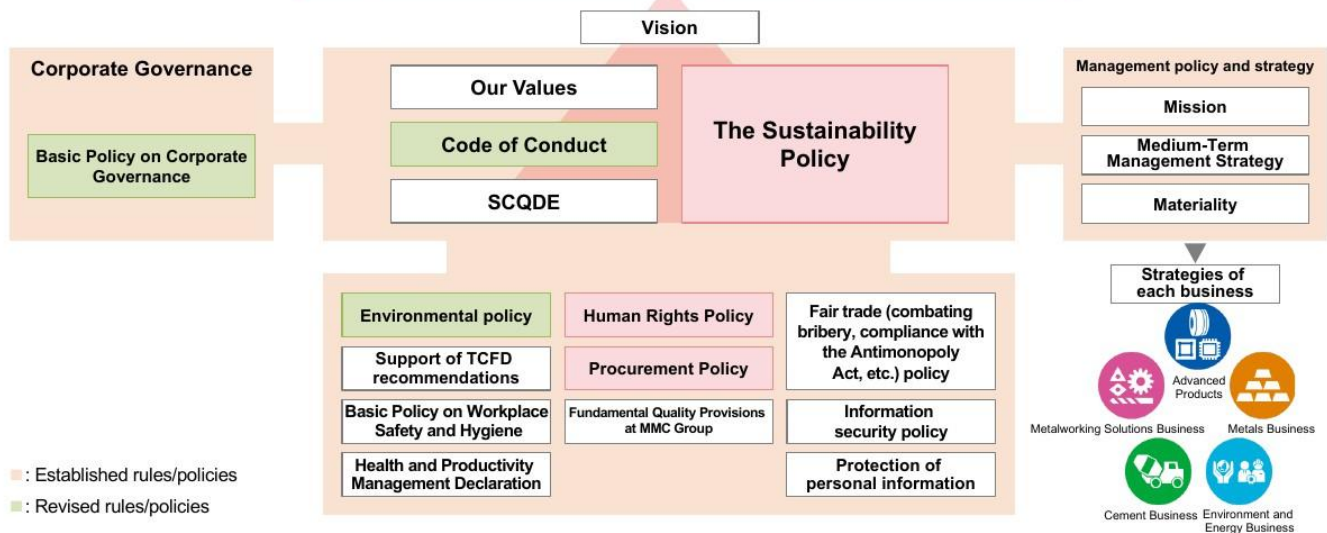


This slide describes how the effectiveness of the Board of Directors is evaluated. Until the previous fiscal year, this was based on self-evaluations by the members that made up the Board of Directors, but in FY2022, we are scheduled to obtain a third-party evaluation, and based on the results, we work on the points needing improvement in the Board of Directors, and clarify how the Board of Directors needs to evolve in comparison to other companies. This will be an ongoing initiative that will be promoting starting this fiscal year.

### Sustainability regulations and policies

- Establishment of the Sustainability Policy, Human Rights Policy and Procurement Policy, and clarification of policy for tackling sustainability issues
- Review of existing sustainability policies and regulations (Code of Conduct, Environmental Policy, etc.) and strengthening of initiatives

#### Corporate Philosophy: For People, Society and the Earth



This slide deals with our sustainability-related regulations and policies. We spoke about our human rights policy earlier, and in order to organize increasingly added various policies and regulations, we have also established a basic policy on sustainability that integrates all of them, with the individual policies organized based on this basic policy.



# Enhancing the governance and compliance systems

## Governance Initiatives



### Enhancing the governance and compliance systems

- Enhancing the governance and compliance systems in response to quality issues discovered in FY2018, orders to pay surcharges due to overseas violation of the Antimonopoly Act in FY2020 and the discovery of transactions deemed to be conflicts of interest in FY2021.

	FY2018 to FY2019	FY2020	FY2021
<b>Item</b>	Discovery of quality issues in the Group and Group Companies (Diamet Corp., Mitsubishi Cable Industries, Ltd., Mitsubishi Aluminum co., Ltd., etc.)	Orders to pay surcharges due to violation of the Antimonopoly Act by Universal Can Corporation (Applicable period: From around May 2010 to the end of March 2016 at the latest)	Discovery of conflict-of-interest transactions at Robertson's Ready Mix, Ltd.
<b>Recognition of issues</b>	<ul style="list-style-type: none"> <li>① Lack of communication</li> <li>② Fragile compliance framework and awareness</li> <li>③ Insufficient resource allocation</li> </ul>	<ul style="list-style-type: none"> <li>① Insufficient compliance system and awareness</li> <li>② Unclear delegation of responsibility</li> </ul>	<ul style="list-style-type: none"> <li>① Insufficient checks on senior executives</li> <li>② Concentration of authority in senior executives</li> <li>③ Top-down organizational culture</li> </ul>
<b>Initiatives</b>	<ul style="list-style-type: none"> <li>① Enhancement of framework for discussion, reporting and follow-up of governance-related matters</li> <li>② Improvement of functions of management divisions and their collaboration with operating divisions</li> <li>③ Improvement of human resources training and encouragement of active interaction</li> <li>④ Internal audit strengthening</li> <li>⑤ Studies with a focus on business optimization</li> </ul>	<ul style="list-style-type: none"> <li>① Setting of rules for compliance with the Antimonopoly Act</li> <li>② Distribution of top message</li> <li>③ Promotion of risk management activities</li> <li>④ Expansion of education and understanding</li> <li>⑤ Review of in-house reporting system</li> <li>⑥ Strengthening of internal audits</li> <li>⑦ Clarification and dissemination of disciplinary standards</li> </ul>	<ul style="list-style-type: none"> <li>① Enhancing the compliance system</li> <li>② Introduction of a global in-house reporting system</li> <li>③ Renovation and enhancement of management system by appointing senior executives dispatched by shareholders</li> </ul>
		Promotion of enhancement measures for the system of compliance with the Antimonopoly Act	Implementation of internal control enhancement measures

We are striving to enhance our governance and compliance systems. Despite having worked to enhance governance in response to previous quality issues, unfortunately in FY2020 we were ordered to pay a surcharge for a violation of the Antimonopoly Act, despite this being in relation to a past issue. In the last fiscal year, it was discovered that there were transactions involving conflicts of interest on the part of top management at an overseas subsidiary. This slide details the initiatives we are implementing in response.

### Group measures for compliance with the Antimonopoly Act

- Due to a violation of the Antimonopoly Act by the Universal Can Corporation, we were ordered to pay surcharges of about 10.4 billion yen in September 2019. We are using this as an opportunity to promote measures for Group-wide compliance with the Antimonopoly Act

#### Future measures (from September 2019)

- **Setting of rules for compliance with the Antimonopoly Act (the Company and domestic subsidiaries)**
  - Establishment of Antimonopoly Act compliance regulations (mandatory advance application for contact with competitors, etc.)
  - Partial revision of the Code of Conduct, establishment of bidding guidelines
- **Distribution of top message**
  - Distributing messages from the President for important meetings (Mitsubishi Materials Group's Management Committee, overseas representative meetings), governance training for directors, CSR training, etc.
- **Implementation of education**
  - Establishment of Antimonopoly Act handbook and bidding guidelines
  - Implementation of E-learning
  - Addition of antitrust content to governance training for directors and CSR training
  - Revision of the handbook for Group employees
  - Cautions in internal newsletters
- **Promotion of risk management activities**
  - Promotion of activities by selecting Antimonopoly Act violation risks as Group-wide priority action themes
- **Review of in-house reporting system**
  - Centralization of employee hotline (faster understanding of subsidiary matters)
- **Strengthening of internal audits**
  - Implementation of themed audits by the Internal Audit Department
- **Clarification of disciplinary standards and dissemination within the Group**
  - Clarification of disciplinary standards related to cartels and bidding, dissemination throughout the Group

We will strengthen the compliance system by continuously enhancing and implementing the measures taken thus far.

#### Future priority measures

- **Expansion to overseas Group companies**
  - Establishment of an Antimonopoly law compliance system for overseas subsidiaries according to local law, regulation and situation is under consideration (adjustment scheduled for completion in FY2023)

The first initiative relates to measures aimed at promoting compliance with the Antimonopoly Act. Although it tends to be difficult to uncover issues related to the Antimonopoly Act, we will continue promote initiatives aimed at strengthening our ability to nip these problems in the bud.

Specifically, as the slide shows we will start by rolling out measures domestically with a view to a future rollout to overseas Group companies.

# Implementation status of internal control enhancement measures

## Governance Initiatives



### Implementation status of internal control enhancement measures

- Implementation of internal control enhancement measures for senior executives Group-wide to prevent misconduct and detect it at an early stage

Multiple full-time officers dispatched from the parent company	Investigation of concurrent and related party transactions, and confirmation at the time of new and existing transactions
<ul style="list-style-type: none"><li>• Revision of consolidated business operation rules</li><li>• Establishment and expansion of guidelines for dispatching officers to subsidiaries and part-time officer activity manuals</li></ul>	<ul style="list-style-type: none"><li>• No conflicts of interest have been found in concurrent and related party transactions of executives investigated as of the end of FY2021.</li><li>• Incorporating Group companies outside Japan into the rules for protection of personal information and defining the target group is planned for implementation in FY2022 and after</li></ul>
Enhancement of communications of the second line of defense	Introduction of a global in-house reporting system
<ul style="list-style-type: none"><li>• Discussion for response between the second line of defense of corporate/business divisions/each site</li><li>• In risk management activities, themes related to fraudulent transactions and accounting that are serious risks are selected and discussed by target sites</li></ul>	<ul style="list-style-type: none"><li>• The MMC Group Global Hotline was opened on April 1, 2021</li><li>• System implementation preparations are ongoing at select overseas sites</li></ul>
Enrichment of measures for enhancement of Officers' awareness	Expansion of internal audits
<ul style="list-style-type: none"><li>• Implementation of training on governance for Officers of overseas subsidiaries. Training on compliance for the managerial level of overseas subsidiaries is also scheduled</li></ul>	<ul style="list-style-type: none"><li>• Approximately half of the 120 sites subject to comprehensive audit are undergoing priority audits (site visits began at the end of the COVID-19 state of emergency)</li></ul>

This section details measures to strengthen internal control. In response to transactions involving conflicts of interest on the part of some members of top management at an overseas subsidiary, we will increase the number of full-time officers dispatched from the parent company, strengthen communication, the second of the so-called three lines of defense, and make improvements to the governance training conducted at overseas subsidiaries. During fiscal 2022, we have conducted training around the theme of "integrity" and made efforts to encourage exchanges of opinions.

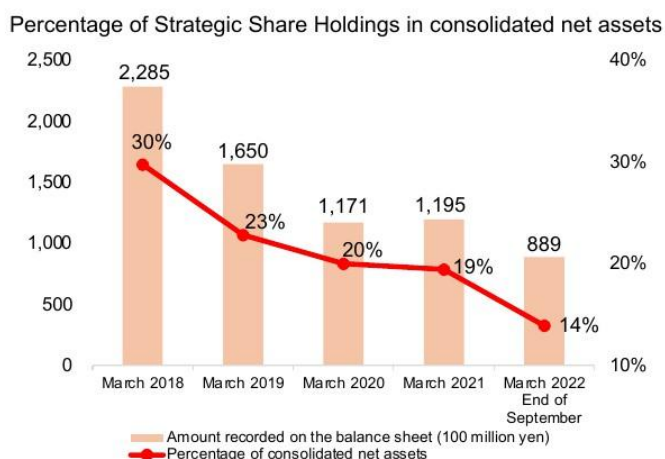
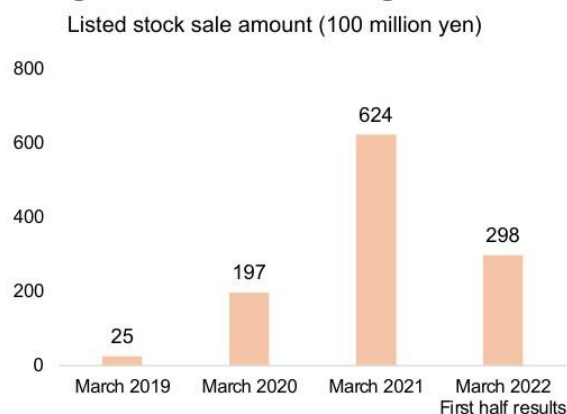
Additionally, as the right side of the slide shows, we will work to strengthen checks and balances by confirming related party transactions and expanding internal audits. We are also making efforts to establish a global in-house reporting system.



### Basic policy on Strategic Share Holdings (Article 7 of the Basic Policy on Corporate Governance)

- The Company shall not acquire or hold Strategic Share Holdings unless doing so is necessary for the purpose of its business strategy.
- With regard to the Strategic Share Holdings, 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 Strategic Share Holdings if it is not deemed to be necessary to hold such holdings.

### Changes in Number of Strategic Share Holdings



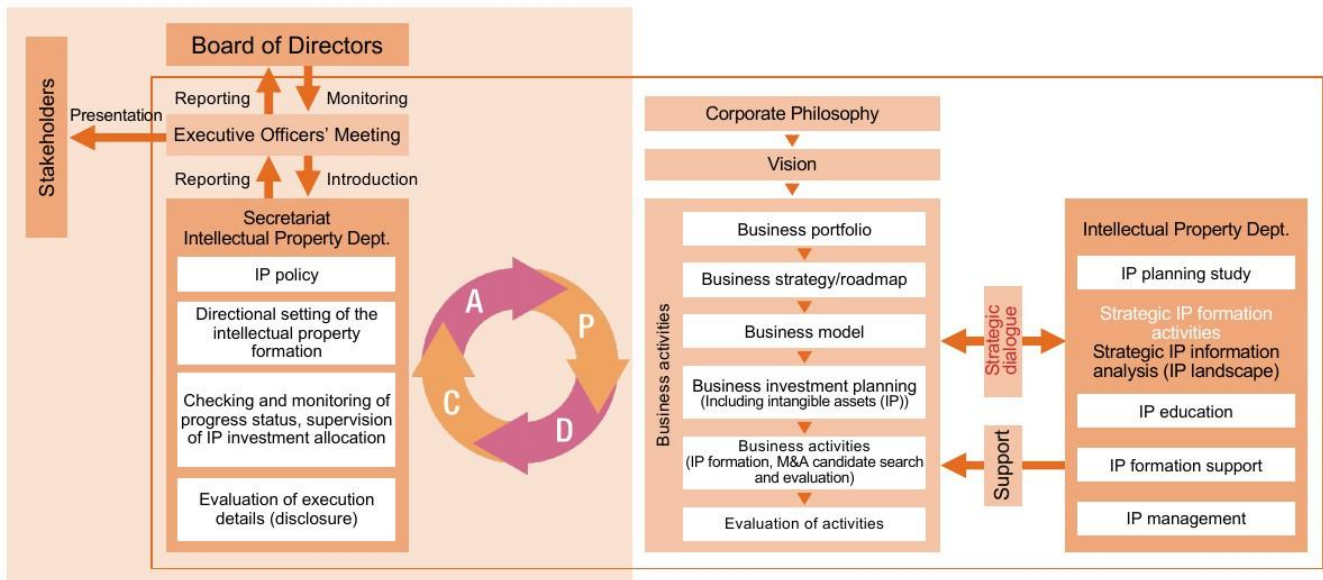
This slide describes our policy on strategic share holdings. As we communicated on IR Day, our policy is as in the information shown at the top of this slide.

These two graphs show the status of reduction. The graph on the left shows the sale of stock over the actual period, while the graph of the right shows the percentage of the strategic share holdings in consolidated net assets at the end of each fiscal period. This shows that we are making progress in reducing strategic share holdings despite the impact on market value.



### Strategic IP formation activities and promotion of IP governance

- Promotion of strategic IP formation activities based on IP landscape analysis
- Promotion of governance through regular discussion and reporting to Executive Officers and the Board of Directors



This describes our initiatives related to intellectual property. As the diagram on the right side of the slide shows, we use a method known as IP landscape analysis to determine how to combine the intellectual assets the Company owns with markets, and we consider how to link them with the rollout of the Company's products and businesses. We are trying to make headway with this approach through "strategic dialogue," a term that appears in the diagram.

### New communication initiatives

- Development of new initiatives that focus on improving communication in addition to conventional training-based measures
- Improving the quality and quantity of communication and information received

#### New Initiatives

##### Inner branding

##### Information sharing meetings and campaigns by site

##### Problem-solving communication training

##### 1-on-1

##### Reverse mentoring

##### Maintain and improve employee and organizational engagement

###### [Approach for three initiatives]

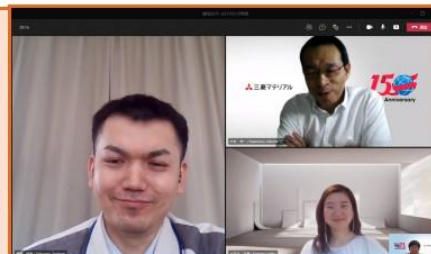
- Communication with management
- Lateral connection of every individual employee across the Group
- Support for individuals to take on challenges



Example of implementation  
Broadcast of Senshibanko  
ON AIR, where the  
president acts as an  
entertainment personality,  
answering questions and  
comments from employees

##### Promotion of communication that transcends hierarchies and organizations to foster an organizational culture that facilitates frank communication and open discussion in all directions

- Young employees become mentors and give advice and opinions to the managerial level
- Creation of opportunities for management and young employees to gain awareness



We have previously worked to improve communication, but this slide shows the various new measures we have started to promote in fiscal 2022, from inner branding to reverse mentoring. In the interests of time, I will not go into detail.

Under the corporate philosophy of "For People, Society and the Earth," the Group will consistently work to contribute to our three goals, "to contribute to building a prosperous society, recycling-oriented society, and decarbonized society," from 2030 to 2050. We are working toward these by achieving both social and economic value through engaging in business activities that solve social issues. In order to continuously improve corporate value, we must sustainably implement these efforts.

While promoting medium- to long-term efforts that address sustainability issues such as global climate change, circular economies, human rights, human capital, diversity and inclusion, we also continue to actively work to build a system that deepens the discussion of these issues, including within the Board of Directors.

The Group is promoting four reforms (CX: Corporate Transformation, DX: Digital Transformation, HRX: Human Resource Transformation, Operational Efficiency). From April 2022, we will establish a strategic headquarters that governs Group strategy, establish a professional CoE that is responsible for streamlining and specializing indirect operations and change group management into a combination of complete companies that are business divisions conducting management autonomously in order to create a new Mitsubishi Materials Group—accelerating the realization of our goals and our contributions to a sustainable society.

As I mentioned at the beginning, we have set the target of contributing to the development of three societal outcomes based on our corporate philosophy of "For People, Society and the Earth." These initiatives should be pursued on an ongoing basis, and in the sense of building this kind of management structure, these initiatives need to be put into practice with sustainability in mind.

As the center of the slide shows, we need to ensure sustainability in a broad sense with regard to social issues such as climate change, human rights and D&I on a global scale. I think involvement by the Board of Directors is an extremely important part of this.

In any event, as I just mentioned, from April next year we establish Strategic HQ that governs Group strategy through the four reforms we are currently undertaking, establish Professional CoE that is responsible for streamlining and specializing operations, and further accelerate the sustainable enhancement of corporate value through a combination of complete companies made up of business divisions conducting management autonomously.

This concludes the presentation. Thank you for your attention.

## **Q&A: Regarding proactive IR activities**

Questioner 1: This isn't really a question, but please tell us your impressions. Recently MMC has been very active in your IR activities, including IR Day, and I get the impression that MMC is becoming very fast, such as with regard to the separation of underperforming businesses through structural reforms. With regard to ESG this time, too, your governance is very transparent, and I think that there are more lively discussions taking place.

When I visited Robertson's Ready Mix, Ltd. (USA) in the past, I kind of got the feeling that things were being left entirely up to them, which felt risky, but you also mentioned that you will be taking more care of such locations. However, I believe that the ultimate goal of ESG is to raise (KPIs such as) ROE, ROIC and so on.

I think that there are many things that are very challenging in the external environment right now with regard to your products. I hope that you will speed up in areas such as this and do your best, including digital transformation with your platform.

Ono (CEO): I think that it's exactly as you've pointed out. We would like to hear comments—including harsh ones—from various perspectives, so please continue to let us hear them in the future.

## **Q&A: Regarding CO2 emissions from the Metals Business and votes in favor of director appointments**

Questioner 2: My first question regards the Metals Business. What kind of position do you think you are in—compared to the global average—with regard to CO2 emissions per ton of electrolytic copper (copper cathodes) produced, for example? Please tell us what kind of position you will be in, including Scope 2 and Scope 3, in the future.

My second question concerns the fact that votes in favor of the appointment of directors at the general meeting of shareholders in June were less than 90 percent for all directors, which I think is a little unusual. What is your attitude toward this problem as president and CEO?

Ono (CEO): It is quite difficult to compare CO2 emissions per ton of electrolytic copper (copper cathodes) to those of other companies. Generally speaking, however, since our smelting method is different to begin with, the Mitsubishi Continuous Smelting and Converting Process generates less emissions than the methods used by other companies. In other words, I think that our energy efficiency is good.

Another important point is how much E-Scrap we are processing. As was explained today, since this also constitutes an alternative to thermal energy, we think that the extent of this contribution is important when drawing comparisons with other companies.

We do not know how specifically what position we are in in comparison with other companies in terms of numbers, but qualitatively I think that it is as I just said.

Of course, the COVID-19 pandemic also had some impact on the low approval rate for directorial appointments, but I think that there are two major factors. The first is that we are not very well regarded for our financial position, primarily in terms of ROE. The second is that some investors are somewhat critical of the fact that Mitsubishi-affiliated personnel from within the Group are serving as directors.

Questioner 2: Is there a plan for how you will approach this in the future?

Ono (CEO): I think there are a lot of discussions to be had with regard to this issue. I have a slightly different opinion. I wonder how appropriate it is in the first place to judge external directors based solely on the organization that they are coming from. When it comes to external directors, I think that personal qualities are the most important thing to be considered.



Of course, if there is the issue of conflicts of interest between us and the organization from which they come, and, in cases where we have to discuss these issues at Board meetings, I think that we need to employ methods such as asking external directors to remove themselves from the discussion and so on.

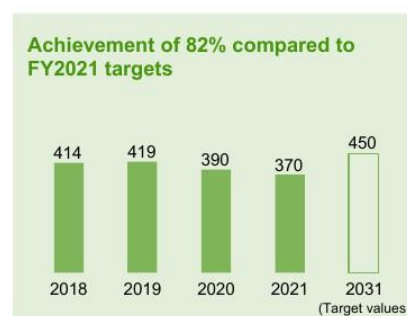
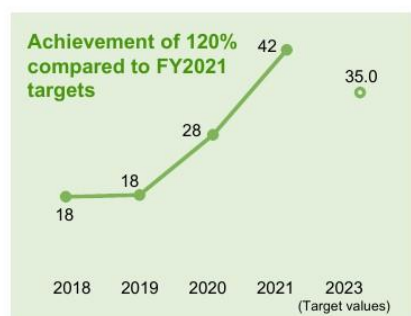
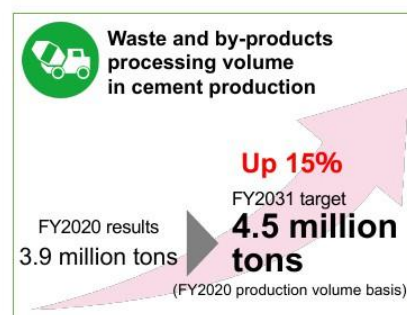
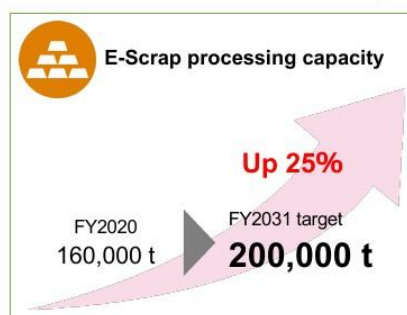
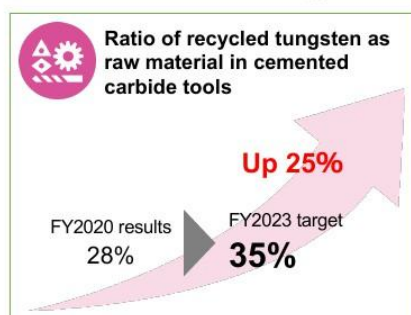
At the very least, since I became president, there have been no such problems so far. At the same time, I see them as having qualities that are very satisfying, in terms of the personal qualities I mentioned earlier.

## Q&A: Initiatives aimed at building a recycling-oriented society

### Initiatives to Build a Recycling-oriented Society (circular economy)



#### Contribution goals for a sustainable society



Questioner 3: My question concerns initiatives aimed at building a recycling-oriented society. Am I correct in my understanding, with regard to the ratio of recycled raw materials in cemented carbide products, that recycled materials are used preferentially, followed by external procurement of tungsten and other such materials?

I'd also like to discuss the effective (or practical) renewable energy ratio in the Metalworking Solutions Business. Please confirm what is meant by "practically" when you say "practically 100% renewable energy by FY2031," and by roughly how much this will increase costs. And an additional question: Am I right in understanding that your capacity to process E-Scrap is limited to around 200,000 tons?

Takayanagi: With regard to tungsten scrap, it is not the case that we preferentially process tungsten scrap in particular. Specifically, we manufacture them (tungsten powder, tungsten carbide powder) through Japan New Metals Co., Ltd., and we recycle the recovered materials at the stage of production processes for ordinary cemented carbide products.

Perhaps with the situation occurring in 2021, with our sales declining sharply overall and production volumes also falling, the recovery speed for recycling itself is probably also subject to a time lag. Therefore, I believe that it has risen significantly as a ratio.

Also, as I mentioned a little earlier about the description "practically zero emissions by fiscal 2031," "practically" (or "effectively") is in an expression meaning that energy use will be replaced with energy derived from renewable energy sources using non-fossil fuel certificates.

With regard to cost increases, although we have not estimated for Metalworking Solutions Company alone, when viewed overall we expected costs to increase from 2 billion yen to about 3 billion yen by FY2031. I think that we still need to scrutinize the numbers with regard to this.

Finally, with regard to processing of E-Scrap, as I mentioned earlier, we will increase the amounts of various metals recovered and their use in our copper-making processes. For example, the furnace body and boiler suffer considerable damage depending on the degree to which impurities can be removed, and the extent to which they can be mitigated depends on this.

At the current time, we believe that 200,000 tons is a good figure in terms of balance, but naturally we are thinking higher amount than this, so I hope you understand that we will aim higher, without thinking that this is the upper limit.

## Q&A: Reducing CO2 emissions

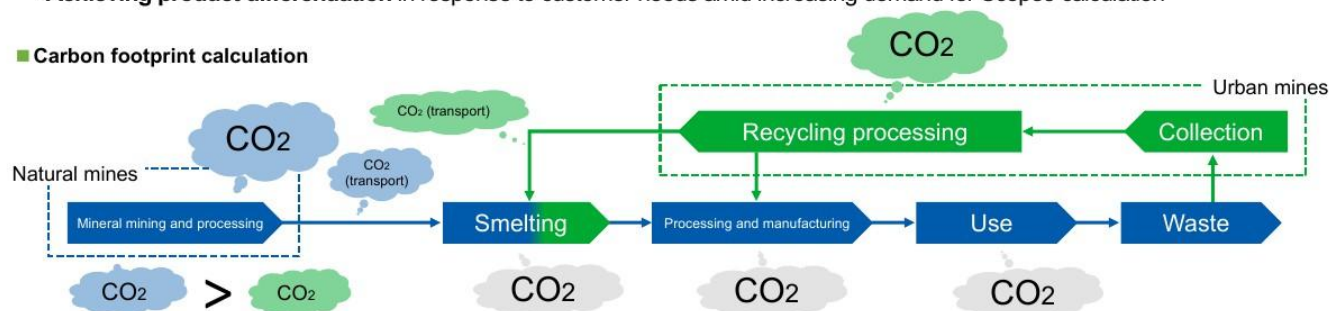
### Climate Change Initiatives



### Evaluation of carbon footprint (CFP) and utilization

- Focusing on circular economy using recycled materials with low CO<sub>2</sub> emissions
- Starting trial CFP evaluations from the standpoint of ensuring future transparency through utilization of digital technology
  - It is possible to **understand GHG emissions within** the product life cycle and **manufacturing process**
  - It is also possible to **compare GHG emissions in manufacturing** from natural resources compared to that of recycled materials
  - **Achieving product differentiation** in response to customer needs amid increasing demand for Scope3 calculation

#### Carbon footprint calculation



#### Initiative case study: Evaluation of GHG emissions reduction through review of copper product processing at Wakamatsu Plant

Trial comparative calculation of a conventional precipitation-type process, which requires high-temperature, long-term heat treatment GHG emissions for the MSP1 copper alloy manufacturing process used in small in-vehicle terminals

The carbon footprint is extracted from evaluation items related to GHG emissions in LCA\*

\*LCA (Life Cycle Assessment): A method of quantitatively evaluating input resources, environmental load and related environmental impact within a product's life cycle

#### Future plans

- CFP in consideration of tungsten recycling
- CFP in consideration of copper scrap raw materials

Questioner 4: On page 14, with regard to carbon footprint (CFP), you stated that you aim to achieve product differentiation in response to customer needs. We'd like to hear from you as to whether inquiries for products with low CO<sub>2</sub> emissions are actually increasing at the moment; and, if so, what kind of customers are increasing.

If they aren't increasing, on what kind of timeline do you expect to see these customers increase the future?

Additionally, you have set a target for reducing CO<sub>2</sub> emissions by FY2031. Please tell us about whether you will aim for carbon neutrality of copper cathodes and copper products in the long term, such as by FY2051.

Takayanagi: There aren't many requests from customers regarding CFP, but we're starting to see more of them here and there.

As you know, there is now a trend for disclosing (emissions) from Scope 1 to Scope 3, so I think that our business partners will begin to inquire how we are emitting greenhouse gases in the future.

In that sense, I think that people in automobile companies in particular will become much more sensitive about greenhouse gas emissions.

As for our long-term goals, we are aiming to be carbon neutral by FY2046, but we believe we can achieve our specific targets for FY2031 with a considerable probability.

As I said earlier, the development of new technologies will naturally be necessary in working toward carbon neutrality by FY2046, so it is difficult to talk about our estimates at this stage.

There is no change to our plans to aim for carbon neutrality by FY2046 with regard to copper smelting and refining and copper (cathode) production also.

## **Q&A: Climate change initiatives**

Questioner 5: Please allow me to ask a question regarding your initiatives to address climate change. As a specific measure to reduce emissions, you explained the increase in the percentage of power derived from renewable energy sources, in Scope 2 in particular.

Specifically, I thought that there might be elements involving the portion of power generation that the company's Environment and Energy Business is engaged in, and switching from use of purchased power to in-house power generation for the load of equipment at factories.

Please tell us, in general, how you regard the cost impact of the increase in power derived from renewable energy sources, and whether the cost increase from increasing the ratio can actually be absorbed by switching to in-house power generation.

In addition, there are figures for Scope 3, but I think that there will be moves to separate assets of PTS (PT. Smelting), for example, and I think that the part removed from consolidation through business reorganization and so on will have an impact on the definition of this calculation.

For this reason, in a broader sense, I think we will start to see the approach that Scope 3 figures can be targeted for reduction. What is your thinking with regard to how you will handle these figures?

Takayanagi: Regarding the point that we will shift toward power derived from renewable energy for Scope 2 power usage, especially for estimates up until FY2031, this time's estimates do not include power generated from renewable energy because we operate these as a business operation; the Environment & Energy business. This is also based on the assumption that we will raise profits by selling electric power as another business.

As you mentioned, though, as the amount of electricity generated from renewable energy increases, we do believe that there will start to be options to use it at our own factories. At this time, please think that this is not included in the FY2031 targets.

Regarding PTS assets, Mr. Kawamura will tell you whether they will be within Scope 3 after applying the equity method.

Yuji Kawamura: Hello, I'm Kawamura from the Sustainable Development Dept. With regard to Scope 3, since we will be aiming to be carbon neutral in our value chain, we would like to reduce emissions overall by scrutinizing Scope 3 data for companies that we have a relationship with.

However, since they will be removed from consolidation, I believe that we will have to cooperate while making confirmations about the future carbon neutral strategies of these companies.

Ono (CEO): I would like to add a little more myself. With regard to business restructuring and carbon neutrality, we would never reorganize our business just to achieve carbon neutrality. In addition, even if a company leaves our group, the environmental impact it has on the Earth does not change.

Which means that, therefore, we are not intending to reduce greenhouse gases only by focusing on our company as a separate scope using the method of business restructuring. I am sure you understand this, but I wanted to make an additional comment.