

# Members of the Board of Directors and Audit & Supervisory Board

(As of June 30, 2022)

## Directors



**Toshikiyo Kurai**

Representative Director, Chairman

### Attendance of Board of Directors Meetings: 12/12 (FY2021)

April 1975 Joined MGC  
June 2009 Director, Managing Executive Officer, and President of Specialty Chemicals Company  
June 2012 Representative Director, Senior Managing Executive Officer, Assistant to President, and President of Specialty Chemicals Company  
June 2013 President and Representative Director  
April 2019 Chairman and Representative Director (to present)

**Reason for election:** Following his service in the important positions, mainly in the Specialty Chemicals Department, and his presiding over R&D, manufacture and whole business of the Inorganic Chemicals Division and the Engineering Plastics Division, he was appointed to be a Director in June 2009, and served from June 2013 to March 2019 as President and Representative Director, has served from April 2019 as Chairman and Representative Director, and has abundant experience and knowledge of MGC's business and management control as a whole.



**Masashi Fujii**

Representative Director, President

### Attendance of Board of Directors Meetings: 12/12 (FY2021)

April 1981 Joined MGC  
April 2015 Managing Executive Officer, Administrative Management of LNG Project Team, and President of Natural Gas Chemicals Company  
June 2015 Director, Managing Executive Officer, Administrative Management of LNG Project Team, and President of Natural Gas Chemicals Company  
April 2019 President and Representative Director (to present)

**Reason for election:** Following his service in important positions in the Administrative & Personnel, the Natural Gas Chemicals Department, he was appointed to be a Director in June 2015 and presided over Natural Gas Chemicals Department, has served from April 2019 as President and Representative Director, and has abundant experience and knowledge of MGC's business and administration of management, etc.



**Masato Inari**

Representative Director, Senior Managing Executive Officer Responsible for Production Technology, in charge of Environment Safety & Quality Assurance Division, Purchasing & Logistics Division

### Attendance of Board of Directors Meetings: 12/12 (FY2021)

April 1985 Joined MGC  
June 2017 Director, Managing Executive Officer, President of Aromatic Chemicals Company  
April 2019 Director, Managing Executive Officer, in charge of Production Technology Division, Environment Safety and Quality Assurance Division  
April 2020 Director, Managing Executive Officer, in charge of Internal Audit Division, Environment & Total Production Sector  
April 2022 Representative Director, Senior Managing Executive Officer, responsible for Production Technology, in charge of Environment Safety and Quality Assurance Division, Purchasing & Logistics Division (to present)

**Reason for election:** Following his engagement mainly in the R&D of the Aromatic Chemicals Departments, he served in important positions in the Natural Gas Chemicals and Aromatic Chemicals Departments, presided over Aromatic Chemicals Department, was appointed to be a Director in June 2017, and has abundant experience and knowledge of R&D and business management, etc.



**Nobuhisa Ariyoshi**

Representative Director, Senior Managing Executive Officer In charge of internal control & risk management, responsible for Finance & Accounting, in charge of Administrative & Personnel Division and Information Systems Division

### Attendance of Board of Directors Meetings: 12/12 (FY2021)

April 1984 Joined MGC  
April 2016 Executive Officer, General Manager, Electronic Materials Division  
June 2018 Director, Managing Executive Officer, in charge of Finance & Accounting Center, Information Systems Division, and Purchasing & Logistics Center  
April 2019 Director, Managing Executive Officer, Chairman of Internal Control Promotion Committee, in charge of Compliance, Risk Management, Internal Audit Division, Corporate Planning Division, Administrative & Personnel Center and Corporate Communications Division, General Manager of Tokyo Techno Park  
April 2020 Director, Managing Executive Officer, in charge of internal control & risk management, Corporate Management Sector  
April 2022 Representative Director, Senior Managing Executive Officer (to present)

**Reason for election:** Following his engagement mainly in the Information & Advanced Materials and Specialty Chemicals Department, he served in important positions in the Administrative & Personnel and Information & Advanced Materials Departments, and was appointed to be a Director in June 2018, was in charge of the Corporate Management Sector and Compliance, and has abundant experience and knowledge of MGC's business and administration of management, etc.



**Kenji Kato**

Director, Managing Executive Officer Responsible for Research & Development In charge of Intellectual Infrastructure Center

### Attendance of Board of Directors Meetings: 12/12 (FY2021)

April 1987 Joined MGC  
April 2016 Executive Officer, and Plant Manager, Kashima Plant, Specialty Chemicals Company  
April 2018 Executive Officer, General Manager, Electronic Materials Division, Information & Advanced Materials Company  
June 2019 Director, Managing Executive Officer, President of Information & Advanced Materials Company  
April 2020 Director, Managing Executive Officer, in charge of Research & Development Sector  
April 2021 Director, Managing Executive Officer, responsible for Research & Development, in charge of Intellectual Infrastructure Center (to present)

**Reason for election:** Following his engagement mainly in the R&D of Specialty Chemicals, he served in important positions in the Specialty Chemicals and Information & Advanced Materials Departments, was appointed to be a Director in June 2019, presided over the Information & Advanced Materials Department, and has abundant experience and knowledge of R&D and business management, etc.



**Naruyuki Nagaoka**

Director, Managing Executive Officer In charge of Basic Chemicals Business Sector

### Attendance of Board of Directors Meetings: 12/12 (FY2021)

April 1985 Joined MGC  
April 2017 Executive Officer, Manager, Corporate Planning Division  
June 2019 Managing Executive Officer, in charge of Corporate Planning and Purchasing & Logistic Center  
June 2020 Director, Managing Executive Officer, in charge of Compliance and Corporate Planning Sector  
April 2021 Director, Managing Executive Officer, in charge of Basic Chemicals Business Sector (to present)

**Reason for election:** Following his engagement mainly in the Natural Gas Chemicals Department and the Administrative & Personnel, he served in important positions in the Natural Gas Chemicals Department and the Corporate Planning Division, was appointed to be a Director in June 2020, and has abundant experience and knowledge of MGC's business and administration of management, etc.



### Motoyasu Kitagawa

Director, Managing Executive Officer  
In charge of Compliance, responsible for Corporate Planning, in charge of Internal Audit Division, CSR & IR Division

#### Attendance of Board of Directors Meetings: 9/9 (FY2021)

April 1986	Joined MGC
April 2019	Executive Officer, General Manager, Organic Chemicals Division, Natural Gas Chemicals Company
June 2019	Executive Officer, Manager, Corporate Planning Division
April 2021	Managing Executive Officer, in charge of Compliance, responsible for Corporate Planning, in charge of Internal Audit Division, CSR & IR Division (to present)
June 2021	Director (to present)

**Reason for election:** Following his engagement mainly in the Administrative & Personnel Department and Corporate Planning Division, he served in important positions in the Natural Gas Chemicals Department and Corporate Planning Division, was appointed to be a Director in June 2021, and has abundant experience and knowledge of MGC's business and administration of management, etc.



### Ryoza Yamaguchi

Director, Managing Executive Officer  
In charge of Specialty Chemicals Business Sector

April 1988	Joined MGC
April 2020	Executive Officer, Manager, Administrative & Personnel Division, Corporate Management Sector
April 2021	Executive Officer, in charge of Administrative & Personnel Division, Manager, Administrative & Personnel Division
April 2022	Managing Executive Officer, in charge of Specialty Chemicals Business Sector (to present)
June 2022	Director (to present)

**Reason for election:** Following his engagement mainly in the Specialty Chemicals and Administrative & Personnel Departments, he served in important positions in the Administrative & Personnel Department, and has abundant experience and knowledge of MGC's business and administration of management, etc.



### Tsugio Sato

Outside Director Independent

#### Attendance of Board of Directors Meetings: 12/12 (FY2021)

April 1975	Assistant, Applied Chemistry, Faculty of Engineering, Tohoku University
April 1994	Professor, Institute for Chemical Reaction Science, Tohoku University
April 2001	Professor, Institute of Multidisciplinary Research for Advanced Materials, Tohoku University
April 2010	Deputy Director, Institute of Multidisciplinary Research for Advanced Materials, Tohoku University
April 2013	Director, Center for Exploration of New Inorganic Materials, Institute of Multidisciplinary Research for Advanced Materials, Tohoku University
August 2013	Director, The Foundation for Japanese Chemical Research
April 2016	Professor Emeritus, Tohoku University (to present)
June 2017	Outside Director, MGC (to present)

**Reason for election:** He has highly advanced expertise in wide fields of study in chemicals, such as inorganic materials chemistry. He has served in important positions at university research institutions, and it is deemed that he would perform his duties as Outside Director appropriately.



### Haruko Hirose

Outside Director Independent

#### Attendance of Board of Directors Meetings: 12/12 (FY2021)

December 1968	Appointed to the National Personnel Authority of Japan
January 1992	Director, Bureau of Human Resources Management of Headquarters (Paris), United Nations Educational, Scientific and Cultural Organization (UNESCO)
September 2002	Deputy to the Director General and Managing Director of Field Operations Division of Headquarters, United Nations Industrial Development Organization (UNIDO)
November 2006	Japanese Ambassador Extraordinary and Plenipotentiary to Kingdom of Morocco
April 2013	Specially Appointed Professor, Academy for Global Leadership, Tokyo Institute of Technology
May 2014	President, Japan Morocco Association (to present)
June 2016	Outside Director, S&B Foods Inc.
March 2018	Outside Director, Nikkiso Co., Ltd. (to present)
June 2020	Outside Director, MGC (to present)

**Reason for election:** She has many years of experience overseas and insight as a director at international organizations on a global scale. She has served in important positions at international organizations, etc., and it is deemed that she would perform her duties as Outside Director appropriately.



### Toru Suzuki

Outside Director Independent

#### Attendance of Board of Directors Meetings: 12/12 (FY2021)

April 1979	Joined Mitsui & Co., Ltd.
April 2011	Managing Officer, Performance Chemicals Business Unit, Mitsui & Co., Ltd.
April 2014	Managing Officer, Mitsui & Co., Ltd. and President of Mitsui & Co. Vietnam Ltd.
April 2015	Executive Managing Officer, Mitsui & Co., Ltd. and President of Mitsui & Co. Vietnam Ltd.
June 2015	Executive Managing Officer, Chief Regional Representative of Southwest Asia, Mitsui & Co., Ltd., and President of Mitsui & Co. India Pvt Ltd.
June 2017	Outside Audit & Supervisory Board Member, Mitsui Sugar Co., Ltd.
December 2018	Audit & Supervisory Board Member, Nutri Co., Ltd.
June 2020	Outside Director, MGC (to present)

**Reason for election:** He has many years of experience overseas and insight as a manager at a company operating on a global scale.



### Yasushi Manabe

Outside Director Independent

#### Attendance of Board of Directors Meetings: 9/9 (FY2021)

April 1979	Joined Hitachi, Ltd.
April 2012	General Manager, Sales Division Infra System Group Infra System, Hitachi, Ltd.
April 2013	Executive Officer, General Manager Kansai Area Operation, Hitachi, Ltd.
June 2013	Outside Audit & Supervisory Board Member, ShinMaywa Industries, Ltd.
April 2016	Executive General Manager, Deputy Director, General Corporate Sales & Marketing Group, CMO of Industry & Distribution, Water & Urban Business Unit, Hitachi, Ltd.
April 2017	Vice President and Executive Officer, Deputy Director, General Corporate Sales & Marketing Group, CMO of Industry & Distribution Business, Water & Urban Business, Hitachi, Ltd.
April 2021	Executive Advisor, Yashima Denki Co., Ltd. (to present)
June 2021	Outside Director, MGC (to present)

**Reason for election:** He has many years of experience and insight as a manager at a company operating on a global scale.

## Audit & Supervisory Board Members



**Masamichi Mizukami**

Audit & Supervisory Board Member

Attendance of Board of Directors Meetings:  
14/14 (FY2021)

April 1983  
Joined MGC  
June 2016

Director, Managing Executive Officer, Chairman of The Committee on Future R&D, in charge of Research & Development Division and Advanced Business Development Division  
June 2019  
Representative Director, Senior Managing Executive Officer, Chairperson of Internal Control Promotion Committee, in charge of Internal Audit Division, Research & Development Division, Advanced Business Development Division, Business Strategy Division, General Manager of QOL Innovation Center Shirakawa

June 2020  
Audit & Supervisory Board Member (to present)

**Reason for election:** He has served in important positions in Specialty Chemicals, Research & Development, and Internal Control, etc., and has abundant experience with MGC's business and corporate management.



**Kenji Inamasa**

Audit & Supervisory Board Member

Attendance of Board of Directors Meetings:  
14/14 (FY2021)

April 1984  
Joined MGC  
June 2014

Director, Managing Executive Officer, and Administrative Management of Production Technology Division and Environment & Safety Division  
April 2016  
Representative Director, Senior Managing Executive Officer, Administrative Management of Production Technology Division, Environment & Safety Division and Business Strategy Division

June 2019  
Representative Director, MGC Pharma Co., Ltd.  
June 2021  
Audit & Supervisory Board Member, MGC (to present)

**Reason for election:** He has served in important positions in Production Technology, Environment & Safety, R&D, etc., and has abundant experience with MGC's business and corporate management.



**Go Watanabe**

Outside Audit & Supervisory Board Member  
**Independent**

April 1982  
Joined The Mitsubishi Bank, Ltd.  
June 2009

Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU)  
May 2012  
Managing Executive Officer, Group Head, Nagoya Corporate Banking Group of BTMU

June 2013  
Managing Executive Officer, Chief Executive Officer for Asia and Oceania of BTMU

July 2016  
First Senior Vice President of Nidec Corporation

September 2020  
Chairman and Representative Director, MST Insurance Service Co., Ltd.

June 2021  
Outside Director, Mitsubishi HC Capital Inc. (to present)

June 2022  
Outside Audit & Supervisory Board Member, MGC (to present)

**Reason for election:** He has abundant experience and insight as a manager at a financial institution and in the manufacturing industry, etc., both in Japan and overseas.



**Yasuomi Matsuyama**

Outside Audit & Supervisory Board Member, Part time **Independent**

Attendance of Board of Directors Meetings:  
14/14 (FY2021)

April 1979  
Joined Nippon Life Insurance Company  
April 2011

Director and Senior Managing Executive Officer, Nippon Life Insurance Company  
June 2013  
President and Representative Director, Seiwa Business Link Co. Ltd. Outside Audit & Supervisory Board Member, MGC (to present)

June 2019  
President, Nissay Culture Foundation (to present)  
President, Tokyo Opera City Cultural Foundation (to present)

**Reason for election:** He has been involved with financial institutions for a number of years, has experience in corporate management through his role in charge of the Accounting Division, and possesses a considerable degree of knowledge regarding finance and accounting.

**Independent** Independent officer as stipulated under Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange

## Expertise and Experience Sought in Directors and Audit & Supervisory Board Members

	Corporate management Industry expertise	Production technology R&D Environment safety	Business strategy Sales Market development	Finance Accounting Management planning	Legal Compliance Risk management	HR Labor Talent development	Global Diversity Experience in other sectors
<b>Directors</b>							
Toshikiyo Kurai	●	●	●				●
Masashi Fujii	●		●		●	●	
Masato Inari	●	●	●		●		
Nobuhisa Ariyoshi	●			●	●	●	
Kenji Kato	●	●	●			●	
Naruyuki Nagaoka	●		●	●	●		
Motoyasu Kitagawa	●			●		●	●
Ryozo Yamaguchi	●				●	●	●
Tsugio Sato		●					●
Haruko Hirose					●	●	●
Toru Suzuki	●		●				●
Yasushi Manabe	●		●				●
<b>Audit &amp; Supervisory Board Members</b>							
Masamichi Mizukami	●	●	●	●			
Kenji Inamasa	●	●	●				
Go Watanabe	●			●	●		●
Yasuomi Matsuyama	●			●			●

## Messages from the Outside Directors

**I believe continuation of R&D investment and rapid responses to customers are important for sustained growth.**

**Tsugio Sato**  
Outside Director



In fiscal 2021, several large investment projects were presented to the Board of Directors, which discussed them carefully. For example, the measure of establishing a new MXDA production site in Europe is effective for the enhancement of corporate value, but considerable investment is required. I asked for adequate consideration to ensure this would not significantly exceed the planned cost. Discussion aimed at the achievement of carbon neutrality also became more animated over the past year. A pilot plant test synthesizing methanol from CO<sub>2</sub> steadily produced results aimed at practical application. I myself am focusing on the method for obtaining the hydrogen required for converting CO<sub>2</sub> into methanol.

When a defect in a rival company's product was reported in 2018, a review of the product inspection

system was quickly conducted at the President's instruction, and I felt that governance is functioning effectively. Furthermore, it is my assessment that systems such as the whistleblowing system are also being operated correctly. Looking ahead, I expect initiatives aimed at diversity to increase corporate value in the medium to long term.

MGC is a company with excellent technological capability producing over 90% of its products with technology developed in-house, and I think it is important to continue investment in R&D and human resources in future while swiftly responding to customers based on the mission of "creating value to share with society" in order to achieve sustained growth and enhancement of corporate value.



**Now is the time for new ideas with the aim of becoming "global MGC."**

**Haruko Hirose**  
Outside Director

Over two years have passed since I was appointed as an Outside Director, and I am constantly reminded that this is a company with many talented and conscientious personnel, that seriously engages with the issues it faces. I think the Medium-Term Management Plan that started in fiscal 2021 also shows the future direction in an easily understandable way by separating diverse product groups into four categories. Meanwhile, it is necessary to make a decisive change in thinking that is not an extension of the past in order to achieve the ambitious goals symbolized by carbon neutrality. Based on my own experience overseas, it is common to establish a place called a "retreat" where people can step away from their own position and responsibilities, and exchange opinions without being constrained by aspects such as feasibility, whereupon

many innovative ideas are born. First, I think consciously adopting such communication customs in the form of relaxed lunch meetings would be an effective method.

At present, MGC's overseas sales ratio is approaching 60%, but in meetings of the Board of Directors, I have urged that the Company aim to become "global MGC" in the truest sense. It is necessary to respond to major changes in the global market, and take a big step in that direction by drawing up a vision that drives change. I will endeavor to make an active contribution to the creation of such a vibrant organization, by providing knowledge for the promotion of diversity and development of human resources from an objective perspective.



**A management stance  
respectful of stakeholders  
is vital.**

**Toru Suzuki**  
Outside Director

I am working to assist with further strengthening of differentiating businesses in fields difficult for other companies to enter, and with the promotion of human resource development for accelerating globalization in the aim of enhancing the corporate value of MGC. In meetings of the Board of Directors in fiscal 2021, I provided advice on the importance of optimal assignment of personnel handling new projects. Something that is frequently seen in corporate organizations is that the managers in charge of each division tend to be averse to providing talented subordinates to other divisions and new projects. I think it is essential to overcome this mindset to assign and develop human resources from a companywide perspective in order to lead projects to success.

Furthermore, deeper communication with domestic and overseas subsidiaries and affiliates is also important.



Although Group management is obviously led by headquarters, it is also important to respect the culture and business operations of each company. I would like our Group to endeavor to foster further mutual understanding with emphasis on bidirectional dialogue. I always want to play a role that can provide some kind of inspiration to the current management by utilizing my own management experience to provide suggestions from such a perspective.

Going forward, in addition to detailed communication for shareholders and investors, I think it will be important to adopt a stance of sharing information on management policies and business strategies with all employees, including those of overseas subsidiaries, as well as emphasizing managing the company with mutual understanding.



**The question is how to execute  
and realize the MGC Way.**

**Yasushi Manabe**  
Outside Director

The creation of innovation is essential for the sustained growth of a company. Looking at the path taken by MGC over the past half-century, we can see that it possesses unique R&D capabilities anticipating market needs, and that the pioneering spirit that led it to conduct business in emerging countries ahead of other Japanese companies has also been passed on to the current generation. This is an embodiment of “Courage that does not shy away from change” and “Aim for lofty goals,” stated in the MGC Way. The question is how we will execute and realize these in future.

In order to create products with innovative value, the most important thing is for the employees that make up the company to be satisfied and highly motivated, rather than simply being obedient as they engage in work without

a sense of conviction. In a recent employee awareness survey, 80% responded that they “want to continue working at MGC,” with a generally high level of satisfaction being obtained in the results. Based on the high scores in the “sense of accomplishment in work” categories, and “meaning and purpose of work” and the extremely low churn of new employees, I think the business operations of each division are being properly managed in compliance with the Corporate Governance Code.

The future issue that I am focused upon is the promotion of diversity. In particular, for promoting women’s empowerment it is necessary to further advance the improvement of the female share of management personnel and the promotion of women to executive positions.

## Basic Approach

MGC strives to operate effective corporate governance systems, and continuously reinforce and enhance those systems, in order to meet the expectations of all stakeholders, beginning with our shareholders.

### Basic Policies

- (1) Ensure the rights of, and equality among, shareholders.
- (2) Engage in appropriate collaboration with shareholders other than stakeholders.
- (3) Conduct appropriate information disclosures and maintain transparency.
- (4) Properly carry out the responsibilities of the Board of Directors and other bodies.
- (5) Engage in constructive dialogue with shareholders.

## Corporate Governance System

As a company with an Audit & Supervisory Board, MGC has, for the purpose of business execution, established an executive officer system that clearly separates management decision-making and supervisory functions from the business execution function. The Board of Directors decides basic management policies, matters relating to items stipulated by law and the Company's Articles of Incorporation, and other important management matters. The Board of Directors oversees the execution of business, while executive officers are responsible for directly managing business affairs. For matters arising in the course of business execution that may have a significant effect on the Company, the Board of Directors makes its decisions on the basis of multifaceted deliberations, including deliberations on management

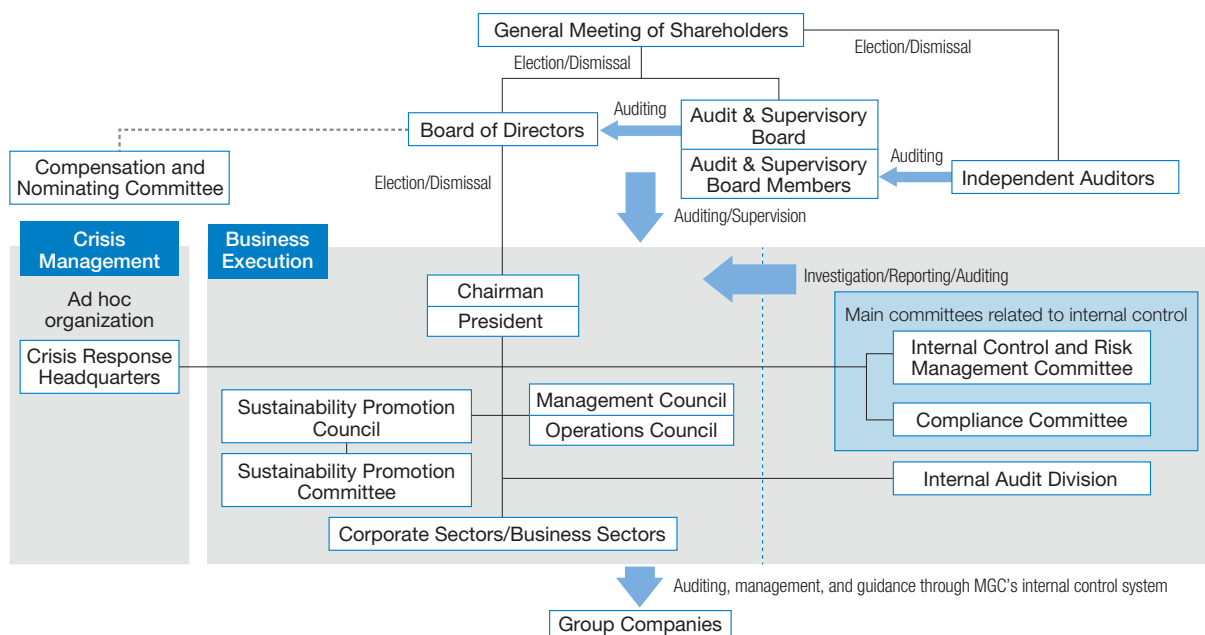
policies by the Management Council and deliberations on plans for executing specific policies by the Operations Council. The Board of Directors receives advice from attorneys and other experts when necessary in the course of its decision making and supervision of business execution.

The Audit & Supervisory Board members also attend important meetings, such as those held by the Board of Directors and the Operations Council, conduct audits of each division and surveys of subsidiaries, and audit the execution of business. The members also monitor important decision-making processes and business execution in order to ensure reasonable decision making and compliance with laws and corporate norms.

## Basic Information about Corporate Governance System

Organizational Format	Company with an Audit & Supervisory Board
Composition of the Board of Directors	Twelve (of which four are outside directors)
Directors' term of office	One year
Chair of the Board of Directors	Chairman
Establishment of a voluntary advisory committee	Compensation and Nominating Committee: six (Chairman, President, four outside directors)
Composition of the Audit & Supervisory Board	Four (of which two are outside Audit & Supervisory Board members)
Number of Independent Directors and Audit & Supervisory Board Members	Six
Business Execution System	Executive officer system
Composition of the Management Council	Eight (Chairman, President, two senior managing executive officers, four managing executive officers)
Composition of the Operations Council	Twenty-two (All executive officers including the Chairman and President)
Introduction of a Hostile Takeover Defense Plan	None

## Corporate Governance, Risk and Sustainability Management Organization Chart



## Activities of Meeting Bodies and Committees

### Board of Directors [Meetings held in fiscal 2021: 12]

The Board of Directors decides important matters pertaining to management policies, business, and management based on laws, regulations, the Company's Articles of Incorporation, and the regulations of the Board. It also receives reports from each director and others on the status of execution of duties, management performance, etc., and supervises the execution of duties by directors. Candidates for director are nominated by the Board of Directors following consultation with the Compensation and Nominating Committee, and directors are elected at the annual General Meeting of Shareholders.

#### Main Agenda Items

- Determination of convocation and agenda of General Meeting of Shareholders
- Approval of business reports, financial statements, etc.
- Determination of candidates for director and Audit & Supervisory Board member
- Selection of Representative Director
- Directors' compensation
- Appointment of executive officers
- Implementation of interim dividends
- Granting of restricted stock
- Formulation of Medium-Term Management Plan
- Approval and reporting of competing transactions
- Approval and reporting of conflict-of-interest transactions
- Determining annual policy on establishment and operation of internal controls, and reporting on compliance and internal control risk management
- Assessing effectiveness of the Board of Directors
- Reassess strategic shareholdings

### Audit & Supervisory Board [Meetings held in fiscal 2021: 14]

Audit & Supervisory Board members audit management decisions and the status of execution of business from an independent position, such as by attending meetings of the Board of Directors and other important meetings. Furthermore, the Audit & Supervisory Board endeavors to work with the independent auditors and the Internal Audit Division, and also endeavors to increase the efficiency of audits through such measures as the assignment of dedicated audit staff.

#### Main Deliberation Items

The Audit & Supervisory Board formulated audit policies and audit plans, and deliberated the status of the establishment and operation of internal control systems.

### Compensation and Nominating Committee [Meetings held in fiscal 2021: 5]

The Compensation and Nominating Committee functions both to determine executive officer compensation and to nominate and appoint key members of senior management. The majority of the committee is comprised of independent outside directors. The Board of Directors is responsible for appointing and dismissing key members of management, including the Chairman and President, and for nominating directors and Audit & Supervisory Board members. In making decisions on policies regarding executive officer compensation and total annual amounts, and in determining allocation of those amounts, the Compensation and Nominating Committee is consulted prior to those matters being put before the Board of Directors for discussion. Note that the appointment, dismissal and nomination of said officers are judged in light of certain selection criteria that include whether they have the appropriate internal and external work experience and knowledge for the position; whether they have the dignity and ethical values appropriate to their responsibilities; and whether they have violated any laws, the Articles of Incorporation, or company rules.

**Internal Control and Risk Management Committee** [Meetings held in fiscal 2021: 3]

As an organization directly under the President, the Internal Control and Risk Management Committee is a committee chaired by the executive officer in charge of internal control and risk management. It provides direction and supervision for each department and deliberates on problems that require a Company-wide response. It makes decisions on matters related to risk management system policies, measures and plans; matters related to business and operational risk management, as well as matters related to guidance, direction and oversight incidental thereto; and matters related to guidance, direction and oversight related to business continuity planning.

For details on risk management, please refer to page 68.

**Compliance Committee** [Meetings held in fiscal 2021: 3]

As an organization directly under the President, the committee investigates compliance violations pertaining to the Company and the Group, and formulates, deliberates and recommends corrective measures and preventative measures.

For details on compliance, please refer to page 69.

**Management Council** [Meetings held in fiscal 2021: 24]

The Management Council deliberates and determines the Group's Medium-Term Management Plan, management policy, basic policies on key operations, and so forth. The Board of Directors makes the final decisions on any proposals requiring it to make a resolution.

**Operations Council** [Meetings held in fiscal 2021: 25]

The Operations Council deliberates and determines the Group's specific action plans and so on concerning the execution of serious business matters. The Board of Directors makes the final decisions on any proposals requiring it to make a resolution.

**Sustainability Promotion Council** [Meetings held in fiscal 2021: 1]

The Sustainability Promotion Council deliberates and determines policies and measures that form the basis for sustainability management such as identification and management of materiality, and receives reports on the implementation thereof from the Sustainability Promotion Committee.

**Sustainability Promotion Committee** [Meetings held in fiscal 2021: 3]

The Sustainability Promotion Committee confirms the status of implementation of measures in each division, and consult with the Sustainability Promotion Councils on the necessary measures through periodic reviews.

**Assessing the Effectiveness of the Board of Directors**

Every year, we conduct assessments on the effectiveness of the Board of Directors. To assess the effectiveness of the Board of Directors, a survey is issued to all directors and Audit & Supervisory Board members, which presents various kinds of questions using a five-point scale with respect to the Board of Directors as a meeting, as an organization, and from an overall perspective. The survey is also purposed with obtaining opinions from respondents in the form of separately provided comments to allow for the obtaining of responses that are unrestricted by the parameters of the five-point scale. The Board of Directors then holds discussions based on the aggregate results and opinions that were received. When deemed appropriate, we review the content of questions presented in questionnaires; we remove questions covering areas where it has been deemed that reasonable levels have been met in relation thereto, add new questions, and so on. The survey regarding FY2021 was conducted in April 2022.

In terms of the results of that survey, the Board of

Directors was assessed highly in terms of its structure. An assessment was also provided to the effect that lively discussions were being held (including with outside directors) in relation to various important management and other issues, along with an assessment to the effect that effective supervision and sharing of information were both being undertaken, which was evidenced by elements such as the fact that full reports on the status of execution of duties were being provided appropriately and the fact that lively discussions were also taking place in relation thereto. As such, the Company recognizes that the Board of Directors has achieved a certain level of effectiveness.

Meanwhile, opinions were also provided which hinted at there being room for further consideration of elements such as the manner of explanations concerning matters described within the materials utilized at the Board of Directors (particularly with respect to unique/technical matters) and the volume of content contained within said materials. Thus, we will continue considering measures serving to facilitate the further improvement of the understanding levels of directors (particularly in relation to outside directors) and encourage deeper discussions to



take place.

Based on the above assessment results, the Board of Directors will undertake a necessary review primarily with respect to elements such as those for which it was

indicated that there exists room for improvement. In doing so, we will be aiming to ensure a more effective Board of Directors and continue to go about strengthening and improving it as an organization.

## Introduction of Diverse Perspectives

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MGC has developed a global business that ranges widely from basic chemicals to high-performance materials. Because our management decisions require a high degree of expertise, the Board of Directors as a whole strives to maintain a well-balanced diversity of knowledge, experience, and abilities, centered on those from within the Company who are deeply familiar with our business and management, with the addition of multiple independent directors who, representing the perspectives of shareholders and other stakeholders, provide advice and supervision.


MGC currently has 12 directors (of whom four are independent outside directors), which we believe to be generally appropriate in size and effectiveness.

In order to ensure the fair and objective oversight

of management, particular attention is paid to the independence of outside directors and Audit & Supervisory Board members, in accordance with criteria set by the Tokyo Stock Exchange regarding independence. MGC appoints only candidates who have no conflict of interest with general shareholders.

MGC nominates as independent all outside directors and Audit & Supervisory Board members who satisfy the requirements for being an independent director or Audit & Supervisory Board member.

 For details on the criteria regarding independence of outside directors and Audit & Supervisory Board members, please refer to the MGC website.  
<https://www.mgc.co.jp/eng/corporate/governance.html>

 For details on the expertise and experience sought in directors and Audit & Supervisory Board members, please refer to page 60.

## Compensation of Directors and Audit & Supervisory Board Members

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### Directors' Compensation

Compensation to directors of MGC (excluding outside directors) consists of annual compensation and restricted stock compensation.

Annual compensation consists of a fixed amount of basic compensation based on the individual's position and responsibilities, and performance-based compensation that takes into account various indicators of the Company's performance. Compensation is divided into monthly installments and paid monthly, and a certain percentage is accumulated annually as a reserved retirement benefit to be paid at the time of retirement. This amount may be subject to reduction based on the individual's performance and other factors. Performance-based compensation is intended to be an incentive for overall Company performance, and is determined using indicators such as ordinary income, based on actual results, level of achievement, and so on. In addition, given the nature of MGC's business, in which each business reaches profitability through a variety of processes over many years — including research and development, manufacturing process development and market development — annual compensation consists primarily of basic compensation, with a general guideline of about 30% for performance-based compensation.

Restricted stock compensation, on the other hand, is compensation paid to directors once each fiscal year in the form of grants of MGC stock; directors are granted a certain number of shares based on their positions and responsibilities. The purpose of restricting transfers of these shares and having recipients hold them for a certain period of time is to share value with shareholders and

provide an incentive for working toward sustained growth of corporate value.

In addition to these forms of compensation, an amount that is considered appropriate may be paid as a bonus upon resolution of the General Meeting of Shareholders.

Note that outside directors, whose position is independent of business execution, are paid only fixed basic compensation.

Annual director compensation is determined by the Board of Directors upon comprehensive consideration of Company performance, common standards, employee salary trends, and so forth, after consultation with the Compensation and Nominating Committee. In addition, allocation of individual compensation is entrusted to the President by the Board of Directors, based on the determination that the President is the most suitable person to evaluate each director while having a high-level view of MGC as a whole. The President makes these decisions based on discussions regarding the allocation of compensation by the Compensation and Nominating Committee.

The above policies are decided upon by the Board of Directors after consultation with the Compensation and Nominating Committee, comprised of a majority of outside directors.

### Compensation to Audit & Supervisory Board Members

Compensation to Audit & Supervisory Board members consists only of a fixed basic compensation amount within a range stipulated by the General Meeting of Shareholders, which is determined through deliberations by the Audit & Supervisory Board members.

### Composition of Compensation for Directors (Excluding Outside Directors) in Fiscal 2021

(millions of yen)	Basic compensation (fixed)	Performance-based compensation	Restricted stock
	281	144	38

### Total Officer Compensation in Fiscal 2021

Position	Total Amount of Compensation (millions of yen)	Total Amount of Compensation by Type (millions of yen)			Number of People Receiving Compensation
		Basic	Performance	Restricted Stock	
Directors (excluding outside directors)	464	281	144	38	9
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	52	52	—	—	3
Outside Directors and Audit & Supervisory Board Members	75	75	—	—	7
<b>Total</b>	<b>593</b>	<b>410</b>	<b>144</b>	<b>38</b>	<b>19</b>

Note: The amount of restricted stock compensation to directors is that of the provision for restricted stock compensation recorded for the fiscal year under review.

## Ensuring the Rights of and Equality among Shareholders

To grow corporate value across the entire Group, MGC closely monitors the legal and regulatory compliance regimes of its Group companies, including listed subsidiaries, as their parent company and major shareholder, and plans to continue to do so.

MGC acquired majority ownership of listed subsidiary JSP Corporation in the aim of boosting the Group's corporate value by effectively realizing greater mutual synergies in pursuit of growth strategies, including collaborations involving each other's domestic and overseas operational infrastructure, know-how and technical information.

Recognizing that the drivers of JSP's corporate value creation are management independence backed by an equity market listing and JSP personnel's autonomy and creativity, the Company respects JSP's independence,

expects it to build and implement an effective governance regime, and will provide assistance as needed.

MGC recognizes that a controlling shareholder of a listed company generally poses a risk of conflicts of interest with minority shareholders. MGC will not act contrary to the principle of shareholder equality.

Moreover, an organization serving as an advisory body to the Board of Directors, called the Special Committee on Governance, has been set up at JSP for the purpose of enhancing corporate governance by ensuring adequate protection of the interests of minority shareholders through ensuring fairness, transparency and objectivity in relation to transactions carried out by JSP with the parent company and its subsidiaries. The committee's members are made up of independent outside directors elected by resolution of the Board of Directors.

## Strategic Shareholdings

MGC owns listed equity holdings that it deems beneficial to Group businesses in pursuit of medium/long-term growth in corporate value.

The Board of Directors annually reassesses the objectives and risks of owning each of these equity holdings, the state of transactions with the investee, and returns accruing from ownership, including returns from actual transactions with the investee, relative to earnings targets with cost of capital factored in. If the Board of Directors deems MGC's equity stake in any investee to be larger than appropriate, MGC opportunistically sells down its equity holdings in the investee.

In fiscal 2021, MGC sold four equity holdings in part and four in their entirety.

When voting its cross-held shares, MGC generally respects the investee's management decisions. Under certain circumstances, however, MGC gives extra

scrutiny to management or shareholder proposals before deciding whether to vote for or against the proposal. Such circumstances include an investee that has incurred losses for three consecutive years and has questionable prospects of a turnaround; an investee that has been involved in a major scandal, has engaged in antisocial conduct or has otherwise fallen into disrepute with questionable prospects of rehabilitating its reputation; and other cases in which MGC deems a vote in favor of a proposal to be adverse to its overall medium/long-term interests, including the objectives of its cross-shareholdings in the investee.

	Number of issues	Total value on balance sheet (millions of yen)
Unlisted shares	58	3,102
Shares other than unlisted shares	41	27,145

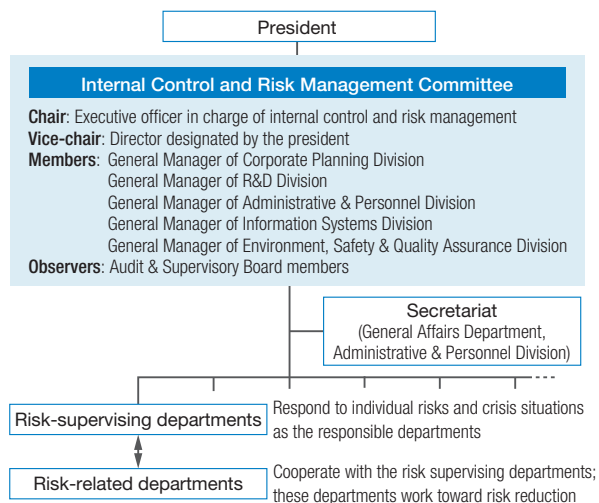
# Risk Management

## Basic Approach

At MGC, all business divisions actively assess and prioritize risk situations and devise risk reduction measures. The Internal Control and Risk Management Committee, chaired by the executive officer in charge of internal control and risk management, provides direction and supervision for each department and deliberates on problems that require a Company-wide response. It periodically reports to the Board of Directors on the state of risk management. While

MGC's business primarily centers on manufacturing, we identify and evaluate risks associated with business execution beyond just manufacturing inherent in our operations and internal control systems. We then take appropriate measures. In the event that a serious risk is identified, we set up a special group (Crisis Response Headquarters) to address it according to internal rules.

## Risk Management Promotion System



## Specific Activities of the Internal Control and Risk Management Committee (Fiscal 2021)

Matters discussed
<ul style="list-style-type: none"><li>Review of internal control and risk management activities in each department</li><li>Details of disclosure related to risks in business, etc.</li><li>Response to proposals from Internal Audit Division based on internal audit results</li><li>Overview of annual activities</li><li>Policy of next fiscal year</li></ul>
Matters reported
<ul style="list-style-type: none"><li>Reports on risk-related incidents</li><li>Company's response to the spread of COVID-19 (Progress report)</li></ul>

Please refer to the Corporate website for details on “Business and Other Risks.”  
<https://www.mgc.co.jp/eng/ir/policy/risk.html>

- |  |                              |                                       |
|--|------------------------------|---------------------------------------|
| 1. Endogenous Business Risk            | 6. Information Security Risk | 11. Currency Risk                     |
| 2. Overseas Business Risk              | 7. Compliance Risk           | 12. Financing and Interest Rate Risks |
| 3. Joint Venture Risk                  | 8. Human Rights Risk         | 13. Litigation Risk                   |
| 4. Product Quality Risk                | 9. Climate Change Risk       |                                       |
| 5. Natural Disaster and Accident Risks | 10. Investment Risk          |                                       |

## Risk Management of Group Companies

While MGC's approach is based on having Group companies autonomously manage their own risk management activities, MGC also surveys and exchanges information on the status of each company's efforts, while asking them to further enhance their risk management. Further, MGC divisions in charge of each company share information and address any issues when necessary. Risks that may have a significant impact are also reviewed by the Internal Control and Risk Management Committee.

## Formulating and Implementing Business Continuity Plans

Business divisions responsible for important products and projects at MGC formulate business continuity plans (BCP). To fulfill their obligation to supply core materials that have a significant impact on customers, each business division implements disaster prevention and mitigation countermeasures to ensure business is not suspended in the event of a risk arising, or that the impact of such suspension is kept to a minimum. They also develop manuals and other materials to ensure a reliable, prompt recovery in the event that the requirements for business continuity are lost, regardless of the cause. Specifically, these include implementing plans according to the nature of each product and business for developing multiple manufacturing sites (which, depending on the product, may include sites in other countries), buildup of inventory, and reduction of equipment stoppage risk.

## Basic Approach

MGC has put in place, and is working to strengthen, a system for practicing compliance with the aim of earning the trust and understanding of the community.

MGC takes a broad view of compliance, one that involves not only abiding by laws and Company rules but upholding the fair, transparent, and flexible conduct of business in acknowledgment of its responsibilities to society. Based on this understanding, we have summarized the conduct expected of our executives and employees in the MGC Corporate Behavior Principles and the MGC Group Code of Conduct, the contents of which are reviewed and revised from time to time based on developments in society at large.

MGC decides policies, measures, and plans relating to the compliance system in the Internal Control and Risk Management Committee. In addition, as an organization to deal with individual cases of compliance violation, the Compliance Committee has been set up as an independent body reporting directly to the President. The Compliance Committee comprises the executive officer in charge of compliance (who serves as the chair), a director (vice-chair), heads of compliance-related departments, and others.

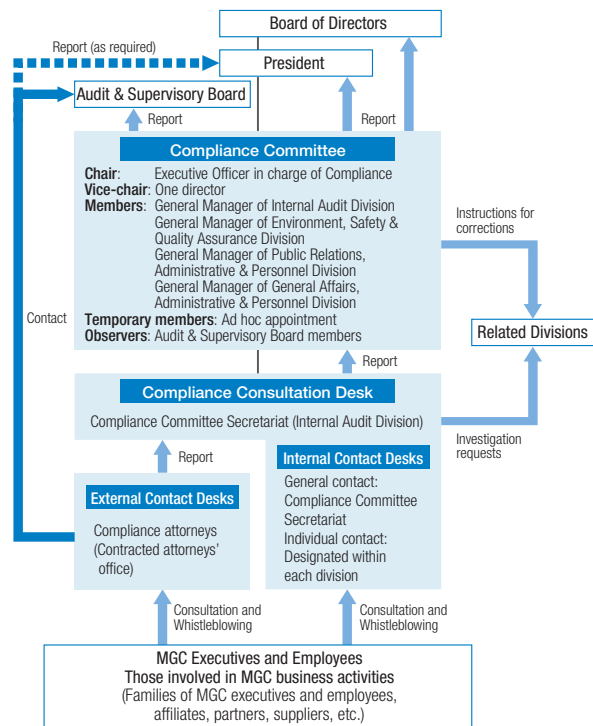
The results of the activities of this committee, which include the investigation and recognition of violations and the formulation, deliberation, and recommendation of corrective and preventive measures, are reported to the President, the Board of Directors, and the Audit & Supervisory Board, with compliance violations being dealt with according to prescribed internal procedures.

In addition, MGC has set up a Compliance Consultation Desk, intended to aid the early detection of unethical practices and implement preventive steps. Our internal contact desks are staffed by the Internal Audit Division, while outside consultation is available through the offices of specialized attorneys, including access to female attorneys. These attorneys also provide advice to the Compliance Committee and assist with the training of relevant departments.

Consultations and whistleblowing brought to the attention of the Consultation Desk and deemed potentially

serious compliance violations are promptly reported to the Compliance Committee chairperson. The Compliance Committee, after investigating the relevant facts, determines any required corrective action or measures to prevent a recurrence. The results of these investigations and the details of said measures are also reported back to the party who submitted the original consultation or whistleblowing.

## MGC Compliance Structure



## Security Export Control Initiatives

The MGC Group Code of Conduct stipulates that exacting export screening procedures are to be followed, in part to ensure adherence with laws and international treaties regarding exports, as well as to ensure appropriate control over the export of cargo and provision of technology that may relate to the development of weapons of mass destruction and conventional arms.

Export control subject to screening includes all products exported by MGC, regardless of whether the transaction involves direct, indirect, or brokered trade, as well as all technology related to the design, manufacturing, and use of those products.

Export screening involves multiple checks by business divisions in charge of products and an independent export control division, which screen all exports to determine if cargo and technology restrictions apply, as well as also checking the final customer, destination, and use.

In addition, we endeavor to maintain and enhance the export control setup by implementing internal audits and grade-specific education annually.

## Compliance Education

MGC designates every October as "Corporate Ethics Month," during which we conduct compliance training for all employees using our intranet and the President sends out a notice to all business sites calling for the renewed promotion of compliance.

Compliance education is also included in grade-specific training, and training is provided using educational materials suited to each position.

Given an increasing need to respond to compliance issues, such as cartel involvement and illegal payoffs, at Group companies affiliated with our overseas businesses in emerging countries and elsewhere we are working to enhance the quality of compliance training for staff dispatched as officers to overseas affiliates.