



## Governance Section

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

(As of June 30, 2023)

## Directors



**Toshikiyo Kurai**

Representative Director, Chairman

**Attendance of Board of Directors Meetings: 12/12 (FY2022)**

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 important positions, mainly in the Specialty Chemicals Department, and his presiding over R&D, manufacturing and general business in the Inorganic Chemicals Division and the Engineering Plastics Division, he was appointed as 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 (FY2022)**

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 and Natural Gas Chemicals Departments, he was appointed as Director in June 2015 and presided over the 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.



**Nobuhisa Ariyoshi**

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

**Attendance of Board of Directors Meetings: 12/12 (FY2022)**

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 Departments, he served in important positions in the Administrative & Personnel and Information & Advanced Materials Departments, was appointed as 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.



**Naruyuki Nagaoka**

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

**Attendance of Board of Directors Meetings: 12/12 (FY2022)**

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 as 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: 12/12 (FY2022)**

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 as 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

**Attendance of Board of Directors Meetings: 9/9 (FY2022)**

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  
 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, was appointed as Director in June 2022, and has abundant experience and knowledge of MGC's business and administration of management, etc.



**Ko Kedo**

Director, Managing Executive Officer  
Responsible for Production Technology,  
in charge of Environment Safety and Quality  
Assurance Division

- April 1988 Joined MGC
- April 2015 Manager, Planning & Development Division, Natural Gas Chemicals Company
- June 2018 Manager, Planning & Development Division, Natural Gas Chemicals Company, and Manager, Life Science Division, Natural Gas Chemicals Company
- April 2019 Executive Officer, Plant Manager, Mizushima Plant, Aromatic Chemicals Company
- April 2020 Executive Officer, Plant Manager, Mizushima Plant, Basic Chemicals Business Sector
- April 2021 Executive Officer, in charge of Research & Development
- April 2023 Managing Executive Officer, responsible for Production Technology, in charge of Environment Safety and Quality Assurance Division (to present)
- June 2023 Director (to present)

**Reason for election:** Following his engagement mainly in R&D of Aromatic Chemicals, he served in important positions in the Natural Gas Chemicals and Aromatic Chemicals Departments, and has abundant experience and knowledge of MGC's R&D and business management, etc.



**Yoshinori Isahaya**

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

- April 1991 Joined MGC
- April 2019 General Manager, Tokyo Research Laboratory, Specialty Chemicals Company
- April 2020 Executive Officer, Vice Manager, Corporate Planning Division
- April 2021 Executive Officer, in charge of Corporate Planning
- April 2023 Managing Executive Officer, responsible for Research & Development, in charge of Intellectual Infrastructure (to present)
- June 2023 Director (to present)

**Reason for election:** Following his engagement in R&D of Specialty Chemicals, he served in important positions in the Specialty Chemicals Department and Corporate Planning Division, and has abundant experience and knowledge of MGC's R&D and business management, etc.



**Haruko Hirose**

Outside Director Independent

**Attendance of Board of Directors Meetings:** 12/12 (FY2022)

- 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 (Vienna), 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 (FY2022)

- 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. (currently, Mitsui DM Sugar Holdings 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:** 12/12 (FY2022)

- 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.



**Kazue Kurihara**

Outside Director Independent

- October 1992 Associate Professor, Department of Applied Physics, Faculty of Engineering, Nagoya University
- April 1997 Professor, Institute for Chemical Reaction Science (currently, Institute of Multidisciplinary Research for Advanced Materials), Tohoku University
- April 2010 Professor, Advanced Institute for Materials Research and Institute of Multidisciplinary Research for Advanced Materials, Tohoku University
- April 2016 Professor Emeritus, Tohoku University (to present)
- April 2017 Professor, New Industry Creation Hatchery Center, Tohoku University (to present)
- December 2020 Outside Director, Hamamatsu Photonics K.K. (to present)
- April 2021 Research Professor, Tohoku University (to present)
- January 2022 Director, SMILEco Measurement Co., Ltd. (to present)
- June 2023 Outside Director, MGC (to present)

**Reason for election:** She has highly advanced expertise in wide fields of study in chemicals, and it is deemed that she would provide appropriate supervision and advice to MGC's management from such a perspective.



## Audit & Supervisory Board Members



### Masamichi Mizukami

Audit & Supervisory Board Member

Attendance of Audit & Supervisory Board Meetings: 14/14 (FY2022)

April 1983  
Joined MGC  
June 2016  
Director, Managing Executive Officer, Chairman of 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.



### Masato Inari

Audit & Supervisory Board Member

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  
April 2023  
Director  
June 2023  
Audit & Supervisory Board Member (to present)

**Reason for election:** Following his appointment as Director in June 2017, he served in important positions in the Aromatic Chemicals, Production Technology, and Environment Safety and Quality Assurance Departments, among others, and possesses abundant experience in MGC's business and corporate management.



### Go Watanabe

Outside Audit & Supervisory Board Member

Independent

Attendance of Audit & Supervisory Board Meetings: 9/9 (FY2022)

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  
August 2018  
Senior Managing Executive Officer, Chief Administrative Office 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 Audit & Supervisory Board Meetings: 14/14 (FY2022)

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 many years of experience and insight as a manager at a financial institute and possesses considerable knowledge of 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	●		●		●	●	
Nobuhisa Ariyoshi	●			●	●	●	
Naruyuki Nagaoka	●		●	●	●		
Motoyasu Kitagawa	●			●		●	●
Ryozo Yamaguchi	●				●	●	●
Ko Kedo	●	●	●		●		
Yoshinori Isahaya	●	●	●	●			
Haruko Hirose					●	●	●
Toru Suzuki	●		●				●
Yasushi Manabe	●		●				●
Kazue Kurihara	●	●					●
<b>Audit &amp; Supervisory Board Members</b>							
Masamichi Mizukami	●	●	●	●			
Masato Inari	●	●	●		●		
Go Watanabe	●			●	●		●
Yasuomi Matsuyama	●			●			●



**Haruko Hirose**  
Outside Director

**Yasushi Manabe**  
Outside Director

**Toru Suzuki**  
Outside Director

### **We work to connect the unique strength of the MGC Group with new growth while enhancing its corporate governance system.**

In recent years corporate governance has been an important focus for publicly listed companies, and initiatives to enhance these systems are drawing more attention than ever. In this roundtable talk we asked our three outside directors to discuss corporate governance at MGC. We asked about how they identify the Company's current leading issues, what they suggest to address them, and how they think they should be involved to help make the Board of Directors more effective. They spoke in depth on these questions.

### **Characteristics of the MGC Group and Its Unique Challenges**

**MC:** In your eyes as outside directors, what special characteristics does the MGC Group seem to have? What do you think are its highest management priorities and unique challenges?

**Manabe:** Before joining MGC I was working for an electronics manufacturer that prioritized technology development. This is my first time on the management team of a chemical manufacturer, but I see a common thread between my previous employer and the MGC Group in that it is also an R&D-oriented firm focused on honing its proprietary technologies. Here people in charge of technology development work with a relatively high degree of freedom, and I see that MGC has a culture that encourages this. It is also unique in that it built a chemical manufacturer using natural gas as the primary ingredient. MGC is the only chemical maker pursuing an energy resources business, such as geothermal power generation, by applying technologies for natural gas extraction. I think this positioning is a strength through which MGC can contribute to urgent societal concern about carbon

neutrality. MGC is a good corporation with strong technical foundations upstream to downstream, and it's in good financial health. This should be much better known.

**Suzuki:** I did business with MGC when I was working for a trading house. From the viewpoint of a business partner, I was aware of MGC's open culture. While it is a member of a tightly knit corporate group, it does business with all sorts of companies, not confined to its group. My impression of MGC from that time remains the same. I think this nature allows the kind of openness that allows all employees to speak frankly with one another, without being hampered by internal boundaries.

I was appointed as an MGC outside director in June 2020, just before the beginning of the three years most impacted by the pandemic. So I regret missing the many face-to-face meetings and direct talks that I could otherwise have had with MGC employees. Ms. Hirose, you came aboard about the same time as I did. Do you feel the same way?

**Hirose:** Yes, it was those three pandemic years.

**Suzuki:** In the fall of 2022 I finally had the opportunity to visit our plants in person, then the research labs in 2023. On both occasions, I enjoyed talking frankly with the employees. I'd like to zoom in on MGC to see it as it is. From my perspective a unique issue for the Company to address is that while its corporate culture encourages taking on new challenges and supports efforts to overcome them, it still isn't easy enough to question and disagree on what's considered a challenge. To ensure that the organization maintains a robust self-assessment function, we have to encourage discussion involving multiple viewpoints, including those opposing one another. To that end we should never be a lion at home and a mouse outside, instead remaining constantly aware of third-party views outside the Company.

**Hirose:** I always think of MGC as a group of many excellent, hardworking people, and a rock-solid company that works seriously on the tasks in front of it. That said, we should all bear in mind our responsibility to encourage deep, forthright discussion, as extensively and frequently as possible, till all involved feel it's sufficient. Some issues are taken into board meetings after going through internal business-focused talks. Here at MGC, however, I feel those cases are less common than in most international organizations. I'd say this problem is not unique to MGC, but common to all Japanese firms. In international negotiations, thorough discussion, suspending our personal "common sense" because it is not necessarily shared with the other party, is the only way to get anywhere. I understand the chemical industry as an open world where we can discuss and collaborate with engineers from anywhere on Earth, using science and technology as a common language. That's why we have to work to sharpen our international competitiveness.

## Raising the Effectiveness of the Board of Directors with Years of Management and International Experience

**MC:** In board meetings, when you offer advice and guidance as overseers of MGC management, what do you think is particularly important?

**Manabe:** I keep an eye on how the R&D budget is distributed. Under the current Medium-Term Management Plan we envision society in around 2050 and create action plans backcast from that future. To provide products that will be needed in the future we envision, we have to continuously allocate budget to basic research, along with the technology development that extends our existing business. That's how we cultivate seedlings for the next generation of growth. Circular carbon methanol is a case in point. Its commercial applications are in sight, and no other firm is touching it. It has strategic significance and huge market potential. I hope to see more products like this coming out of MGC.

**Suzuki:** I've been talking about the importance of exit strategies and personnel exchanges every chance I get. In a board discussion about an unprofitable project, I asked what the exit strategy for it would be. Trading houses usually maintain clear exit strategies they can review quickly and flexibly. For manufacturers, however, it takes more time to get to the exit due to the production facilities and people working there. Following business portfolio reform MGC is now making substantial progress in withdrawing from or reorganizing unprofitable businesses, and getting positive results. Going forward we have to direct these efforts to energizing our people and business even further.

To identify the markets where a proprietary technology can show its true worth and determine its best applications, it's important to combine the scientific and humanities viewpoints as a path to higher-quality conclusions. To connect social needs with MGC's technical seeds, I want to focus on exchanges between sales personnel and technical employees, people with backgrounds in the humanities and those in science, and will keep an eye on the progress.

When I saw the annual All-MGC Poster Presentation for the first time, I was very impressed with its profit-mindedness. This is an opportunity for technical employees to present their R&D projects, progress and results. They always provide explanations with profitability after commercialization in mind. This came as a surprise to me, in a good way.

**Hirose:** I want to help raise MGC's corporate value by giving objective management advice based on the knowledge and experience I've obtained abroad. There are huge differences between Japan and any given foreign country in expressing opinions and the time they take to make decisions. Japanese companies are in a crucial stage now in learning about these differences and applying that understanding to building and executing growth strategies.



I want to help raise MGC's corporate value by giving objective management advice based on the knowledge and experience I've obtained abroad.

— Haruko Hirose

**MC: How do the proceedings of the board meetings look to you?**

**Suzuki:** I think it's important to have board meetings go beyond finding official consensus to creating opportunities for deeper discussion, ensuring that nothing is missed in our decision-making processes and verifying the rationality of the decisions.

**Hirose:** I think Japanese companies are in a transition phase in terms of corporate governance reform, and beginning to apply the knowledge and experience of us outsiders to raise the effectiveness of the Board of Directors is an example. I feel it's very hard to quickly respond to government recommendations for achieving quantitative goals, but I think we can come at these issues with a positive mindset.

**Manabe:** For sustainable growth it's important to be aware of capital cost, profitability, share prices and other quantitative metrics, but we must not neglect MGC's unique defining characteristics, which can't be expressed in numbers. From that perspective I'd like to help raise awareness, in board meetings and on other occasions.

### Specific Examples of Reflecting Outside Directors' Advice and Recommendations in Making Decisions

**MC: Tell us about the agenda items that led to particularly active discussion in board meetings in fiscal 2022.**

**Suzuki:** There was a time when the opinions of board members split over two projects MGC was working on abroad. One of them was at a production site that had expanded a few years before. Due to low selling prices and other factors it hadn't turned an enough profit for several years. We outside directors pointed to some overarching management issues. After discussion our suggestions, including increasing human resources investment, were

accepted. The other was about a production subsidiary for basic chemicals that MGC established in Europe. After broadly discussing the systems for executing an overseas construction project, including the strength of overseas contractors and what we should consider carefully about them, the board decided to proceed with the project as planned.

**Hirose:** MGC operates all over the world, with more overseas sales than domestic sales. In practice, however, we sometimes struggle to manage those operations. It's not easy to make clear distinctions between areas we should entrust to local managers and those that should be under strong oversight by Japanese headquarters. As a result, we risk leaving management struggling with half measures. This is not a problem unique to MGC; many projects by Japanese companies abroad hit this wall. But we should not fear failure. What's important is to closely analyze the cause of failure and avoid repeating the same mistakes.

**MC: Let's talk about the requirements and appointment of new executives and scenarios for candidate training, which are important agenda items for the Compensation and Nominating Committee.**







**It's essential for the future of MGC to increase diversity by actively appointing women and non-Japanese, as well as assisting in their career development.**

— Toru Suzuki

**In particular, which points do you think will be more important in the future?**

**Hirose:** I always think we should train executive candidates who are confident and comfortable doing business in markets worldwide. To do that we first have to give them time to get away from their turf in Japan and take self-training trips abroad. I don't think that people who are working comfortably, believing the Tokyo head office is watching over them to help if something bad happens, will ever truly meet our needs for executive candidates.

**Suzuki:** I totally agree. I want to add something, and that's to develop programs and systems to train locally hired people as future executives for our foreign subsidiaries. Speaking from my experience in a trading house, I think it's ideal to promote local employees to head local subsidiaries, even if it may take more time. It's essential for the future of MGC to increase diversity by actively appointing women and non-Japanese, as well as assisting in their career development.

**Hirose:** To help women employees in their career development, eliminating unconscious bias and wrong beliefs will be a major point.

**While paying attention to the quantitative metrics, I hope MGC will continue to cherish its unique defining characteristics, which can't be expressed in numbers.**

— Yasushi Manabe

**Manabe:** Speaking from my experience, to select executive candidates from among those in the core business, we should ideally transfer them to subsidiaries as presidents. That's because the core business of the company usually enjoys favorable market environments and good customers, which can make the people working within it too laid-back. Even more ideally, we should find people who have led businesses in tough environments and promote them as executives. They have gone through hard times in unfavorable environments, so they understand the difficulties of their employees while they've built an acute sense of the risks ahead.

**Integrate Ideas to Resolve Problems and Push the Company to Grow**

**MC: In concluding our talk, tell us about your hopes and ambitions for MGC.**

**Suzuki:** I think our employees are our most important stakeholders. I think a company with happy employees grows. I'd like MGC to take care of and train people working in Japan and abroad for the Group, and also make a habit of thoroughly explaining its growth strategy and the like to them.

**Hirose:** Let me reemphasize that there should be a system that assures tight governance of foreign subsidiaries by the Japanese head office. I'll be happy to share my experience with the promotion of diversity and inclusion and employee development. I hope to see early incorporation of state-of-the-art technologies into products that can help build a society focused on reducing waste and encouraging recycling as a new growth field.

**Manabe:** I agree with you. The key to future growth, I think, is in carbon neutrality and similar businesses. MGC has great success potential, and I'm looking forward to it a lot. I'd like MGC to be a major presence in society as it increases its capital efficiency while increasing the scale of sales.



# Corporate Governance

## Basic Approach

The Company believes that meeting the expectations of all stakeholders, beginning with our shareholders, means working to increase corporate value through business activities and contributing to the realization of a sustainable society, with the aim of achieving both social and economic value under its Mission of "creating value to share with society." To this end, the Company strives to operate effective corporate governance systems, and continuously reinforce and enhance those systems.

### 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,

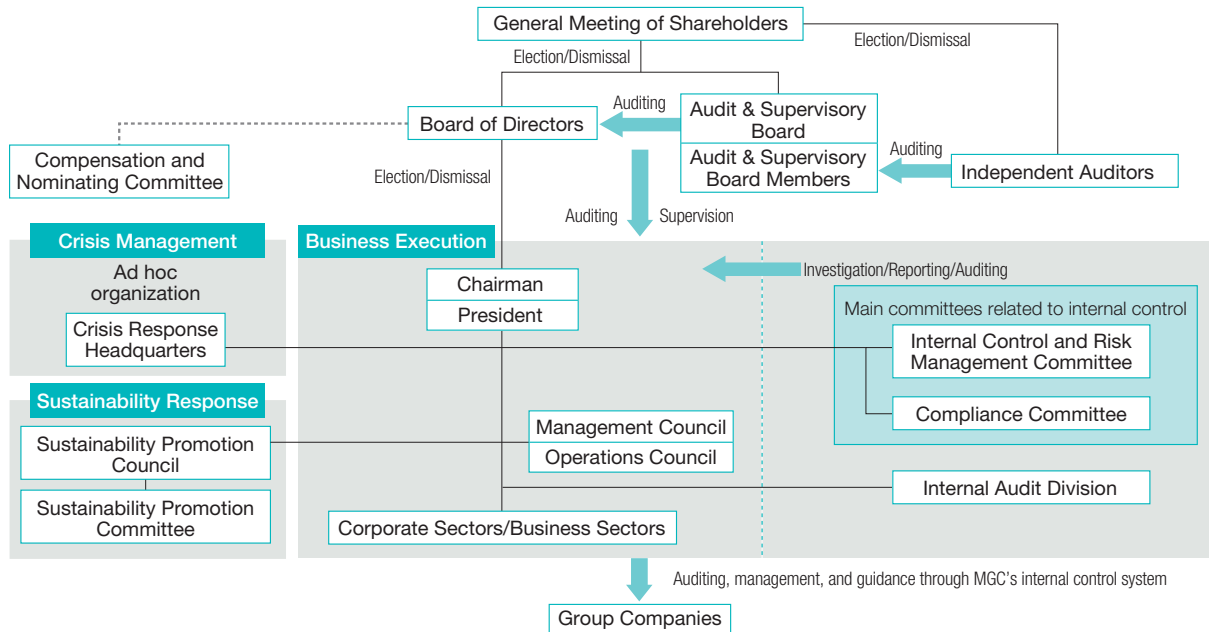
including deliberations on management policies by the Management Council and deliberations on plans for executing specific policies by the Operations Council. The Board of Directors receives advice from attorneys and other experts when necessary in the course of its decision making and supervision of 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, one senior managing executive officer, five managing executive officers)
Composition of the Operations Council	Twenty-one (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 2022: 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 2022: 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 2022: 4]

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 2022: 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 companywide 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 76.

**Compliance Committee** [Meetings held in fiscal 2022: 2]

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 77.

**Management Council** [Meetings held in fiscal 2022: 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 2022: 26]

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 2022: 2]

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 2022: 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 fiscal 2022 was conducted in April 2023.

In the results of that survey, the Board of Directors continues to be assessed highly in terms of its structure. The results also provide an assessment that appropriate supervision and information sharing are being carried out, and that direction is indicated as necessary, with lively

questions, discussions, and exchanges of opinion (including with outside directors) taking place in relation to various important management issues, the status of execution of duties by each director, and other matters. As such, the Company recognizes that the Board of Directors has achieved a certain level of effectiveness.

Meanwhile, the responses to the survey and the discussion on the day included opinions indicating room for further consideration regarding measures for deepening the discussion in the Board of Directors. These included the view that while admirable care is taken in the style, volume, and content of materials and explanation of proposals for the Board of Directors meetings, they are somewhat excessive in detail, and the view that the scope of the items explained should be widened. Other opinions were also expressed regarding matters such as the themes that should be subject to deeper discussion in future Board of Directors meetings, including the recent question of measures for improving the price-to-book ratio (PBR). The Board intends to continue discussing these with a view to further increasing its effectiveness. Furthermore, now that COVID-19 appears to have abated to a degree and conditions are finally becoming suitable, the Company aims to actively revive visits to business sites by outside directors and Audit & Supervisory Board Members to facilitate their deeper understanding of the status of the

Company's businesses.

Accordingly, the Board of Directors will undertake a necessary review based on the assessment results, 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


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 outside 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 and half of those are women), 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 66.

## Compensation of Directors and Audit & Supervisory Board Members

### 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 2022**

(Millions of yen)	Basic compensation (fixed)	Performance-based compensation	Restricted stock
	298	147	37

**Total Officer Compensation in Fiscal 2022**

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)	482	298	147	37	9
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	52	52	—	—	2
Outside Directors and Audit & Supervisory Board Members	75	75	—	—	7
<b>Total</b>	<b>611</b>	<b>426</b>	<b>147</b>	<b>37</b>	<b>18</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 (which is comprised of four independent outside directors selected through a resolution of the Board of Directors), has been set up at JSP for the purpose of enhancing corporate governance by ensuring adequate protection of the interests of minority shareholders by ensuring fairness, transparency and objectivity in relation to transactions carried out by JSP with the Company and our subsidiaries.

**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 2022, MGC sold two equity holdings in part and one in its 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	56	2,602
Shares other than unlisted shares	37	22,620

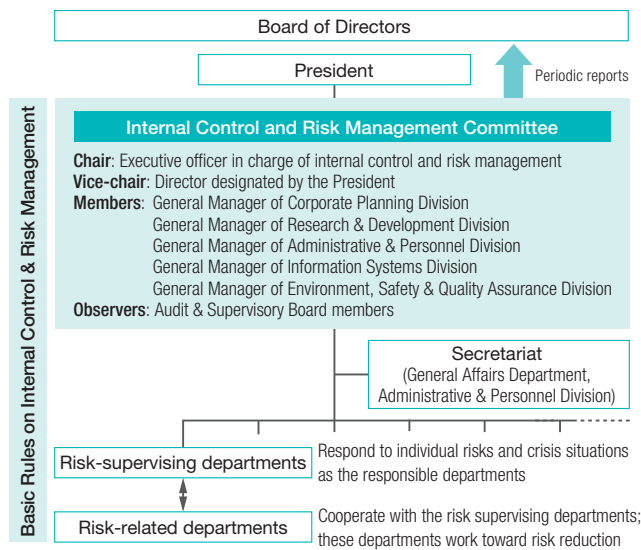
# Risk Management

## 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 companywide 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 2022)

- Matters discussed**
- Review of internal control and risk management activities in each department
  - Details of disclosure related to risks in business, etc.
  - Response to proposals from Internal Audit Division based on internal audit results
  - Overview of annual activities
  - Policy of next fiscal year
- Matters reported**
- Report on audits of operations of Group companies by supervising divisions
  - Report on the results of research on geopolitical risks

📄 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.

# Compliance

## 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 also conducting fair, transparent, and free business activities 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, the Compliance Committee has been set up as an independent body reporting directly to the President to deal with individual cases of compliance violation. The Compliance Committee comprises the executive officer in charge of compliance (who serves as the chair), a director nominated by the President (vice-chair), and heads of compliance-related departments and others (members).

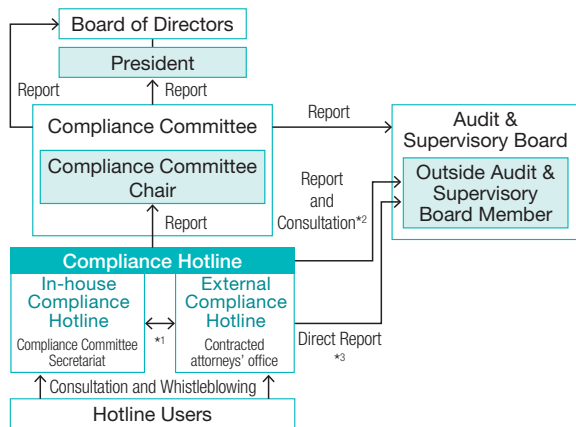
The results of the activities of this committee, which include the investigation and recognition of violations and the formulation, deliberation, and recommendation of corrective and preventive measures, are reported to the President, the Board of Directors, and the Audit & Supervisory Board, with compliance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

Furthermore, the Compliance Hotline has been set up to quickly ascertain and correct compliance violations, and can be used by all the people involved in the MGC Group's business activities, such as officers and employees of the MGC Group including those who have retired in the past

year, their family members, or partner companies and customers. Our In-house Compliance Hotline is staffed by the Compliance Committee Secretariat, while our External Compliance Hotline is available through the office of specialized attorneys, including female attorneys. These attorneys also provide advice to the Compliance Committee.

Consultations and whistleblowing brought to the attention of the Hotline and deemed to be potential compliance violations are investigated by the Compliance Committee, which takes any required corrective action or measures to prevent a recurrence. The results are also reported back to the party who submitted the original consultation or whistleblowing.

### MGC Compliance Consultation Structure



\*1 Coordinated response depending on the case

\*2 The Outside Audit & Supervisory Board Member is consulted for matters related to MGC officers

\*3 If a report received by External Compliance Hotline is deemed to be a serious problem related to MGC's management or management personnel, or if the response by the Compliance Committee, etc. is inadequate and an appropriate response cannot be expected, or if the Hotline user refuses to provide information to the Compliance Committee Secretariat, a direct report can be made to the Outside Audit & Supervisory Board Member.

## 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 providing improper benefits to foreign public officials, at MGC 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.

## 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.