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https://www.mgc.co.jp/eng

The state of corporate governance at Mitsubishi Gas Chemical Company, Inc. (“the Company”), is as follows.

I Basic Approach to Corporate Governance and Basic Information on Capital Structure, Company Attributes, etc.

1. Basic Approach

(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 and other 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.

[Reasons for Noncompliance with Any of Japan’s Corporate Governance Code’s Principles]

The Company complies with all of the Corporate Governance Code’s principles.

[Disclosures Pursuant to Japan’s Corporate Governance Code] revised

[Principle 1.4] (Strategic Shareholdings)

The Company owns listed equity holdings that it deems beneficial to its Group’s businesses in pursuit of medium/long-term growth in its corporate value.

Its 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 the Company’s equity stake in any investee to be larger than appropriate, the Company opportunistically sells down its equity holdings in the investee.

In FY2023, the Company sold three equity holdings in part and one in its entirety.

When voting its strategically held shares, the Company generally respects the investee’s management decisions. Under certain circumstances, however, the Company 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 and has questionable prospects of rehabilitating its reputation; and other cases in which the Company deems a vote in favor of a proposal to be adverse to its overall medium/long-term interests, including the objectives of its strategic shareholdings in the investee.

[Principle 1.7] (Related-Party Transactions)

Company transactions involving a conflict of interest as defined in the Companies Act are reported to and approved by the Board of Directors. Transactions with major shareholders that qualify as related parties are likewise treated as conflict-of-interest transactions under the Companies Act.

[Supplementary Principle 2.4.1] (Ensuring Diversity in Promotion of Core Human Resources)

< Basic Approach to Ensuring Diversity >

(1) Women in Management

With Japan’s labor force shrinking in tandem with demographic aging and a falling birthrate, gender-blind appointment of the most qualified human resources is considered essential to maintaining corporate competitiveness. Additionally, appointment of women to core roles within organizations is expected to drive reforms in corporate culture by giving full play to new leadership. In light of such, the Company believes that maximally capitalizing on women’s capabilities and increasing women’s representation in the ranks of management are essential to its sustained growth.

(2) Foreigners and Mid-Career Hires in Management

The Company values foreigners and mid-career hires who have varied cultures, customs, experiences and skill sets as diverse human resources that will contribute new ideas and perspectives within its organization. While ramping up hiring of foreigners and mid-career job seekers, the Company recognizes the importance of cultivating individuals’ skills and fostering work environments to enable these diverse human resources to play an active role in management.

< Voluntary and Measurable Goals for Ensuring Diversity >

(1) Women in Management

The Company has designated promotion of diversity and inclusion as a management priority and set the following targets for promoting more women managers.

Minimum number of women managers: more than 60 by FY2026 and 90 by FY2030

(2) Foreigners in Management

The Company is promoting the hire of foreign applicants as diverse human resources ready to immediately play meaningful roles. As its ranks of foreign hires grow, the Company will promote more of them into management positions (number of foreign employees as of April 2024: 20).

(3) Mid-Career Hires in Management

The Company is promoting the hire of mid-career applicants as diverse human resources ready to immediately play meaningful roles. As its ranks of mid-career hires grow, the Company will promote more of them into management positions.

< Workforce Diversity Status >

(1) Women in Management

Women managers have been increasing year after year, largely by virtue of more active recruitment of women among both new graduates and mid-career job seekers, accommodations that support work-family balance and skill development programs. The Company has been working to appoint women directors, and two women outside directors currently serve on its Board of Directors.

(2) Foreigners in Management

While proactively hiring foreigners, both new graduates from schools in Japan and mid-career hires, the Company is endeavoring to also foster foreigner-friendly work environments.

(3) Mid-Career Hires in Management

Utilizing various recruitment channels including referrals and others, the Company is hiring mid-career job seekers, including for mid-level and management roles (it employs 119 mid-career hires as of April 2024).

For more information on the Company's workforce, see its Sustainability Data Book.
https://www.mgc.co.jp/eng/sustainability/pdf/MGC_sustainability2023_en_25-40.pdf

< HR Development and Workplace Environment Policies to Ensure Diversity and Implementation Status Thereof >

Based on the idea that the cornerstone of a dynamic, diverse workforce is a shared mindset that respects everyone's individuality and diverse values and ways of thinking, the Company endeavors to cultivate such a mindset among its employees, largely through diversity education, and to develop managers who can capitalize on individuals' diversity as a strength. Additionally, the Company helps employees develop careers compatible with their qualifications and aspirations in the aim of cultivating diverse human resources from a medium/long-term standpoint.

To foster work environments that ensure diversity, the Company has established a D&I Promotion Group within the Administrative & Personnel Division and a cross-organizational Diversity & Inclusion Promotion Expert Committee to promote diversity and inclusion. The D&I Promotion Group was originally established in August 2019 as the Diversity Promotion Office within the Administrative & Personnel Division's Personnel Group before being upgraded to a Group in October 2021. Additionally, the Company annually formulates Diversity Promotion Activity Plans and promotes D&I activities at all of its sites in the aim of creating a vibrant corporate culture of prolific idea generation and active engagement across its entire workforce.

Additional information on initiatives to promote diversity and career opportunities for women can be found on the Company's website and in its Sustainability Data Book and Integrated Reports.
https://www.mgc.co.jp/eng/csr/society/diversity.html
https://www.mgc.co.jp/eng/sustainability/pdf/MGC_sustainability2023_en_25-40.pdf
https://www.mgc.co.jp/eng/corporate/report.html

[Principle 2.6] (Roles of Corporate Pension Funds as Asset Owners)

The Company operates a contractual defined-benefit corporate pension plan.

In doing so, the Company sets reasonable targets and formulates basic asset management policies, including a policy asset allocation, to manage the plan's assets through appropriate processes. The Company monitors the pension plan's portfolio through an Asset Management Committee that comprises HR and finance staff and meets regularly.

In selecting asset managers, the Company places priority on not only past investment performance but also the content of fund management reports and qualitative assessments of the asset managers' investment policies and portfolio management staff.

Organizational units involved in running the pension plan such as finance and HR appoint personnel to oversee the plan and endeavor to develop their expertise.

[Principle 3.1] (Full Disclosure)

(1) The Company's Objectives, Management Strategies and Management Plans

Corporate philosophy "MGC Way" (The Company uses MGC as an abbreviation of its name.)

Mission: Creating value to share with society

Vision: An excellent company with uniqueness and presence built on chemistry

Value: Conduct Philosophy

As a Professional Group:

1. Courage that does not shy away from change
2. Aim for lofty goals
3. Perseverance in achieving goals
4. Build team spirit with communication

MGC Corporate Behavior Principles

Sustainability Promotion Principle

For more details on the MGC Way, MGC Corporate Behavior Principles and Sustainability Promotion Principle, visit the Company's website.

"MGC Way" https://www.mgc.co.jp/eng/corporate/mgc_way.html
"MGC Corporate Behavior Principles" https://www.mgc.co.jp/eng/corporate/guidelines.html
"Sustainability Promotion Principle" https://www.mgc.co.jp/eng/csr/management.html#ac02

The Company is currently engaged in various initiatives under its Grow UP 2026 Medium-Term Management Plan launched in FY2024.

"Grow UP 2026"

Objective 1: Strengthen the resiliency of our business portfolio

Strategies

- Focus on "Uniqueness & Presence"
- Build new value through innovation
- Restructure businesses requiring intensive management

Objective 2: Promote sustainability management

Strategies

- Accelerate initiatives for realizing carbon neutrality
- Enhance human capital management
- Promote materiality management

For more details on Grow UP 2026, visit the Company's website.

"Grow UP2026" https://www.mgc.co.jp/eng/ir/policy/medium-term_management_plan.html

(2) Basic Views and Guidelines on Corporate Governance

See "1. Basic Approach" above.

(3) Policies and Procedures for Setting Compensation

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

Annual compensation consists of a fixed 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 the Company'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 is compensation paid to directors once each fiscal year in the form of grants of Company 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 officer compensation is determined by the Board of Directors upon comprehensive consideration of Company performance, common standards and employee salary trends, and so forth, and 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 the Company as a whole. The President makes these decisions based on discussions regarding the allocation of compensation by the Compensation and Nominating Committee.

(4) Policies and Procedures for Nominations/Appointments

Before discussing any senior management appointment/dismissal or director or Audit & Supervisory Board Member nominations, the Board of Directors consults with the majority-independent Compensation and Nominating Committee.

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.

(5) Explanations of Individual Appointments

The Company discloses director and Audit & Supervisory Board Member nominations' rationale in shareholder general meeting reference documents.

https://www.mgc.co.jp/eng/ir/files/240605_notice_e.pdf

[Supplementary Principle 3.1.3] (Sustainability and Other Initiatives)

< Sustainability Initiatives >

For information on the Company's sustainability policies and initiatives, see the following content under its website's "Sustainability" tab: Key Issues (Materiality), Environment (Environmental Management, Pollution Prevention, Chemical Emission Reduction, Waste Reduction and Resource Recycling, etc.) and Society (Human Resource Management, Work-Style Reforms and Work-Life Balance, Diversity and Inclusion, Socially Responsible Sourcing, etc.).

Additionally, under its Grow UP 2026 Medium-Term Management Plan, launched in FY2024, the Company has stated Objective 2 as "Promote sustainability management," and is implementing the following strategies: (1) accelerate initiatives for realizing carbon

neutrality, (2) enhance human capital management, and (3) promote materiality management. To carry out sustainability management reliably, the Company has set materiality KPIs as non-financial indicators based on materiality.
For more details, see the Grow UP 2026 Medium-Term Management Plan and content available under the “Sustainability” tab on the Company’s website.
https://www.mgc.co.jp/eng/sustainability/
https://www.mgc.co.jp/eng/ir/policy/medium-term_management_plan.html

< Investments in Human Capital and Intellectual Property >
The Company has included information regarding investments in human capital and intellectual property in its Grow UP 2026 Medium-Term Management Plan, including plans for Group workforce by 2026, plans for research staffing at the Company on a standalone basis in pursuit of new/next-generation business creation, R&D expenditure plans, measures to accelerate R&D leveraging digital technology such as materials informatics and the IP landscape and enhance human capital management, and examples of utilizing the MGC Commons as an innovation and HR development hub.
For more details, see the Grow UP 2026 Medium-Term Management Plan on the Company’s website.
https://www.mgc.co.jp/eng/ir/policy/medium-term_management_plan.html

< Disclosures Based on TCFD Recommendations or Other Framework Equivalent Thereto >
In May 2019, the Company also declared its support for the Task Force on Climate-related Financial Disclosures (TCFD).
The Company is assessing the risks and opportunities climate change represents for the Group, and it is working to strengthen resilience through scenario analysis while also engaging in sound dialogue with its stakeholders.
For more information on disclosures based on TCFD recommendations, see the "Response to Climate Change (Disclosure Based on the TCFD Recommendations)" on the Company’s website and MGC Report 2023 (Integrated Report).
https://www.mgc.co.jp/eng/sustainability/environment/tcfd.html
https://www.mgc.co.jp/eng/corporate/report.html

[Supplementary Principle 4.1.1] (Scope of Delegation to Management)
Matters to be discussed by the Board of Directors are stipulated in the Regulations of the Board of Directors. These include matters relating to the General Meeting of Shareholders; matters relating to Directors, other executive officers and the Board of Directors, etc.; matters relating to calculations, etc.; matters relating to shares, etc.; matters relating to basic management policies, etc.; matters related to the execution of important business; and other matters. Under the supervision of the Board of Directors, the management team conducts business in line with the Company’s management policies.

[Principle 4.8] (Effective Use of Independent Directors)
The Company currently has four independent outside directors, including two women outside directors, on its Board.

[Principle 4.9] (Independence Standards and Qualifications for Independent Directors)
The Company has set specific disqualification criteria for independent directors and independent Audit & Supervisory Board Members. For more details on the criteria, see “Independent Directors and Audit & Supervisory Board Members” under “1. Matters Pertaining to Governance Bodies’ Composition and Organizational Management” in Section II below.

[Supplementary Principle 4.10.1] (Independence of Compensation and Nominating Committee)
The Company has established a Compensation and Nominating Committee to ensure the transparency, objectivity and reasonableness of decision-making processes for placing proposals on officer/director/Audit & Supervisory Board Member compensation and nominations/appointments on Board of Directors’ meeting agendas. The Compensation and Nominating Committee functions both to determine executive officer compensation and to nominate and appoint key members of senior management. It is majority-independent, made up of independent outside directors in addition to the Board’s chairman and the president/representative director (two-thirds of its current members are independent outside directors and half of them are women outside directors). Before voting on proposals pertaining to officers, directors and Audit & Supervisory Board Members’ compensation or nominations/appointments, the Board consults with the Compensation and Nominating Committee and discusses and deliberates on the proposal.

[Supplementary Principle 4.11.1] (Board of Directors’ Balanced Composition, Diversity and Size)
The Company has developed a global business that ranges widely from basic chemicals to high-performance materials. Because its 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 its business and management, with the addition of multiple independent directors who, representing the perspectives of shareholders and other stakeholders, provide advice and supervision.
The Company currently has 12 directors (of whom four are independent outside directors, and half of them are women outside directors), which it believes to be generally appropriate in size and effectiveness.
A skills matrix for the Board of Directors as a whole is appended hereto, summarizing the expertise and experience sought in and actually possessed by directors and Audit & Supervisory Board Members.
The Board of Directors consults with the majority-independent Compensation and Nominating Committee before voting on senior management, director and Audit & Supervisory Board Member candidates.

[Supplementary Principle 4.11.2] (Directors and Audit & Supervisory Board Members’ Concurrent Positions)
The following directors currently serve elsewhere as a director or an executive advisor. Each of them holds such positions at fewer than three other companies, a reasonable number in the Company’s assessment.
Director Haruko Hirose: Outside Director, Nikkiso Co., Ltd.
Director Kazue Kurihara: Outside Director, Hamamatsu Photonics K.K.
Audit & Supervisory Board Member Tsuneaki Teshima: Outside Audit & Supervisory Board Member, Keisei Electric Railway Co., Ltd.
* Haruko Hirose’s legal name is Haruko Makinouchi. She is referred to herein by her professional name.

[Supplementary Principle 4.11.3] (Assessment and Evaluation of Board of Directors' Effectiveness)

Every year, we conduct assessments on the effectiveness of the Board of Directors. Up until now, we have conducted our assessments and made improvements based on an internal survey. However, as a new approach starting from the assessment for FY2023, we have appointed a third-party organization and utilized its expert knowledge in discussion and collating the survey items, and so forth.

The perspective for the survey were changed from the previous three aspects: "Board of Directors as a meeting," "Board of Directors as an organization," and "Overall perspective," to five aspects: "Composition and operation of the Board of Directors," "Management strategy and business strategy," "Corporate ethics and risk and crisis management," "Performance monitoring and management team assessment," and "Dialogue with shareholders, etc." In April 2023, we conducted a survey of all directors and Audit & Supervisory Board Members, which presented various kinds of questions using a five-point scale, which were revised based on the changed survey aspects, and requested opinions from a free perspective unrestricted by the parameters of the five-point scale. The Board of Directors then held discussions based on the aggregate results and opinions that were received.

In the results of that survey, the average score on the five-point scale for all items was above "4: More effective and appropriate than not." Moreover, the majority of the assessments were positive. As such, the Company recognizes that the Board of Directors has achieved a certain level of effectiveness. In particular, as the scores were relatively high for the items "Increasing corporate value through response to issues related to sustainability," "Free and open discussion," and "Composition of the members of the Board of Directors," and multiple comments offering a positive assessment of them were observed, these items can be considered to be strengths of the Company's Board of Directors.

On the other hand, based on the discussion in the Board of Directors, we will consider our responses to the following three points.

<Provision of information for the Board of Directors>

While we have achieved a certain level of approval for our initiatives to date, as described below, some have pointed out the time lag between the recognition of risk on the front line and the reporting of it to the Board of Directors. We will consider reporting that is not restricted to regular Board of Directors meetings.

<Provision of information for Directors and Audit & Supervisory Board Members>

Continue to enhance visits to business sites, which we have been promoting since the end of the COVID-19 pandemic, and also consider in addition holding briefings on the current status of important subsidiaries, etc.

<Strategy monitoring>

To promote opportunities for discussing strategy in the Board of Directors meetings, indicate discussion points in a clear and concise manner within the reports of the status of execution of duties by directors

Moreover, with regard to issues and opinions pointed out during the evaluation of the previous fiscal year (FY2022), we are conducting the following responses, which we believe have also contributed to the positive assessment.

<Innovative measures to develop deeper discussion in the Board of Directors>

Bring forward advance explanation sessions on important resolution items for outside directors and Audit & Supervisory Board Members, and share the content of discussions at the explanation sessions with all directors and Audit & Supervisory Board Members

<Themes requiring deeper discussion at the Board of Directors meetings>

Bring up measures to improve the price-to-book-ratio (PBR) as topics for discussion at Board of Directors meetings and discuss them

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.

[Supplementary Principle 4.14.2] (Training of Directors and Audit & Supervisory Board Members)

The Company has newly-appointed directors and Audit & Supervisory Board Members attend mandatory seminars outside the Company covering legal-related matters, particularly in connection with the Companies Act of Japan, in order to enhance their understanding of the roles, responsibilities, and duties of their respective positions.

When deemed necessary, the Company gives directors, Audit & Supervisory Board Members, and other officers opportunities to attend external seminars covering various topics, including compliance, risk management, internal control, and legal issues, and provides them with relevant books and other materials.

Furthermore, all executive officers and directors overseeing business execution participate in workshops held each year, in which they discuss challenges and tasks for management in group settings. When appropriate, experts from outside the Company are invited to give informative lectures on current topics, such as revisions to laws.

In addition, the Company works to improve the efficacy and quality of its auditing by organizing study meetings for members of the Audit & Supervisory Board and by providing opportunities for them to attend external seminars of their choosing in order to gain additional knowledge of relevant laws, auditing techniques, financial accounting, and other matters.

[Principle 5.1] (Policy for Constructive Dialogue with Shareholders)

To promote constructive engagement with shareholders and other stakeholders, the Company has established a CSR & IR Division and appointed an officer in charge of it. In coordination with other organizational units, the CSR & IR Division engages with investors, holds briefings and provides information via the Company's website. Important information obtained from such activities is fed back to senior management as warranted.

To prevent leaks of insider information, the Company has prescribed Insider Trading Prevention Regulations to clearly define and promote proper management of insider information. When providing information, the CSR & IR Division exercises meticulous care to avoid divulging insider information.

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price] * English disclosure material is available.
** Last Update: 2024/06/25
The status of the Company's action to implement Management that is conscious of cost of capital and stock price is disclosed in its medium-term management plan presentation materials and so forth.
For details, see " Medium-Term Management Plan Grow UP 2026" (P52-56) on the Company's website.
https://www.mgc.co.jp/eng/ir/files/Grow_UP_2026_en.pdf

[Status of Engagement in Dialogue with Shareholders, Investors, etc.]
The Company discloses the status of engagement in dialogue with its shareholders, investors, etc., on its website.
Details can be found on the Company's website under "Investors" in "Management Direction."
https://www.mgc.co.jp/eng/ir/policy/investor_engagement.html

2. Capital Structure

Foreign ownership percentage	Between 20% and 30%

[Top 10 Shareholders]

Name	Shares owned	Ownership percentage
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,460,400	14.21
Custody Bank of Japan, Ltd. (Trust Account)	18,483,400	9.23
Meiji Yasuda Life Insurance Company	8,797,721	4.39
Nippon Life Insurance Company	5,858,024	2.93
The Norinchukin Bank	5,026,545	2.51
SSBTC CLIENT OMNIBUS ACCOUNT	3,374,507	1.69
National Mutual Insurance Federation of Agricultural Cooperatives	3,235,000	1.62
THE BANK OF NEW YORK MELLON 140042	3,232,897	1.61
AGC Inc.	3,223,800	1.54
The Bank of Yokohama, Ltd.	3,085,427	1.54

Controlling shareholder (excluding parent company)	———
Parent company	None

Supplemental Explanation

A number of large shareholder reports (filed by Nomura Securities Co., Ltd., Mizuho Bank, Ltd. and Mitsubishi UFJ Financial Group, Inc., et al.) were publicly released in FY2023, but the reports' filers are not included in the above list of shareholders because the Company was unable to ascertain numbers of shares beneficially owned at FY2023-end.

3. Company Attributes

Exchange and market division where shares trade	TSE Prime Market
Fiscal year-end	March
Sector	Chemicals
Employees as of most recent fiscal year-end (consolidated basis)	Over 1,000
Consolidated net sales in most recent fiscal year	Between ¥100 billion and ¥1,000 billion
Consolidated subsidiaries as of most recent fiscal year-end	Between 50 and 99

4. Guidelines on Measures to Protect Minority Shareholders When Transacting with Controlling Shareholder

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5. Other Special Circumstances that May Materially Affect Corporate Governance

To grow corporate value across its entire Group, the Company closely monitors the legal and regulatory compliance regimes of its Group companies including listed affiliate company as their parent company and major shareholder and plans to continue to do so.
With regard to the listed affiliate JSP Corporation, the Company will maintain a cordial relationship to increase the corporate value of the Group, while seeking and promoting mutually independent growth strategies.

As a major shareholder of JSP Corporation, the Company will provide support as necessary for the construction and operation of JSP Corporation's effective governance structure.

The Company recognizes that a controlling shareholder of a listed company generally poses a risk of conflicts of interest with minority shareholders. The Company 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 Corporation 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.

II Status of Management Organization and Other Corporate Governance Arrangements Pertaining to Management Decision-Making, Execution and Oversight

1. Matters Pertaining to Governance Bodies' Composition and Organizational Management

Organizational format	Company with audit & supervisory board

[Matters Pertaining to Directors]

Maximum number of directors per Articles of Incorporation	15
Term of directorships per Articles of Incorporation	1 year
Chair of the Board of Directors	Chairman (except when Chairman concurrently serves as president also)
Number of directors	12
Outside director(s) appointed?	Yes
Number of outside directors	4
Number of outside directors designated as independent	4

Outside Directors' Relationship with the Company (1)

Name	Background	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Haruko Hirose	Other											
Toru Suzuki	From other company								△			
Yasushi Manabe	From other company								△			
Kazue Kurihara	Academic								○			

* Available choices to describe director's relationship with the Company

* The ○ symbol denotes a current or recent relationship between the director and the Company; the △ symbol, a past such relationship.

* The ● symbol denotes a current or recent relationship between a close relative of the director and the Company; the ▲ symbol, a past such relationship.

a. Executive of the Company or a subsidiary thereof
b. Executive or non-executive director of the Company's parent company
c. Executive of the Company's sister company
d. Supplier or customer heavily dependent on the Company or an executive thereof
e. Supplier or customer on which the Company is heavily dependent or an executive thereof
f. Consultant, accountant or attorney who is a recipient of substantial monetary or non-monetary compensation, other than compensation as a director or Audit & Supervisory Board Member, from the Company
g. Major shareholder of the Company (or an executive of a major corporate shareholder)
h. Executive of a supplier or customer of the Company to which choices d, e and f do not apply (applies only to director (i.e., not close relatives))
i. Executive of a company with which the Company has reciprocally appointed outside directors or Audit & Supervisory Board Members from each other's executive ranks (applies only to director)
j. Executive of a recipient of a donation from the Company (applies only to director)
k. Other

Outside Directors' Relationship with the Company (2)

Name	Independent?	Supplemental Explanation of Relationship with the Company	Reason appointed
Haruko Hirose	Yes	While there are transactional relationships between MGC and Nikkiso Co., Ltd. where Ms. Haruko Hirose serves as an outside director, including the purchase of equipment, the amount was less than 1% of consolidated net sales of said company for FY2023.	Ms. Haruko Hirose has many years of experience overseas and insight as director at international organizations on a global scale, and provides appropriate supervision and advice to MGC's management including actively expressing her opinions based on these at the Board of Directors. So, she is expected to continue to contribute to ensuring the validity and appropriateness of MGC's decision-making. Although she has not been directly involved in corporate management, other than as Outside Director, since she has served in important positions at an international organization, etc., it is deemed that she would continue to contribute to ensuring the validity and appropriateness of MGC's decision-making. In management's assessment, Ms. Hirose and MGC have no special interests with respect to each other and Ms. Hirose is capable of fulfilling her duties impartially and objectively from an independent standpoint.
Toru Suzuki	Yes	Although Mr. Toru Suzuki was a business execution manager until June 2017 at Mitsui & Co., Ltd., a business partner of MGC, over six years have passed since his retirement. While there are transactional relationships between MGC and said company including the sale of products and materials, the amount was less than 1.5% of consolidated net sales of MGC for FY2023. Also, while there are transactional relationships between MGC and said company including the purchase of materials, the amount was less than 1% of consolidated net sales of said company for FY2023.	Mr. Toru Suzuki has many years of experience overseas and insight as a manager at a company operating on a global scale, and provides appropriate supervision and advice to MGC's management including actively expressing his opinions based on these at the Board of Directors. So, he is expected to continue to contribute to ensuring the validity and appropriateness of MGC's decision-making. In management's assessment, Mr. Suzuki and MGC have no special interests with respect to each other and Mr. Suzuki is capable of fulfilling his duties impartially and objectively from an independent standpoint.
Yasushi Manabe	Yes	Although Mr. Yasushi Manabe was a business execution manager until March 2021 at Hitachi, Ltd., a business partner of MGC, and while there are transactional relationships between MGC and said company including the sale of products, the amount was less than 1% of consolidated net sales of MGC for FY2023. While there are transactional relationships between MGC and said company including equipment maintenance, the amount was less than 1% of consolidated net sales of said company for FY2023. Although he had been Executive Advisor until March 2024, Yashima Denki Co., Ltd., a business partner of MGC, and while there are	Mr. Yasushi Manabe has many years of experience and insight as a manager at a company operating on a global scale, and provides appropriate supervision and advice to MGC's management including actively expressing his opinions based on these at the Board of Directors. So, he is expected to continue to contribute to ensuring the validity and appropriateness of MGC's decision-making. In management's assessment, Mr. Manabe and MGC have no special interests with respect to each other and Mr. Manabe is capable of fulfilling his duties impartially and objectively from an independent standpoint.

		transactional relationships between MGC and said company including the purchase of machines, the amount was less than 1% of consolidated net sales of said company for FY2023.	
Kazue Kurihara	Yes	While there are transactional relationships between MGC and Hamamatsu Photonics K.K. where Dr. Kazue Kurihara serves as an outside director, including the sale of products, the amount was less than 1% of consolidated net sales for FY2023. Also, while there are transactional relationships between MGC and Tohoku University, where she serves as Professor Emeritus, including payment of consideration for joint research, the amount during FY2023 was insignificant, totaling ¥13 million.	Dr. Kazue Kurihara has highly advanced expertise in wide fields of study in chemicals, and provides appropriate supervision and advice to MGC's management including actively expressing her opinions based on these at the Board of Directors. So, she is expected to continue to contribute to ensuring the validity and appropriateness of MGC's decision-making. In management's assessment, Dr. Kurihara and MGC have no special interests with respect to each other and Dr. Kurihara is capable of fulfilling her duties impartially and objectively from an independent standpoint.

Does the Company have an optional nominating committee and/or compensation committee or other such committee(s) corresponding thereto?	Yes

Existence of Optional Committee(s), Composition Thereof and Attributes of Committee Chair(s)

	Committee name	Total members	Full-time members	Executive directors	Outside directors	External experts	Other	Chair
Optional committee fulfilling role of nominating committee	Compensation and Nominating Committee	6	2	2	4	0	0	Executive director
Optional committee fulfilling role of compensation committee	Compensation and Nominating Committee	6	2	2	4	0	0	Executive director

Supplemental Explanation

The Compensation and Nominating Committee functions both to determine executive officer compensation and to nominate and appoint key members of senior management. A majority of the committee is comprised of independent outside directors.

The Board of Directors is responsible for appointing and dismissing key members of senior management, including the Chairman and President, and for nominating directors and Audit & Supervisory Board Members. In making decisions on total annual amounts of compensation for executive officers, 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.

In FY2023, the Compensation and Nominating Committee met a total of six times with all of its members in attendance at every meeting. Matters it discussed and deliberated on in FY2023 include officers/directors/Audit & Supervisory Board Members' total annual compensation and the apportionment thereof, senior management appointments, and nominations of director/Audit & Supervisory Board Member candidates.

[Matters Pertaining to Audit & Supervisory Board Members]

Does the Company have Audit & Supervisory Board?	Yes
Maximum number of Audit & Supervisory Board Members per Articles of Incorporation	5

Number of Audit & Supervisory Board Members	4

Coordination among Audit & Supervisory Board Members, Independent Auditor and Internal Auditing Staff

The Internal Audit Division forwards copies of its internal audit reports to Audit & Supervisory Board Members on an ad hoc basis to help them perform their audits more efficiently, holds quarterly reporting meetings with full-time Audit & Supervisory Board Members and reciprocally shares and discusses audit plans and findings with Audit & Supervisory Board Members. Audit & Supervisory Board Members are also briefed by the Internal Audit Division on its assessments of the effectiveness of internal controls over financial reporting and discuss prospective corrective measures with the Internal Audit Division in the aim of improving the reliability of financial reporting. The Internal Audit Division discusses auditing matters with the independent auditor whenever necessary in addition to meeting regularly with the independent auditor.

Early in the fiscal year, Audit & Supervisory Board Members are briefed by the independent auditor on its audit plan. They also receive first-hand input on accounting procedures and internal controls from the independent auditor while accompanying its staff during audits of the Company's plants, Group companies and other sites. Additionally, they discuss issues pertaining to quarterly financial reporting procedures and internal controls with the Independent auditor on a quarterly basis.

Audit & Supervisory Board Members have conferred with the independent auditor and the Company's executive staff on individual risks posed by potential KAMs (key audit matters) identified by the independent auditor and received reports on audit status with respect to such risks. Throughout the fiscal year, Audit & Supervisory Board Members engaged in in-depth discussions with the independent auditor in connection with the independent auditor's process of finalizing its KAM selections, taking into account management impact, materiality and other relevant factors.

Outside Audit & Supervisory Board member(s) appointed?	Yes
Number of outside Audit & Supervisory Board Members	2
Number of outside Audit & Supervisory Board Members designated as independent	2

Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Background	Relationship with the Company (*)											
		a	b	c	d	e	f	g	h	i	j	k	l	m
Go Watanabe	From other company										△			
Tsuneaki Teshima	From other company										△			

* Available choices to describe Audit & Supervisory Board Member's relationship with the Company

* The ○ symbol denotes a current or recent relationship between the Audit & Supervisory Board Member and the Company; the △ symbol, a past such relationship.

* The ● symbol denotes a current or recent relationship between a close relative of the Audit & Supervisory Board Member and the Company; the ▲ symbol, a past such relationship.

a. Executive of the Company or a subsidiary thereof
b. Non-executive director or accounting staff member of the Company or a subsidiary thereof
c. Executive or non-executive director of the Company's parent company
d. Audit & Supervisory Board Member of the Company's parent company
e. Executive of the Company's sister company
f. Supplier or customer heavily dependent on the Company or an executive thereof
g. Supplier or customer on which the Company is heavily dependent or an executive thereof
h. Consultant, accountant or attorney who is a recipient of substantial monetary or non-monetary compensation, other than compensation as a director or Audit & Supervisory Board Member, from the Company
i. Major shareholder of the Company (or an executive of a major corporate shareholder)
j. Executive of a supplier or customer of the Company to which choices f, g and h do not apply (applies only to Audit & Supervisory Board Member (i.e., not close relatives))
k. Executive of a company with which the Company has reciprocally appointed outside directors or Audit & Supervisory Board Members from each other's executive ranks (applies only to Audit & Supervisory Board Member)
l. Executive of a recipient of a donation from the Company (applies only to Audit & Supervisory Board Member)
m. Other

Audit & Supervisory Board Members' Relationship with Company (2)

Name	Independent?	Supplemental Explanation of Relationship with Company	Reason appointed
Go Watanabe	Yes	Although Mr. Go Watanabe was a business executive manager until June 2016 at The Bank of Tokyo-Mitsubishi UFJ (currently MUFG Bank, Ltd.), over seven years have passed since his retirement. While there are transactional relationships between MGC and said company including the borrowing of funds, the amount of borrowings from said company was less than 2.4% of consolidated total assets as of March 31, 2024. Furthermore, although said company holds shares in MGC, the percentage is 1.2% of issued and outstanding shares.	Mr. Go Watanabe has abundant experience and insight as a manager at a financial institution and a manufacturing industry etc., both in Japan and overseas, and has considerable expertise in finance and accounting. Therefore, he is suited for an outside Audit & Supervisory Board Member to be responsible for ensuring the lawfulness and appropriateness of the execution of directors' duties. In management's assessment, Mr. Watanabe and MGC have no special interests with respect to each other and Mr. Watanabe is capable of fulfilling his duties impartially and objectively from an independent standpoint.
Tsuneaki Teshima	Yes	Although he was a business execution manager until July 2018 at Nippon Life Insurance Company, over five years have passed since his retirement. While there are transactional relationships between MGC and said company including the borrowing of funds, the amount of borrowings from said company was less than 0.6% of consolidated total assets as of March 31, 2024. Furthermore, although said company holds shares in MGC, the percentage is 2.7% of issued and outstanding shares.	Mr. Tsuneaki Teshima has many years of experience and insight as a manager at a financial institute, and has considerable expertise in finance and accounting. Therefore, he is suited for an outside Audit & Supervisory Board Member to be responsible for ensuring the lawfulness and appropriateness of the execution of directors' duties. In management's assessment, Mr. Teshima and MGC have no special interests with respect to each other and Mr. Teshima is capable of fulfilling his duties impartially and objectively from an independent standpoint.

[Matters Pertaining to Independent Directors and Audit & Supervisory Board Members]

Number of independent directors and Audit & Supervisory Board Members	6

Other Matters Pertaining to Independent Directors and Audit & Supervisory Board Members

The Company 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.

Candidates are deemed to qualify as an independent director or Audit & Supervisory Board Member as long as none of the following apply:

1. If any of the following applies to the candidate:
   1) Has been a business execution manager*1 of the Group*2.
   2) Is a major shareholder*3 of MGC or is or has been a business execution manager for a major shareholder company within the previous five years.
   3) Is or has been a business execution manager of an important business partner*4 within the previous five years.
   4) Has been dispatched from a company or organization that has established a relationship with the Group through the reciprocal appointment of outside directors and Audit & Supervisory Board Members.
   5) Works for or has worked for an auditing firm within the previous five years that has conducted a statutory audit of MGC.
   6) Provides or has provided consulting services other than statutory auditing to the Group within the previous three years, for which he or she has received high compensation.*5

2. If any of the following applies to a close relation*6 of the candidate:
   1) Is or has been an important business execution manager*7 of the Group within the previous five years.
   2) Is a major shareholder of MGC or a business execution manager for a major shareholder company.
   3) Is or has been a business execution manager within the previous five years of an important business partner.
   4) Works for or has worked for an auditing firm within the previous five years that has conducted a statutory audit of MGC.
   5) Provides or has provided consulting services other than statutory auditing to the Group within the previous three years, for which he or she has received high compensation.

3. The candidate has another important vested interest in the Group and has been reasonably deemed to be unable to fulfill his or her duties as an independent director or Audit & Supervisory Board Member.

*1 Business execution manager: Either a director overseeing business execution, an executive officer, other officer involved in business execution, or an employee

*2 The Group: MGC or one of its subsidiaries
*3 Major shareholder of MGC: A shareholder currently holding, either directly or indirectly, 10% or more of total shares issued and outstanding
*4 Important business partner: A business partner that has made transactions, including buying and selling, amounting to 2% or more of consolidated net sales over the previous three consecutive years.
Consolidated net sales pertain to the Group in the event the Group is the seller, or to the partner in the event the Group is the buyer.
*5 High compensation: In the case of an individual, an annual amount of 10 million yen or more, or in the case of a member of company or organization, compensation exceeding 2% of its consolidated net sales or total revenue
*6 Close relation: Either a spouse, first- or second-degree relative, or financial dependent
*7 Important business execution manager: Either a director overseeing business execution, an executive officer, or other officer involved in business execution

[Incentives]

Availability of incentives to directors	Adoption of Performance-based Compensation and Other

Supplemental Explanation

For details, see “Disclosure of Policies for Determining Compensation Amounts or Calculation Methods” below.

Eligible stock option grantees	

Supplemental Explanation

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[Director Compensation]

Disclosure status (of individual directors’ compensation)	Not disclosed

Supplemental Explanation

Directors’ aggregate FY2023 compensation was ¥524 million.
Their aggregate compensation includes ¥37 million of expensed restricted-stock compensation. Outside directors do not receive performance-based compensation or restricted-stock compensation.

Does Company have policies for determining compensation amounts or calculation methods?	Yes

Disclosure of Policies for Determining Compensation Amounts for Calculation Methods

Remuneration for the MGC’s Directors, excluding Outside Directors, consists of annual remuneration and restricted stock remuneration.
The annual remuneration consists of fixed basic remuneration decided in accordance with each Director’s position and duties, in conjunction with performance-based remuneration based on various indicators of corporate performance. As for method payment, the eligible Directors receive annual remuneration paid on a monthly basis, divided into monthly installments, a certain percentage of which is set aside each month as part of a reserved retirement benefit, which is paid to Directors upon their retirement. MGC may take action to reduce such amounts depending on a Director’s performance and other grounds. The performance-based remuneration is determined based on factors that include quantitative financial results and the extent to which targets have been achieved, using ordinary income and other such indicators, with the aim of furnishing incentive with respect to corporate performance. Moreover, performance-based remuneration accounts for roughly 30% of annual remuneration, which mainly consists of basic remuneration. This is a suitable remuneration mix given distinctive characteristics of MGC’s business particularly in terms of its many years of monetizing respective businesses as a result of having engaged in various initiatives such as R&D, manufacturing process development, and market development.
The restricted stock remuneration involves granting a certain volume of shares to Directors in alignment with their positions and duties, in a manner whereby remuneration furnished for the sake of granting treasury shares is paid to the Directors each fiscal year on a lump-sum basis. Such shares are subject to transfer restrictions so that recipients are required maintain holdings for a certain period of time. This helps encourage a sense of shared value with shareholders and furthermore provides incentive for recipients to help achieve sustainable growth with respect to MGC’s corporate value.
In addition to these forms of remuneration, MGC may pay an amount considered appropriate as a bonus upon resolution of a General Meeting of Shareholders.
Remuneration paid to Outside Directors who maintain positions of independence from business execution is limited to fixed amounts of basic remuneration.
Total amounts of annual remuneration for Directors shall be determined by the Board of Directors, subsequent to consultation with the Remuneration and Nominating Committee and after having reviewed comprehensive factors such as corporate performance, world standards, and employee salary trends. With respect to remuneration allocations on an individual basis, the Board of Directors has taken into account Remuneration and Nominating Committee discussions involving the President on remuneration allocations, and accordingly deems the President most suitable for evaluating the respective Directors while enlisting a broad-based view of the MGC overall in that regard.

[Support for Outside Directors (Outside Audit & Supervisory Board Members)]

To give part-time outside directors a better understanding of Board of Directors meetings' agenda items, the Company briefs them beforehand to directors. Outside directors also engage in discussions with Audit & Supervisory Board Members to share information.

Additionally, outside directors and outside Audit & Supervisory Board Members hold regular discussions solely amongst themselves to share information.

For newly appointed outside directors and outside Audit & Supervisory Board Members, individual business units provide briefings on their business and its operations and the Company offers opportunities to tour plants and other sites.

The Secretarial Group and General Affairs Group, the latter of which functions as the Board of Directors' administrative staff, serve as liaisons between outside directors and the Company. Both have staff whose main role is to communicate and coordinate with outside directors and assist them with their duties. Additionally, one staff member is assigned exclusively to assist Audit & Supervisory Board Members, including outside members, with their duties as directed by them. Audit & Supervisory Board Members are authorized to engage the services of external experts at the Company's expense.

[Status of Former Presidents/Representative Directors]

Former Presidents/Representative Directors Serving in Advisory Roles

Name	Position/Title	Duties	Type of role/Condition	End of tenure as president	Term
Wakichi Nagano	Special advisor	Honorary title	Part-time, uncompensated	June 29, 1988	Lifetime
Akira Ohira	Special advisor	Honorary title	Part-time, uncompensated	June 28, 2001	Lifetime
Hideki Odaka	Special advisor	Honorary title	Part-time, uncompensated	June 28, 2007	Lifetime
Kazuo Sakai	Special advisor	Honorary title	Part-time, uncompensated	June 25, 2013	Lifetime

Total Number of Former President/Representative Directors Serving in Advisory Roles	4

Other Matters

- The Company has special advisors not involved in execution or oversight of its operations. They are appointed by a resolution of the Board of Directors in accord with internal regulations of Former President/Representative Directors Serving in Advisory Roles. The position of special advisor is an honorary title bestowed upon former presidents and chairmen, but special advisors may, if necessary, also provide advice at the president's request.
- Wakichi Nagano served as chairman and representative director until June 29, 1995, following his tenure as president/representative director.
- Akira Ohira served as chairman and representative director until June 28, 2007, following his tenure as president/representative director.
- Hideki Odaka served as chairman and representative director until June 25, 2013, following his tenure as president/representative director.
- Kazuo Sakai served as chairman and representative director until March 31, 2019, following his tenure as president/representative director.

2. Matters Pertaining to Business Execution, Auditing, Oversight, Nomination and Compensation-Setting Functions (Overview of Current Corporate Governance Regime)

(Business Execution)

The Company has elected to have an Audit & Supervisory Board. The Company 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. The Board currently consists of 12 directors, four of whom are independent outside directors, and four Audit & Supervisory Board Members. In FY2023, the Board of Directors met 13 times with all of its members in attendance at every meeting, exercised management oversight and made decisions on the aforementioned matters.

Directors are appointed to one-year terms to clearly delineate management responsibilities. Directors who concurrently serve as non-MGC Group companies' directors and/or Audit & Supervisory Board Members are limited to a maximum of three directorships or Audit & Supervisory Board Memberships in principle so they can concentrate sufficiently on the Company's management.

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 (which met 21 times in FY2023) and deliberations on plans for executing specific policies by the Operations Council (which met 25 times FY2023). The Management Council has eight members, including the Company's chairman, president, two senior managing executive officers and four managing executive officers. The Operations Council comprises all 22 of the Company's executive officers, including the chairman and president. 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 Company has established an Internal Control and Risk Management Committee chaired by the executive officer in charge of internal controls and risk management to properly implement and operate internal controls, both the Company's own and Group companies', and to monitor risk management and oversee and provide guidance on priority-setting and formulation of risk mitigation measures.

The Company has established a Compliance Committee chaired by the executive officer in charge of compliance, largely in the aim of dealing with compliance violations on a case-by-case basis. The Compliance Committee investigates compliance violations involving the Company and its Group companies and deliberates on formulates and makes recommendations on corrective measures and recurrence-prevention measures. The Company has also established Compliance Hotline as an internal reporting channel to promote early detection and rectification of compliance violations.

In addition, the Company has established the Sustainability Promotion Council as a body to deliberate on and decide important matters concerning sustainability management (particularly important matters are resolved by the Board of Directors after such deliberations), and receive reports regarding the status of implementation, etc.

In the course of business execution, the Company identifies and assesses various business risks within the execution process and its internal control systems, and devises appropriate risk prevention, avoidance, mitigation and transfer measures. Whenever a severe risk manifests, the Company responds by forming an ad hoc task force in accord with its internal regulations.

(Auditing)

(1) Audit & Supervisory Board Members

The Audit & Supervisory Board has four members, including three full-time and two outside members.

Full-time member Masamichi Mizukami has served in important positions in Specialty Chemicals, Research & Development and Internal Control, etc., giving him abundant experience regarding MGC's business as well as corporate management.

Full time outside member Go Watanabe worked for financial institutions for many years and has experience in corporate management at a manufacturing industry etc., giving him considerable finance, accounting and risk management expertise as well as abundant experience regarding corporate management both in Japan and overseas.

Full-time member Masato Inari has served in important positions in Basic Chemicals, Production Technology and Environment & Safety, giving him abundant experience regarding MGC's business as well as corporate management.

Outside member Tsuneaki Teshima worked for financial institutions for many years, and he has insight and experience regarding corporate management in general as a manager, as well as considerable finance and accounting expertise.

One staff member is assigned exclusively to assist Audit & Supervisory Board Members, including outside members, with their duties as directed by them. Audit & Supervisory Board Members are authorized to engage the services of external experts at the Company's expense.

The Audit & Supervisory Board sets auditing policies, assigns auditing duties and formulates audit plans. Audit & Supervisory Board Members perform their duties in accord with the Company's audit standards for Audit & Supervisory Board Members.

The Audit & Supervisory Board's topics includes formulation of auditing policies and audit plans, internal control systems' implementation/operation status and the reasonableness of the independent auditor's audit methods and findings. Additionally, the Audit & Supervisory Board endeavors to form audit opinions by sharing individual Audit & Supervisory Board Members' audit findings.

The three full-time Audit & Supervisory Board Members endeavor to stay informed of important decision-making processes and the state of business execution through such means as attending important meetings, including Operations Council meetings in addition to Board of Directors meetings, auditing individual organizational units, surveying subsidiaries and reviewing key documents.

Audit & Supervisory Board Members regularly exchange views with directors, periodically and promptly receive reports on the status of business execution and other important matters from directors and office staff, request explanations whenever necessary, and express opinions.

Additionally, the Audit & Supervisory Board Members endeavor to improve audit effectiveness through such means as coordinating with the independent auditor and Internal Audit Division and attending Internal Control & Risk Management Committee and Compliance Committee meetings.

The one part-time Audit & Supervisory Board Member's role includes conferring about and offering opinions on important auditing-related matters in accord with audit policy set by the Audit & Supervisory Board. Furthermore, all Audit & Supervisory Board Members have regular exchanges of opinions with the representative director, directors, and outside directors regarding the status of internal controls, and related matters.

In FY2022, the Audit & Supervisory Board met 14 times.

(2) Independent Auditor

The Company has appointed Crowe Toyo & Co. as its independent auditor in accord with the Companies Act.

In FY2023, the Company was audited by three CPAs, Akio Enokura, Takayuki Kawakubo and Shoichi Ohyama (respectively in their first, sixth and first year of auditing the Company), assisted by a team of 16 others, ten of whom are CPAs.

(3) Internal Audit Division

The Internal Audit Division conducts internal audits of the Company and its Group companies pursuant to fiscal-yearly plans to determine whether their business is being executed properly, ensure the effectiveness of internal controls and improve management efficiency. All internal audit reports are reported to the representative director and president and the director in charge of the Internal Audit Division, and are also reported at the same time to the full-time Audit & Supervisory Board Members. The Board of Directors receives one regular report per year as well as reports from the director in charge of the Internal Audit Division as necessary. Moreover, the Internal Audit Division also assesses and reports on the effectiveness of internal controls over financial reporting in accord with the Financial Instruments and Exchange Act.

The Internal Audit Division is staffed with a total of 14 personnel, including nine internal auditors (three of whom are exclusively internal auditors; the other six split their time between internal auditing and other duties) and five staff assigned to reporting on internal controls in accord with the Financial Instruments and Exchange Act.

Audit & Supervisory Board Members, the independent auditor and the Internal Audit Division perform their respective auditing duties in coordination with each other and in accord with "Coordination among Audit & Supervisory Board Members, Independent Auditor and Internal Auditing Staff" under "Matters Pertaining to Audit & Supervisory Board Members" in section II(1) above.

(Nominations, Compensation-Setting)

For officer, director and Audit & Supervisory Board Member appointments, the Company selects individuals possessing the requisite qualifications, including work experience, capabilities and accomplishments, in accord with its candidate selection criteria.

The Company pays reasonable compensation to officers, directors and Audit & Supervisory Board Members in consideration for their services in accord with relevant compensation regulations, subject to an aggregate compensation limit approved by shareholders at a General Meeting of Shareholders.

To ensure the transparency, objectivity and reasonableness of the Company's decision-making processes for directors and executive officers' compensation and director, Audit & Supervisory Board Member and executive officer nominations/appointments, the Board of Directors consults with the Compensation and Nominating Committee, majority of which is comprised of independent outside directors, before any compensation or nomination/appointment proposal is placed on a Board of Directors' meeting agenda. The Compensation and Nominating Committee comprises independent outside directors in addition to the Board of Directors' chairman and the Company's president.

The Company has entered into a liability limitation agreement with each of its four outside directors and two outside Audit & Supervisory Board Members, limiting their liability for damages under Article 423(1) of the Companies Act to the statutory maximum amount stipulated in Article 427(1) of the Companies Act.

3. Rationale for Selecting Current Corporate Governance Regime

The Company has appointed two outside Audit & Supervisory Board Members who have no special interests in the Company and in whom the Company has no special interest. The Company believes they are objectively fulfilling a neutral management oversight function through their audits and involvement in important decision-making processes. Additionally, the Company has appointed four independent outside directors in the aim of enhancing management transparency and impartiality vis-à-vis shareholders by obtaining appropriate oversight of its management and advice from an outsider's perspective.

The Company accordingly considers its existing governance regime as stated above to be the best fit for itself in terms of ensuring management transparency and impartiality.

III State of Engagement with Shareholders and Other Stakeholders

1. Initiatives to Promote Attendance at Shareholder General Meetings and Facilitate Shareholder Voting

	Supplemental explanation
Early transmittal of notices of shareholder general meetings	The Company strives to send out notices of shareholder general meetings (access notices) early to give shareholders more time to decide how to vote at the meeting. Date of most recent Ordinary General Meeting of Shareholders: June 25, 2024 Date notice of said meeting (access notices) was sent out: June 5, 2024
Scheduling of shareholder general meetings to avoid most popular dates	When scheduling shareholder general meetings, the Company strives to avoid the most popular shareholder general meeting dates to maximize attendance.
Electronic voting	The Company has adopted electronic voting to enable shareholders to vote more conveniently.
Participation in electronic voting platform or other initiatives to upgrade voting infrastructure for institutional investors	The Company participates in an electronic voting platform for institutional investors.
Notices (abridged) provided in English	The Company provides notices of shareholder general meetings in English through an electronic voting platform in addition to publishing them on its website.
Other	The Company takes measures for electronic provision of notices of shareholder general meetings in accordance with the Companies Act, and publishes them on its website, etc. In addition, the English versions of the notices of shareholder general meetings are also published on the Company's website, etc., as stated above. Publication dates of notices of most recent Ordinary General Meeting of Shareholders: Japanese: May 31, 2024 English: June 5, 2024

2. IR Activities

	Supplemental explanation	In-person presentations by senior management?
Preparation and disclosure of disclosure policies	The Company has prepared disclosure policies and published them on its website.	
Periodic briefings for analysts and institutional investors	The Company holds earnings briefings for securities analysts and institutional investors after reporting first-quarter, second-quarter, third-quarter and fourth-quarter earnings. The briefings feature presentations by the president and other senior executives on earnings performance and business plans. Additionally, the Company provides the same information to the general public by publishing videos of the briefings, presentation materials distributed to the attendees and Q&A session transcripts on its website.	Yes
Publication of IR materials on website	IR materials available on the "Investors" tab of the Company's website include summaries of financial results, presentation materials from briefings, securities reports, business reports, integrated reports and timely disclosures. Japanese: https://www.mgc.co.jp/ir/index.html English: https://www.mgc.co.jp/eng/ir/index.html	
IR organizational unit (staff)	The Company has established a CSR & IR Division as its organizational unit in charge of IR and assigned staff exclusively to IR duties. The CSR & IR Division proactively conducts IR activities under the direction of the officer in charge of IR.	

3. Initiatives Related to Respect for Stakeholder Perspectives

	Supplemental explanation
Internal regulations' provisions on respect for stakeholder perspectives	The Company has prescribed MGC Corporate Behavior Principles. It is committed to respecting, and earning the trust and goodwill of, all stakeholders, including consumers, suppliers/customers, shareholders/investors, local communities and employees.
Environmental protection and CSR activities	The Company believes that addressing management challenges from a sustainability promotion perspective drives long-term corporate value creation and sustained growth in society. It has established a Sustainability Promotion Department to promote sustainability-conscious management. In addition to establishing the Sustainability Promotion Principle, the Company also designates management priorities (material issues) that are key to sustainability management through discussion among senior management. With respect to environmental protection in particular, the Company proactively engages in Responsible Care activities to mitigate environmental impacts and ensure safety throughout products' lifecycle from production through disposal. The Company reports to the public on its activities through MGC Report (Integrated Reports) published annually and its website (https://www.mgc.co.jp/eng/ sustainability /).
Formulation of policies on providing information to stakeholders	To expeditiously disclose information to shareholders/investors and other stakeholders with an emphasis on transparency, impartiality and continuity, the Company has adopted disclosure policies and provides information in accord therewith.

IV Matters Pertaining to Internal Control Systems

1. Basic Approach to Internal Control Systems and State of Implementation Thereof

The Company's Board of Directors has passed the resolution below on implementation of internal control systems. The MGC Group will implement internal controls in accord with the policies set forth therein.

(Content of Board of Directors' Resolution)

1. Systems for Ensuring Duties of Directors and Employees Are Executed in Compliance with Laws, Regulations, and Articles of Incorporation

1) The Company shall view compliance as broadly encompassing conformity with laws, regulations, Articles of Incorporation, and internal rules, as well as the conduct of fair, transparent, and free business based on an awareness of corporate responsibility to society, and shall establish MGC Corporate Behavior Principles, Compliance Rules, and MGC Group Code of Conduct.
2) The officer in charge of Compliance shall be appointed and a Compliance Committee chaired by said officer shall be established as an organization directly under the President. The Compliance Committee shall investigate compliance violations, and also discuss, formulate and make recommendation for corrective and preventive measures.
3) In order to ensure that the Company and its Group companies construct, maintain and operate internal controls appropriately the Company shall establish Basic Rules on Internal Control & Risk Management. The Internal Control & Risk Management Committee shall be chaired by the officer in charge of Internal Control & Risk Management and shall be established as an organization directly under the President. In order to ensure its effectiveness, the Internal Control & Risk Management Committee shall cooperate with the Compliance Committee and Internal Audit Division.
4) In order to detect compliance violations of the Company and respective companies of MGC Group and take corrective measures promptly, Compliance Hotline shall be established as a means of receiving internal reports from officers, employees, their families, contractors, business partners, and the like.
5) In order to eliminate antisocial forces, in addition to clarifying MGC Group's firm stance against such forces in the MGC Corporate Behavior Principles and the MGC Group Code of Conduct, the Company shall promote its policies in each relevant department.
6) In order to ensure the proper performance of duties by directors and employees, an Internal Audit Division shall be established to conduct internal audits pursuant to the Internal Audit Rules in addition to auditing by Audit & Supervisory Board Members and by the independent auditor.
7) The Company shall issue an MGC Compliance Handbook and distribute it to officers and employees to ensure MGC Group's understanding of the compliance, as well as cultivate awareness of compliance through education and training.

2. Systems for Ensuring Efficient Execution of Duties by Directors

1) The Company shall separate the decision-making, supervision, and business execution functions of the management and implement an Executive Officer system for expeditious decision-making and business execution. At the same time, in the operating divisions to achieve efficient business management accountability for performance shall be clarified.
2) In order to make decisions on matters that have material effect on the Company based on multifaceted considerations, a Management Council shall be established to deliberate on management policies and an Operations Council shall be established to deliberate on specific execution plans.
3) Organization Regulations, Segregation of Duties Rules, and Rules Defining Extent of Authority shall be established to clarify the duties and authorities of directors to ensure efficient and appropriate execution of duties.
4) Performance shall be monitored based on numerical targets clarified through the Group's medium-term management plan, annual budget, and the like.

3. System for Archiving and Managing Information on Execution of Duties by Directors

Information pertaining to the execution of duties by directors shall be archived and managed in accordance with the Document Control Procedures and other internal rules.

4. Rules and Other Systems for Managing Risk of Loss

1) The Company shall establish Internal Control & Risk Management Rules in order to understand and appropriately manage business risks as MGC Group.
2) The Internal Control & Risk Management Committee shall identify the status of risk management and provide supervision and instructions on prioritizing risks and devising reduction measures.
3) Being a chemical manufacturer, the Company shall engage in responsible care (RC) activities as a voluntary undertaking to ensure environmental protection and safety through the life cycle of chemicals from production to disposal.

5. System for Ensuring Appropriate Execution of Business by MGC Group

While valuing the autonomous management of all Group companies and clarifying the managerial accountability of its Board of Directors, the Company has established the following systems that include the maintenance of various regulations to ensure the appropriate execution of business within the MGC Group.

Also, regarding the appropriate execution of business within the MGC Group, companies within the Group are controlled through methods including the assignment of officers and the exercise of voting rights as required of the nature of the business, degree of importance, etc.

- In addition to establishing departments responsible for items relating to Group management as well as divisions that supervise individual Group companies, regulations such as Rules on Subsidiaries and Affiliates are maintained and a reporting system is created in order to receive regular and emergency reports from each of the Group companies.
- Regarding Internal Audit Rules, Group companies are also subject to internal audits. Also, regarding Basic Rules on Internal Control & Risk Management, risk management conducted by Group companies are also subject to these rules, and instruction and education are carried out so that Group companies will maintain and improve appropriate risk management systems.
- The Company establishes the MGC Corporate Behavior Principles and the MGC Group Code of Conduct as basic policies for the entire Group and seeks from each Group company the maintenance of compliance structures that meet them. Also, Human Rights Hotline shall be established to address the negative impact of business activities on human rights, including those that do not result in non-compliance. The Company's Compliance and Human Rights Hotlines are also available to the officers and employees of each Group companies (including retirees), as well as their families, contractors, business partners, etc.

- Through medium-term management plans, annual budget, etc. of Group companies, the Company clarifies each company's performance goals and conducts performance management based on these goals. Regarding important business activities performed by Group companies, the Company's supervisory division ensures appropriate decision-making through management discussions, etc.

6. Systems for Ensuring Effective Auditing of Audit & Supervisory Board Members

(1) Matters Related to Employees Assisting with Audit & Supervisory Board Members' Duties
Employees shall be assigned to assist Audit & Supervisory Board Members with their duties pursuant to consultations with Audit & Supervisory Board Members.

(2) Matters Related to Independence from Directors of Employees Assisting with Audit & Supervisory Board Members' Duties
Employees assigned to assist with the duties of Audit & Supervisory Board Members shall engage full time in said assignment and shall not be subject to orders and instructions from directors. The prior consent of the Audit & Supervisory Board is required for their transfer, appraisal, and disciplinary punishment.

(3) Matters Related to Ensuring Effectiveness of Orders Given to Employees Who Assist Audit & Supervisory Board Members in Their Duties
It is made clear that employees who assist Audit & Supervisory Board Members in their duties are to obey instructions given to them by Audit & Supervisory Board Members, and employees who possess the aptitude for such duties are nominated.

(4) Matters Related to Reports from Directors and Employees to Audit & Supervisory Board Members

1) In the event directors or employees find violations of laws and regulations or facts and the like that may cause significant damage to the Company, they must report said violations, facts, and the like to the Audit & Supervisory Board Members in accordance with laws, regulations, Compliance Rules, and other internal rules.
2) Directors and employees must report regularly, and promptly in the case of important matters, on the execution status of business operations including internal controls of the Company and supervised Group companies, risk management and implementation of compliance with the Audit & Supervisory Board Members, as well as promptly conduct investigations and provide reports in the event Audit & Supervisory Board Members request investigations and reports concerning these statuses.
3) Directors, Audit & Supervisory Board Members, and employees of Group companies will, based on laws and regulations, quickly conduct surveys and deliver reports in the case that a report is demanded from Audit & Supervisory Board Members.
4) The Compliance Committee must promptly report to Audit & Supervisory Board Members the content of consultations and reports involving the Company or Group companies received through Compliance Hotline.

(5) Matters Related to Treatment of Individuals Who Make Reports, etc. to Audit & Supervisory Board Members
Individuals responsible for aforementioned reports and surveys as well as those who work together with them, etc. shall not be subject to work reassignment, discrimination, or other unfavorable treatment as a result of that action, and knowledge of this prohibition will be made well-known.

(6) Matters Related Costs, etc., Resulting from Execution of Audit & Supervisory Board Members' Duties

1) In order to defray costs that occur as the result of the execution of Audit & Supervisory Board Members' duties, an appropriate budget shall be established each fiscal year based on projected activities.
2) If a request for prepayment or settling of accounts regarding costs necessary for the execution of Audit & Supervisory Board Members' duties is received, the Company shall promptly comply.
3) Even in cases where costs incurred as the result of the execution of Audit & Supervisory Board Members' duties exceed the amount budgeted for each fiscal year, Audit & Supervisory Board Members and the related directors shall meet and as a rule make considerations to respond to the necessity of those costs.

(7) Other Systems for Ensuring Effective Auditing of Audit & Supervisory Board Members

1) Representative directors shall arrange for regular exchange of views with Audit & Supervisory Board Members. Further, the Internal Audit Division and the independent auditor shall communicate and deliberate with Audit & Supervisory Board Members to ensure the effectiveness of Audit & Supervisory Board Members' operations.
2) Audit & Supervisory Board Members may attend Board of Directors meetings and other important meetings in order to understand the decision-making status regarding important matters and the execution status of business operations, in addition to reviewing important documents and requesting explanations of directors and employees on the execution of business operations.
3) In the case that the Audit & Supervisory Board requests the use of independent external specialists, the Company shall bear those costs, excepting cases where their use is deemed not necessary to the execution of Audit & Supervisory Board Members' duties.

2. Basic Approach to Eradication of Antisocial Forces and State of Implementation Thereof

The Board of Directors has passed a resolution reaffirming the Company's resolute commitment to eradicating antisocial forces. This commitment is explicitly embodied in the MGC Corporate Behavior Principles and MGC Group Code of Conduct and clearly evident both internally and outwardly.

Specifically, the Company has placed general affairs staff in charge of dealing with antisocial forces and appointed personnel in charge of preventing extortion at all of its sites. General affairs staff communicate, consult and otherwise cooperate with law enforcement and other external specialists, collect information on antisocial forces, raise widespread awareness and promote vigilance as needed, including at Group companies.

V Other

1. Adoption of Takeover Defense Plan

Has Company adopted a takeover defense plan?	No

Supplemental Explanation

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2. Other Matters Pertaining to Corporate Governance Regime

[Overview of Timely Disclosure Program]

The Company's internal arrangements for timely disclosure of company information are as follows.

1. Basic Information Disclosure Policies

The Company's Corporate Behavior Principles and Code of Conduct explicitly mandate appropriate information disclosure to investors, suppliers, customers, employees, local communities and other stakeholders to ensure its operations are conducted freely, fairly and transparently. The Company also promotes universal awareness of appropriate information disclosure among its personnel.

Additionally, the Company has prescribed information disclosure guidelines and procedures in accord with internal regulations and practices timely disclosure in compliance therewith.

2. Organizational Unit in Charge of Timely Disclosure

The Company has placed its CSR & IR Division in charge of timely disclosure. The CSR & IR Division's general manager supervises tasks involved in timely disclosure, including decision-making on timely disclosure matters and preparation of disclosures' text, as the manager responsible for information handling. Timely disclosures are approved by the officer in charge of the CSR & IR Division before being released.

3. Information Management Regime

(Information Pertaining to Decisions)

Decisions on important management matters are made by the Board of Directors, Operations Council or other internal body in accord with the Company's internal regulations. All such matters are screened beforehand by the CSR & IR Division, which decides whether the matter in question meets timely disclosure criteria. If the criteria are met, the CSR & IR Division decides on the content of the disclosure in consultation with the organizational unit(s) with purview over the matter. Once the matter has been decided upon by the Board of Directors or other decision-making body, the CSR & IR Division promptly discloses the decision.

(Information Pertaining to Events)

When information arises that presumptively meets timely disclosure criteria, the organizational unit with purview over the matter in question immediately reports it to the CSR & IR Division's general manager. Together with said organizational unit, the CSR & IR Division decides whether the matter meets timely disclosure criteria. If it does, the CSR & IR Division promptly discloses it.

(Information Pertaining to Financial Reporting)

The CSR & IR Division discloses information pertaining to financial reporting after first consulting with the accounting department and promptly after the information has been approved by the Board of Directors or other decision-making body.

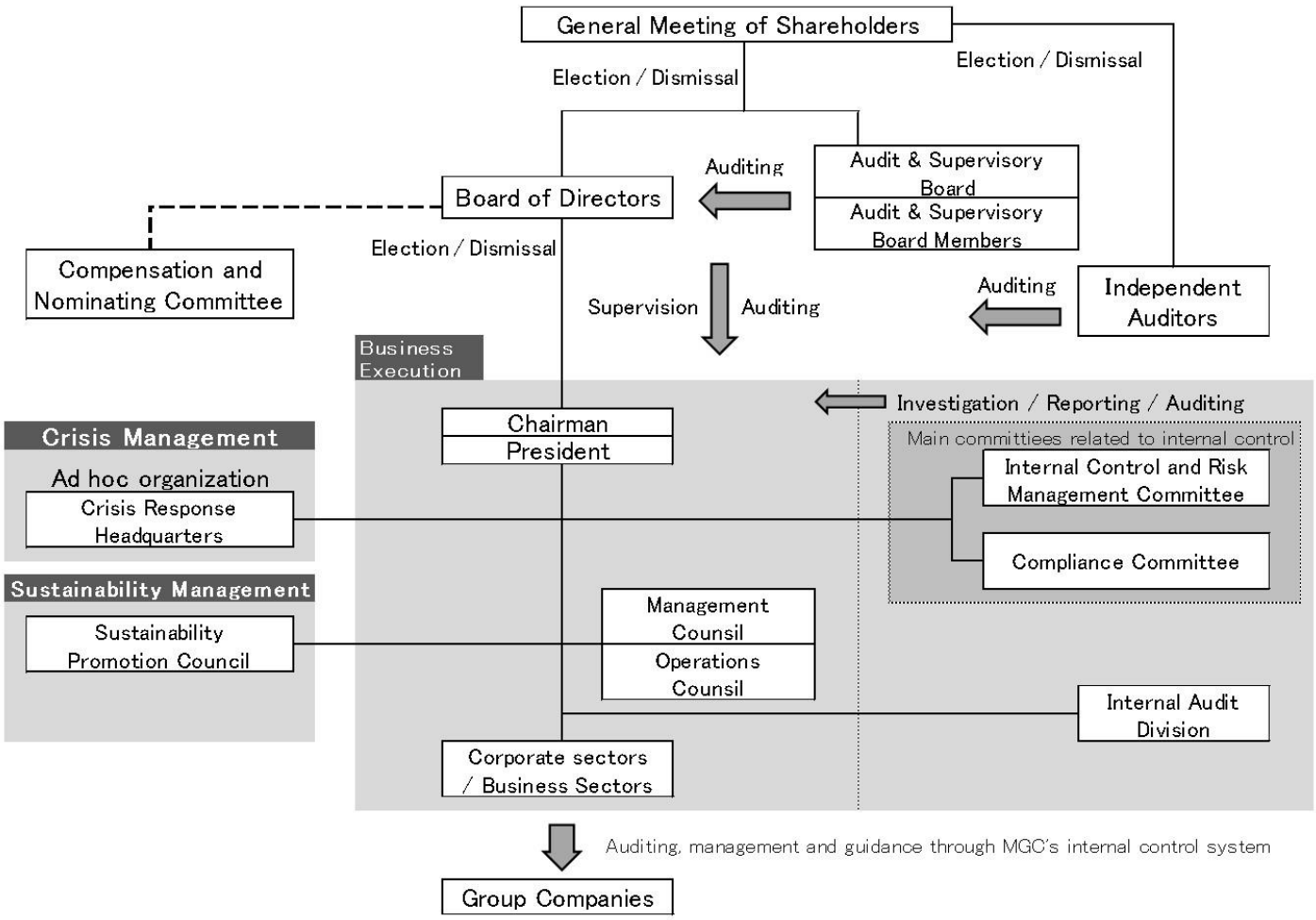
(Information Pertaining to Subsidiaries)

Information pertaining to a subsidiary, including information pertaining to decisions, events and financial reporting, is reported to the CSR & IR Division's general manager by the Company's internal organizational unit with purview over the subsidiary in question. Together with said organizational unit, the CSR & IR Division decides whether the information in question meets timely disclosure criteria. If it does, the CSR & IR Division promptly discloses it.

4. Prevention of Insider Trading

The Company has instituted regulations to prevent insider trading and endeavors to prevent insider trading by promoting thorough compliance with the regulations among all personnel.

Structure of Corporate Governance, Etc.



Expertise and Experience Sought in Directors and Audit & Supervisory Board Members (Skills Matrix)

	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
Directors							
Toshikiyo Kurai	○	○	○				○
Masashi Fujii	○		○		○	○	
Nobuhisa Ariyoshi	○			○	○	○	
Motoyasu Kitagawa	○			○		○	○
Ryozo Yamaguchi	○				○	○	○
Ko Kedo	○	○	○		○		
Yoshinori Isahaya	○	○	○	○			
Hideaki Akase	○		○	○			○
Haruko Hirose					○	○	○
Toru Suzuki	○		○				○
Yasushi Manabe	○		○				○
Kazue Kurihara	○	○					○
Audit & Supervisory Board Members							
Masamichi Mizukami	○	○	○	○			
Go Watanabe	○			○	○		○
Masato Inari	○	○	○		○		
Tsuneaki Teshima	○			○			○

* Up to four high-priority areas of expertise/experience are noted for each individual.
The table above is not exhaustive with respect to the expertise and experience disclosed for each individual.