

Sustainability

Report in Line with the TCFD Recommendations

In October 2018, MCHC announced its support for the final recommendations prepared by the Task Force on Climate-related Financial Disclosures (TCFD*).

Within the framework of enhanced climate change-related measures, the MCHC Group is working for improved solutions in GHG reduction and the carbon cycle, which are among the growth businesses identified in its medium-to long-term basic management strategy, KAITEKI Vision 30 (KV30), as well as progressing with measures toward achieving the strategy's target for GHG reduction. Progressive enhancement of information disclosure is another initiative which we are targeting to increase our corporate value.

* In June 2017, TCFD announced the final recommendations concerning disclosure of information to encourage companies to voluntarily disclose to investors the impacts of climate change-related risks and business opportunities on corporate finances.

The report based on the TCFD recommendations is also posted on our website.
<https://www.mitsubishichem-hd.co.jp/english/ir/library/tcfd.html>

KAITEKI Vision 30 is presented in detail on our website.
<https://www.mitsubishichem-hd.co.jp/english/group/kv30/index.html>

Governance

At MCHC, we have identified GHG reduction, environmental impact reduction and circular economy as the material issues (see P. 38) to be addressed in our medium-term management plan, APTSIS 25. In parallel, we have set management indicators and targets (see Metrics and targets) to measure progress with these initiatives to mitigate and adapt to climate

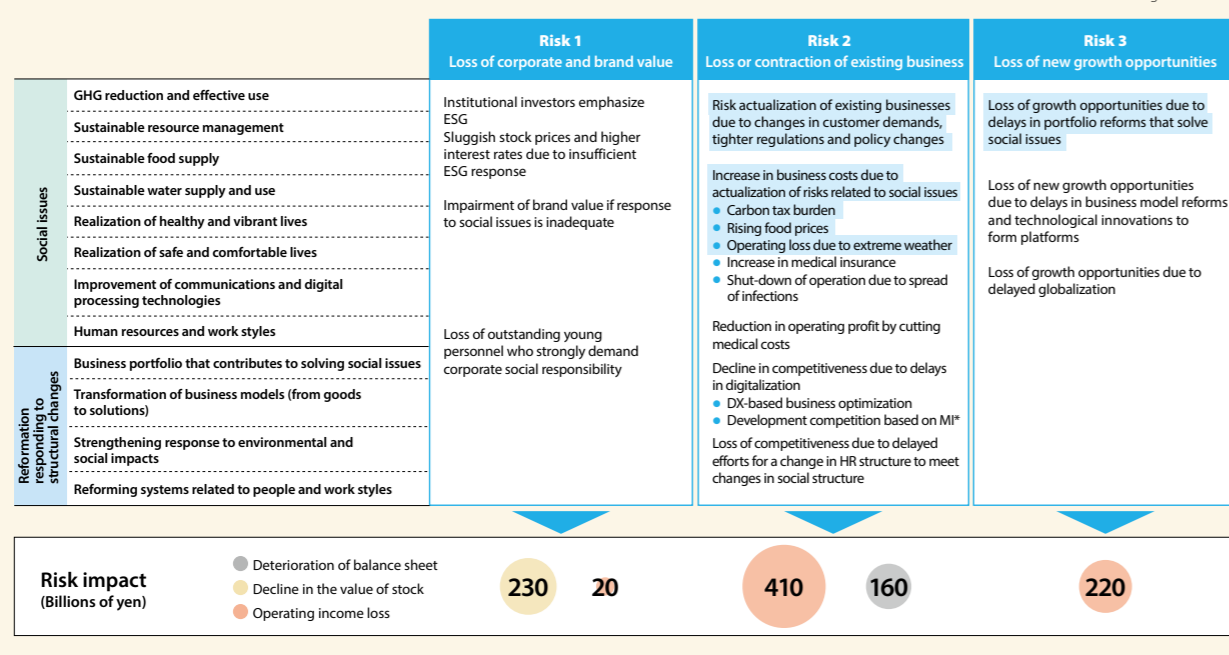
change. Going forward, we will continue to monitor progress against the target values set for each operating company, acting in line with the KAITEKI Initiative Structure (see P. 43), centered on the KAITEKI Promotion Committee, a body under the advisory control of the MCHC president.

Strategy and risk management

Category	Contents of report	Related pages
Business opportunities and risks from perceived social issues	In its formulation of KV30, the MCHC Group identifies the business opportunities and risks relating to social issues that it faces in the period up to 2030. It also quantitatively assesses the risk of leaving social issues unmanaged (see the table below). A climate change-related risk that we recognize as having a particularly large impact is decrease in product demand and profitability due to factors such as increased carbon tax burden and regulation of the use of plastic products. We aim to achieve a safe and secure society by minimizing damage and ensuring business continuity in the event of a large-scale natural disaster while providing solutions that contribute to disaster prevention and mitigation.	<ul style="list-style-type: none"> MCHC Group Material Issues (P. 37–38) Corporate Governance: Risk Management (P. 70–71) <ul style="list-style-type: none"> Measures against major risks

Category	Contents of report	Related pages
Business opportunities and risks from perceived social issues	<p>The MCHC Group recognizes business opportunities in solutions that contribute to resolving social issues, including the climate change-related items below, and has identified a group of relevant businesses as growth businesses, where it intends to progressively expand business scale and strengthen profitability.</p> <p>MCHC Group growth businesses related to climate change</p>	<ul style="list-style-type: none"> Secure footholds in fields where growth is accelerating amid changing social needs (strategy in growth businesses) (P. 31)
Impact on business scale and risks from perceived social issues	<ul style="list-style-type: none"> By fiscal 2030, we aim to expand GHG reduction-related areas and other growth businesses to account for over ¥4 trillion in sales revenue, and over 70% of the total. By fiscal 2022, the target period for Step 1 of the medium-term management plan APTSIS 25, we aim to expand the GHG reduction and carbon cycle areas to account for 12% of total sales revenue. We estimate risk associated with social issues and structural change in 2030 at around ¥1 trillion. 	<ul style="list-style-type: none"> KV30: Sales revenue target for FY2030 (P. 26)
Portfolio management	<ul style="list-style-type: none"> Based on the risk impact evaluation in KV30, we have carried out a review of the basic policy for portfolio reform to switch from the previous MOE-based evaluation to an overall evaluation based on factors including sustainability contribution (MOS) and innovation potential (MOT). Going forward, with a keen eye for businesses that contribute to medium-term growth, we will undertake continuous business portfolio reform using new evaluation criteria that take into account factors such as the scale of the environmental impact. 	<ul style="list-style-type: none"> Basic policy on portfolio reform (P. 30)
Risk management	<ul style="list-style-type: none"> We will strive to avoid the occurrence of major risks and minimize losses when they occur under our risk management system (see P. 70). We are aware that climate change risk is expected to increase further in the medium to long term, and we have factored this prediction into KV30 and the medium-term management plan. We are also exploring additional risk management methods. 	<ul style="list-style-type: none"> Corporate Governance: Risk Management (P. 70–71) <ul style="list-style-type: none"> Risk management system Measures against major risks Measures against future risks

Reference: Evaluation of risk in the case of social issues, including climate change-related issues, being left unmanaged (identified in KV30)



* Materials informatics: AI-based method to design new materials and explore alternative materials rapidly and efficiently.

Metrics and targets

Category	Contents of report	Related pages
Metrics and targets to assess risks and opportunities	<p>Of the management indicators used to measure progress with material issues (MOS Indices), we have set medium-term targets in two selected items: the percentage reduction in GHG emissions and the percentage contribution of the GHG reduction and carbon cycle business areas to total sales revenue. We will carry out annual evaluation of the state of progress.</p> <p>Regarding the percentage reduction in GHG emissions, we will aim for reductions in line with the target levels of the respective national and regional governments. In Japan, we are taking forward concrete measures aimed at meeting the KV30 fiscal 2030 target of a 26% reduction in domestic emissions compared to fiscal 2013. Going forward, we are committed to exploring further emissions reduction in line with the approach adopted by the respective national and regional governments.</p>	<ul style="list-style-type: none"> New MOS Indices (P. 39–42)
Scope 1–3 GHG emissions	<p>Please see GHG emissions in "Non-Financial Highlights" for the performance in fiscal 2020. We have received independent assurance for GHG emissions, and are working to disclose highly reliable information.</p>	<ul style="list-style-type: none"> Non-Financial Highlights (P. 91) Environmental Data/Independent Assurance Report (P. 103–104)
Director remuneration	<p>The performance-based evaluation of the remuneration of corporate executive officers and executive officers is determined based on the degree of achievement of the targets for each fiscal year. The evaluation is determined by using indices* including those associated with the improvement of sustainability in addition to economic and capital efficiencies, such as indices associated with climate change through the promotion of energy-saving activities. For details, please refer to the Securities Report.</p>	<ul style="list-style-type: none"> Corporate Governance: Director remuneration (P. 66–68)

* From fiscal 2021, we will shift to new MOS Indices. For a detailed explanation, please refer to New MOS Indices on P. 39–42.