

Explanation of Strategy by Executive Officer in Charge

Individuals and organizations
able to autonomously
change are the source of
value creation

Director, Managing Executive Officer
In charge of Internal Control &
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Responsible for Administrative &
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Immediately responding to environmental change while maintaining the autonomy of individuals and organizations

The MGC Group has developed a culture emphasizing autonomous individuals throughout its history spanning half a century. This is because it is individual employees facing stakeholders on the front line who are able to quickly grasp market needs and trends in technology in order to update their own knowledge and skills. Moreover, employees within MGC work to improve themselves while relativizing their experiences through dialogue with others in an effort to conduct their work while also giving consideration to the overall optimization of the department to which they belong. Organizations, being groups of individuals, also maintain autonomy by continuing to update their systems and structure while observing changes in society. In addition, friendly competition among individuals exchanging opinions from a variety of perspectives is essential for the value creation process in a company. An environment in which people can engage in discussion transcending differences in career and position is one of MGC's major strengths, and is the reason it is referred to as an "open company."

As described above, our distinct corporate culture along with individuals and organizations able to autonomously change could be considered the origins of value creation within the MGC Group.

From fiscal 2021, when the new Medium-Term Management Plan begins, all organizations are engaged in DX (digital transformation). I think DX can be defined from the perspective of organizational management in terms of reducing past practices and accepting new values to make the approaches to operations and organization more diverse. Neither operations nor organizations have a "final form" and constant innovation using digital technology is essential.

Using diversity to drive growth, and emphasizing on-the-job training in human resource development

I think diversity and inclusion^{*1} are essential elements for forming an organization in which a variety of human resources can take an active role and for achieving chemical innovation and sustained growth. The MGC Group believes that ongoing communication with others and acknowledging each other's differences in the process of forming the careers of autonomous individuals leads to growth of the organization as a whole, and we are focused on building workplaces that enable this.

Meanwhile, a characteristic of the human resource development program is that it is centered on on-the-job training while implementing individual management based on the aptitude, skills and goals of each individual. The aim is to stimulate expression and a challenging mindset in actual work that are not included in the occupation-specific or grade-specific curriculum for off-the-job training. We attempt to conduct management of human resources able to fully utilize their skills by identifying latent talent and repeating job rotation through this on-the-job training. Furthermore, the team leaders who play a key role in on-the-job training are also asked to execute operations by leveraging their own talent. The importance of team leaders is likely to increase as they also serve the role of facilitators while carrying out their normal duties.

I would like MGC's employees to not just aim to imitate specific senior personnel or superiors, but also to place importance on growth through developing their own unique qualities. Pursuing uniqueness could be considered to similarly apply to Group management. We intend to promote continuous evolution of the MGC Group by building an overall system built on diversity and individuality with the Group's mission and vision at its core.

^{*1} An initiative to promote growth and change of corporate organizations by accepting and utilizing differences in human resources with a variety of backgrounds such as gender, age, nationality, culture and values.

Basic Approach

MGC exists as a social presence that contributes to society through business while at the same time being a place for employees to improve themselves and achieve their respective happiness through work. In order to put this approach into practice, we work to enhance support systems, such as various forms of training, to enable each employee to improve his or her knowledge and capabilities as a professional. We are also engaged in the creation of an autonomous organization leveraging individuality to facilitate self-improvement while meeting customers' needs. Specifically, we form small groups and business management units (BMU) in each organization and give

them the authority and responsibility to enable individuals to fulfill their potential.

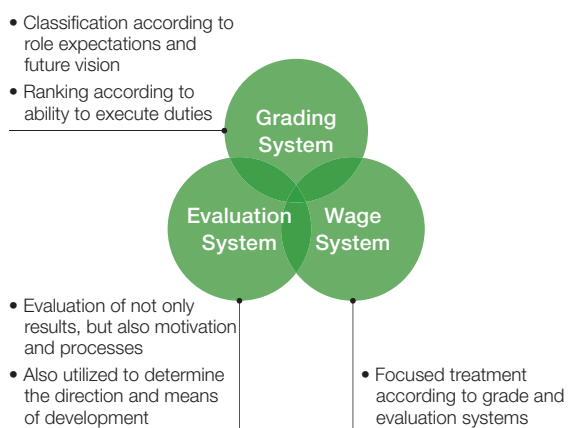
Through such initiatives, we accurately determine personnel information such as the skills and attributes of each employee, and conduct appropriate human resource management by ascertaining the direction and means of career formation and development of each person. Furthermore, we have established personnel evaluation standards enabling clear quantitative comparisons to encourage autonomous change. In recent years, we have also actively engaged in the promotion of diversity and inclusion as well as work style reforms.

Human Resource Development at MGC

Our people are our most important asset. With the aim of realizing our Group mission of "creating value to share with society," we work to create systems for employees to improve their knowledge and capabilities while refining their individuality as professionals, as well as workplaces and environments that are infused with vibrancy through self-improvement.

The personnel system is characterized by individual management based on the aptitude, skills and goals of each person, with emphasis on human resource development. Specifically, this is made up of three components: a multi-stream vocation qualification grading system, an evaluation system, and a wage system clearly linked to these. We support all employees equally, providing them with a range of career opportunities in line with individual aspirations that meet their individual roles, achievements, and capabilities.

Conceptual Diagram of Personnel System



Main Training Systems

	Grade-Specific Training	Occupation-Specific Training	Self-Education
Managerial Level	General Manager Level <ul style="list-style-type: none"> Organizational management training 	<ul style="list-style-type: none"> Global human resource development training Facilitation skill training Programming education Logical communication training Overseas short-term training Negotiation strategy training Technology networking events (production, research and engineering departments) Patent study sessions (research promotion departments) Marketing education (research promotion departments) Placements at research institutions, such as universities Safety and health, environmental management, quality control-related training Other specialized education and in-house seminars 	<ul style="list-style-type: none"> Language qualifications and language training (includes English, other languages, and theme-specific training) Management and business skills Finance, accounting, tax, and law Basic chemistry and basic safety technology Other communications training
Mid-Level Employees	Manager Level <ul style="list-style-type: none"> Manager training New manager training 		
Junior Employees	<ul style="list-style-type: none"> Manager candidate training Mid-level employee training 5th year <ul style="list-style-type: none"> Optional training courses 		
	2nd year <ul style="list-style-type: none"> Junior employee training 2nd year <ul style="list-style-type: none"> New employee follow-up training When joining the company <ul style="list-style-type: none"> New employee training 		

Note: The year in which grade-specific training is taken is shown using the case of a technical employee (with a master's degree).

Promotion of Work-Life Balance

In terms of work-life balance, MGC endeavors to create systems and a culture in which each employee can feel secure and motivated by their work, taking an active role over the long term in ways befitting their individual circumstances. Our return-to-work rate after childcare leave was 100% in fiscal 2020. We have established a system for supporting childcare that exceeds the statutory requirements, including childcare leave lasting until a child reaches two years and one month of age, and shorter working schedules until a child finishes third grade at elementary school. We have also established an early reinstatement support system for employees who wish to return to work early after childcare leave.

In June 2016, MGC was certified by the Minister of Health, Labour and Welfare as a company that supports child rearing, and we obtained the “Kurumin” next-generation support certification logo.

In response to diversifying ways of working and taking time off, MGC has established a flextime system

(trials to abolish core time are ongoing at the head office and research laboratories), as well as a system for accumulating annual leave (up to 40 days), as well as various types of special leave, including leave for marriage, childbirth, work transfers, volunteering, medical donorship, and others. In addition, from fiscal 2020, we have been conducting trials of a teleworking system targeting all employees at the head office and research laboratories. We also have in place a system whereby those needing leave to care for family members can take up to one full year off, exceeding statutory requirements. In terms of corporate culture, efforts include establishing a no-overtime day and measures to encourage employees to take their annual leave through such groups as the Shorter Hours Committee established by labor and management.

As a result of these initiatives, usage of annual leave was 85.3% in fiscal 2020 (versus 95.7% in fiscal 2019), and total working hours averaged 1,858.2 hours per employee (versus 1,854.8 hours in fiscal 2019).

Programs to Promote Work-Life Balance

Program	Description
Flextime	Available on company-wide basis; MGC's headquarters and research laboratories are trialing super flextime with no core time
Teleworking	Trial underway at headquarters and research laboratories, with employees allowed to telework up to three days per week
Parental leave	Employees unable to secure child care can take leave until child is two years old
Paternity leave	Employees can take five days of (paid) leave when spouse gives birth
Nursing leave	Employees can take one year of leave per family member requiring care; the year can be divided into up to three intervals
Shortened work schedule for caregivers	Employees with young children (up to third grade) or other family members requiring care can work a shortened schedule (can be shortened to as little as six hours per day)
Nursing leave for children	Employees can take up to 10 personal days per year to care for children not yet of school age
Nursing leave	Employees can annually take five days per family member requiring care, up to a maximum of 10 days if two or more family members require care
Annual paid leave by half-day	Employees can take a half-day leave up to 30 times per year
Accumulating annual leave	Employees can accumulate up to 40 days of unused paid leave from prior years for emergency use (e.g., personal illness/injury, family illness, natural disaster)
Refresh leave	Upon turning 50 years old, employees are granted five days of special (paid) vacation and paid a one-time bonus
Volunteering leave	Employees who volunteer to assist with emergency disaster relief can take up to three (paid) days per year to do so
Medical donor leave	Employees can take up to three (paid) days per year for bone marrow donation, including registration, screening and extraction
Leave for accompanying spouse overseas	Employees can take a leave of absence for up to three years to accompany their spouse working overseas
Re-hiring of former employees	MGC re-hires qualified former employees who resigned within the previous 10 years as a result of circumstances beyond their control

COVID-19 and Work Style Reforms

MGC promotes work style reforms as an initiative essential both for improving employee job satisfaction and productivity, and for the creation of innovation. Until now, we have implemented initiatives such as the reduction of working hours by reviewing workflow and shortening meeting times, and the creation of environments where employees can choose their work hours and sites in order to enable work styles that are diverse, flexible and do not

rely on long work hours.

In terms of measures to address COVID-19, we are also promoting the expanded use of teleworking and flextime without core hours to balance employees' health and work. Looking ahead to changes in society and the market after COVID-19, we will promote work style reforms through the realization of more diverse work styles and the utilization of DX, amidst other innovations.

Respect for Human Rights



At MGC, we adhere to strict MGC Corporate Behavior Guidelines and the MGC Group Code of Conduct, which call for us to respect individual personality and human rights, while not discriminating on the basis of race, gender, nationality, age, religion, or place

of origin, as well as not harming the dignity of others. Our Code of Conduct also stipulates that sexual harassment and power harassment are prohibited. These guidelines and codes—along with the four fundamental principles*² of the International Labor Organization (ILO)—have also been communicated to our Group companies overseas. We work to reinforce these principles on a day-to-day basis through training sessions, internal communications, and Human Rights Week, and have also established a special consultation desk. Furthermore, we are engaged in the improvement of knowledge and the collection of

information through membership in the Mitsubishi Human Rights Enlightenment Council and participating in a variety of training and information exchange meetings on human rights.

In April 2020, MGC signed the United Nations Global Compact (UNGC), and was registered as a participating company. With the signing of the UNGC, we indicated our will to promote the implementation of responsible business practices by ensuring our strategy and execution conform with the ten UNGC principles*³ on “protection of human rights,” “elimination of unjust labor,” “support for the environment” and “anti-corruption.”

*² (i) Freedom of association and the right to collective bargaining, (ii) elimination of forced labor, (iii) effective abolition of child labor and (iv) elimination of discrimination in respect of employment and occupation

*³ The Ten Principles of the UN Global Compact (external website)
<https://www.unglobalcompact.org/what-is-gc/mission/principles>

Mental and Physical Health Care

The checkup compliance rate for regular health checkups for all officers and employees was over 99% in fiscal 2020; industrial physicians and public health nurses actively provide guidance when the results of tests indicate the need for retesting or in the event that there are any specific findings.

In addition to health promotion activities conducted at each business site, we work to further increase activity and awareness through such initiatives as starting the Company-wide Workplace Health Promotion Program, which is an on-demand exercise and stretching video streaming service based on the increase in teleworkers and the change in the environment due to COVID-19.

The comprehensive Employee Assistance Program (EAP), including a stress check, is implemented to ensure mental well-being, providing employees with an

environment in which they can freely consult outside specialists regarding their concerns. Furthermore, we endeavor to continuously improve our workplace culture and raise employee awareness by providing appropriate feedback of group analysis results to each organization head, holding workshops on self-care and “line care” (consulting with managers and supervisors) at each business site, and through e-learning, as well as implementing mental health training at the time of entry into the company and when a promotion is earned.

In recognition of the initiatives implemented to date, MGC was certified as a “Health & Productivity Management Outstanding Organization (large enterprise category)” by the Japan Health Council of the Ministry of Economy, Trade and Industry for the second successive year (2020 and 2021).

Ensuring the Safety of, and Providing Medical Support for, Employees Traveling or Posted Overseas

By working with an outside consultant for security and medical assistance, and receiving advice based on analysis of threats to safety by country, we are able to promptly acquire accurate information, and, when necessary, provide that information to employees posted, or traveling on business, overseas, as well as using it to determine whether it is advisable to travel or not, and on appropriate

safety measures for travel.

In terms of medical care, we have established a comprehensive support system for employees posted, or traveling on business, overseas, including referrals to local hospitals, telephonic consultations with doctors in Japanese, preventive advice on local infectious diseases, and arrangement of medical transport in case of emergencies.

Union and Labor-Management Relations

Under a positive relationship of mutual trust and respect, labor and management at MGC work together to address a variety of issues. We hold regular management council meetings with the aim of sharing our understanding of issues related to management and the business environment, including such key topics as work styles, employee benefits, and treatment, and meetings of the Personnel System Review Committee for joint labor-

management discussion of various programs throughout the year. Together, we have revised the personnel system, the re-employment system, and our retirement plans. Other issues such as wages and bonuses are determined through yearly collective bargaining and other negotiations.

Note that there were 1,885 labor union members as of the end of March, 2021. Employee tenure was 18.7 years (19.0 years for men, 15.6 years for women).

Promoting Diversity

MGC promotes diversity, defined as “all employees working by utilizing their diverse individuality,” and strives to create a workplace environment that enables diverse employees to respect each other, and in which all employees can play active roles and achieve personal growth. To this end, we endeavor to establish an invigorated corporate culture that will allow new paths to emerge and technological innovation to take place through the collaboration of diverse values.

We established the Diversity Promotion Office in August 2019 to develop a corporate culture of respect for diverse individuality and further promote MGC’s management concept of creating a place with job satisfaction and a dynamic group in which motivations and abilities are respected. An inter-departmental committee and other organizations were established, proposals are being made to address various issues, and we are working to make improvements.

Fiscal 2020 Diversity Promotion Activity Plan and Results

Basic Policy	Item Promoted	Challenges and Targets	Results of Key Initiatives in Fiscal 2020
Promoting awareness about respect for diverse values and ways of thinking	Fostering awareness	<ul style="list-style-type: none"> Improvement of understanding of promotion of diversity within company 	<ul style="list-style-type: none"> Implemented diversity training in new employee training, new manager training, etc. Distributed clear files outlining the promotion policy to all employees
	Raising awareness for human rights	<ul style="list-style-type: none"> Promotion of human rights awareness activities Strengthening of measures to prevent harassment 	<ul style="list-style-type: none"> Implemented human rights training in new employee training, new manager training and Human Rights Week Conducted a survey on harassment for all employees to confirm actual conditions and identify issues
Creating environment that ensures diverse work styles	Work style reforms	<ul style="list-style-type: none"> Reduction of total working hours and improvement of productivity Enhancement of systems enabling diverse and flexible work styles Improvement of safety net 	<ul style="list-style-type: none"> Promoted initiatives to improve operational efficiency at each business site (review of meetings, utilization of digital technology, enhancement of equipment, etc.) Implemented trials of flextime without core working hours, telework system and discretionary work system
Diversifying human resources and creation of an organization that optimizes utilization of each and every human resource	Women's empowerment	<ul style="list-style-type: none"> Promotion of career development support for female employees Promotion of support for balancing work and home life 	<ul style="list-style-type: none"> Implemented career training for new employees and employees reinstated after childcare leave Made improvements to facilities and equipment (break rooms, restrooms, etc.) to improve environment for female employees at each business site Actively encouraged male employees to take childcare leave
	Diversification of human resources	<ul style="list-style-type: none"> Employment of foreign human resources Diversification of hiring formats Promoting more opportunities to people with disabilities 	<ul style="list-style-type: none"> Held company information session especially for foreign students Promoted career hiring and referral hiring Promoted employment of people with disabilities, establishment of work environment and expansion of occupations for them at all business sites
	Organization development and human resource development ^{*4}	<ul style="list-style-type: none"> “Visualization” of organization issues Promotion of development of human resources able to exhibit their individual strengths 	<ul style="list-style-type: none"> Considered methods and tools for “visualization” of organization issues Implemented concept work and design consideration for establishment of new facilities for training and exchanges
Developing human resources able to demonstrate individual strengths	Promoting mental and physical health (promoting health management)	<ul style="list-style-type: none"> Improvement of health awareness and knowledge Establishment of exercise habits 	<ul style="list-style-type: none"> Participated in walking events at each business site and held online exercise classes Started use of exercise video streaming service primarily for eliminating lack of exercise while working from home
	Disease prevention	<ul style="list-style-type: none"> Enhancement of measures to address lifestyle diseases Promotion of measures to address mental health 	<ul style="list-style-type: none"> Consolidated smoking areas and reviewed installation locations at each business site to promote quitting smoking Implemented “Training for Mental Health (Self Care) in COVID-19 Era” for all employees

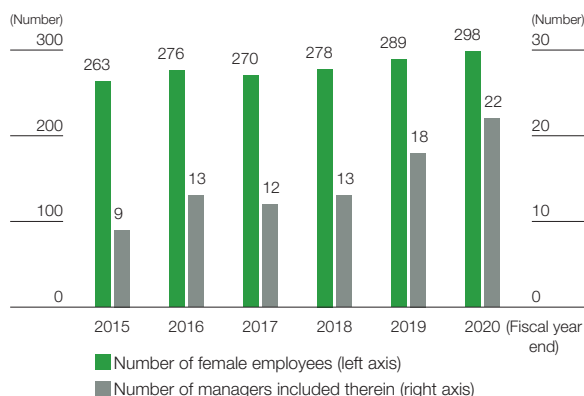
*4 Related to the two basic policies of “creating organizations” and “developing human resources”

Promoting Women's Empowerment

In order to establish an employment environment where employees can fulfill their potential and in which it is easy to establish work-life harmony regardless of gender, and to moreover establish an environment in which women can serve in management roles, we are engaged in the implementation of measures to support the career advancement of female employees and the enhancement of systems to support the balance of work and home life.

In fiscal 2020, we introduced a system allowing employees who wish to accompany their spouse working overseas to take a leave of absence. Furthermore, the rate of childcare leave taken by male employees increased from 5.2% (fiscal 2019) to 13.9% as a result of actively encouraging them to take leave.

Female Employees and Managers (Non-consolidated)



Communication with Stakeholders

Stakeholder Engagement

MGC aims to earn society's trust and empathy by contributing to local communities as a member of society, and by also fulfilling its responsibilities to a variety of stakeholders.

Stakeholders	Communication Philosophy	Primary Means of Communication	Frequency
Customers	MGC offers a wide range of products. To respond to customer expectations and the trust they place in our products, MGC incorporates customer requests and feedback in product development and in improving its services.	Direct contact by sales staff	Daily
		Incoming phone calls, website contacts	Daily
		Survey requests from customers	Daily
		Responses to CDP climate change questionnaires	Once yearly
		Responses to CDP water security questionnaires	Once yearly
Shareholders / Investors	MGC conducts a broad range of communication activities and ensures shareholders and the investment community have an accurate understanding of MGC; we strive for timely, fair and transparent disclosure of information.	Earnings briefings	Twice yearly
		Response to media requests; IR events	As necessary
		Information disclosure in compliance with laws or securities exchanges' regulations	As appropriate
		IR section of website	Daily
		General meetings of shareholders	Once yearly
		Reports to shareholders	Twice yearly
Business Partners	We consider supporting suppliers' CSR activities to be an important factor. In this way, we endeavor to build a supply chain that takes into account regulatory compliance, the environment and safety.	Communication through purchasing activities	Daily
		Inquiries about product sourcing	Daily
		Responses to CSR surveys	As necessary
Local Communities	We encourage community interaction and contribute to community development through participation in local festivals, blood drives, and traffic safety campaigns in Japan, as well as through participation in local activities outside of Japan.	Incoming phone calls, website visits	Daily
		Participation in community activities (e.g., disaster relief, litter cleanup, tree planting, traffic safety)	As necessary
		Scholarships for foreign students through Mitsubishi Gas Chemical Memorial Foundation	Monthly
		Youth educational support (e.g., donation of chemistry experiment kits)	Periodically
		Community meetings at plants	As necessary
		Plant tours	As necessary
		Participation in local events	As necessary
Employees	MGC aims to create dynamic workplace environments where all employees know their respective roles, give full play to their creativity, produce impressive results, and find meaning in their jobs.	Training programs, interviews	Periodically
		Management council meetings / management briefings (labor-management consultation)	Periodically
		Personnel System Review Committee for joint labor-management discussion	Periodically
		Collective bargaining	As necessary
		Central Environmental Safety and Health Conference meetings	Periodically
		Internal newsletter	Quarterly
		Intranet	Daily
		Consultation desk, whistleblower hotline	Daily
		Occupational Safety and Health Committee meetings	Periodically