

Strengths Supporting Growth (CSR/ESG)

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Environment and Safety Management (Responsible Care)

At MGC, sustainable development, building a recycling-based society, and safe operations are important management issues that determine how we conduct our business.

We promote Responsible Care (RC)^{*1} throughout MGC as a means to ensure we achieve our environmental and safety goals.

The MGC Group Policies on Environment and Safety

As an important member of society, the MGC Group makes an effort to earn social trust by acknowledging our responsibility to contribute to the community, to preserve the environment and ensure safe working conditions, and to align our corporate activities with global environmental protection under the principle of sustainable development.

Environmental and Safety Targets

Zero Accidents,
Zero Occupational Injuries,
and Environmental
Preservation

Basic Policies

- Maintain occupational health and safety processes across all operations
- Ensure process safety and security at work sites
- Reduce environmental impacts and contribute to the sustainable development of communities
- Ensure the safe handling, usage, and disposal of chemical products
- Ensure the safe transport and storage of chemicals and related products
- Build the trust of stakeholders
- Implement group-wide environmental and safety initiatives
- Improve environmental and safety management systems on a regular basis

Message from the Director in Charge of Environment and Safety



Kenji Inamasa

Representative Director,
Senior Managing Executive Officer

Last year was the final year of our three-year Responsible Care (RC) Medium-term Plan 2017. In the fall of 2015, a fire and explosion at one of our hydrogen peroxide plants caused great public concern. Subsequently, we worked to thoroughly investigate and identify the cause of the accident, implement sound safety measures, and improve safety awareness company-wide. As a result of these activities, we succeeded in achieving zero lost time injuries and zero serious accidents in the two years following the accident. I believe this demonstrates that our efforts aimed at ensuring accident- and injury-free, safe and stable production have finally begun to show some success.

This year, we have revised the MGC Group Policies on Environment and Safety as part of the start of our new three-year RC Medium-term Plan 2020. It represents a renewal of our commitment to nurturing a broad trust with our stakeholders through our environmental and safety activities. Under the survey of CDP^{*2} Climate Change 2017, MGC again received a rating of A-, as we did the previous year. In addition to introducing MGC Group eco-friendly products that help reduce society's environmental impact, we have also announced the MGC Group Declaration on Environmental Sustainability, which sets out some of the ways the MGC Group is working to contribute to sustainable community growth.

Over the three years of our new medium-term plan, we seek to be an outstanding chemical company with original technologies and a strong presence in society, as we continue to pursue environmental and safety activities to ensure safety and security in our production operations.

^{*1} Responsible Care: The chemical industry's, including MGC, voluntary activities to harmonize business activities with global environment preservation through ensuring environment, safety and health in all stages of chemical substance life cycles from development, manufacture, distribution, use and final consumption to disposal.

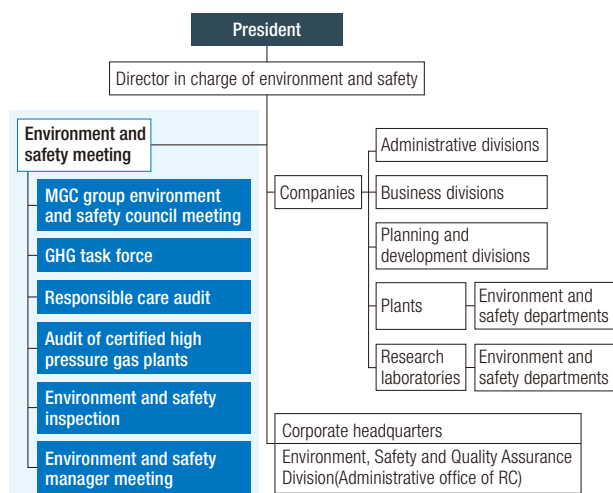


^{*2} CDP: A not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.

Environment and Safety Management (Responsible Care)

RC Promotion System

All of MGC's divisions, at both the segment and corporate level, follow the Policies on Environment and Safety that promote Responsible Care. Every December, MGC holds environment and safety meetings, which are chaired by the President and comprise all directors, audit and supervisory board members, company presidents, directors of plants and laboratories, and the general manager of the Production Technology Division. MGC also takes steps to make continuous improvements in the PDCA cycle based on the RC medium-term plan targets and annual activity targets.



RC Audits in 2017

The director in charge of environment and safety, together with an auditing team, conducts the RC audit. This audit assesses the status of progress with RC action plans and priority audit items for the year at each of our sites.

In 2017, audits focused on (1) electrical equipment safety management; (2) progress in identifying machinery with high concentrations of PCBs; (3) partner company occupational injury prevention efforts; (4) maintenance of and improvements to construction starting procedures; (5) efforts to assess safety competency; (6) injury prevention efforts; and (7), management of records regarding distribution of safety data sheets.

- **Auditees**
5 plants, 3 laboratories (including Tokyo Techno Park), 4 company business divisions, Purchasing & Logistics Center
- **Audit findings**
Full conformity (25 cases)
Non-conformity (no cases)
Improvement orders (8 cases)
Comments (23 cases)

RC Medium-term Plan 2020 (2018-2020)

The descriptions in the Category of Activities concerning distribution safety, dialogue with society, and RC in general have been omitted.

Category of Activities	Basic Policy	Mid-term Plan
Occupational Health and Safety	Maintain occupational health and safety processes across all operations	Aim to eliminate occupational injuries at the worksites of MGC and its partner companies <ul style="list-style-type: none"> • Implement regular safety activities and ensure all personnel are informed of them • Share and utilize information about cases of occupational injuries • Maintain healthy workplace environments and make improvements when necessary
Process Safety and Accident Prevention	Ensure process safety and security at work sites	Aim to eliminate accidents in the workplace <ul style="list-style-type: none"> • Ensure proper management of equipment and facilities • Share and utilize information about cases of workplace accidents • Improve the ability of employees to ensure safety and manage workplaces through MGC's Bridge-II activities
Environmental Conservation	Reduce environmental impacts and contribute to the sustainable development of communities	Aim to protect the natural environment and contribute positively to communities through business activities <ul style="list-style-type: none"> • Fully comply with environmental regulatory requirements • Work to achieve environmental impact reduction targets • Contribute to improving MGC's credibility and reputation in society with respect to environmental conservation
Chemical and Product Safety	Ensure the safe handling, usage, and disposal of chemical products	Work to consistently maintain safety across the entire lifecycle of chemical products <ul style="list-style-type: none"> • Stay updated on chemical-related safety information and distribute such information when necessary • Practice risk management of chemical products • Comply with chemical management regulations in each country of operations and international rules and regulations

Concern for the Environment

Climate change and other global-scale environmental issues have gained much attention in recent years. The MGC Group recognizes that environmental problems are an important issue with a significant impact on its business activities and is engaged in a variety of initiatives to address them.

The MGC Group Declaration on Environmental Sustainability

The Mitsubishi Gas Chemical Group shall help communities develop more sustainably in the future by taking actions aimed at maintaining a healthy global environment going forward, including initiatives for tackling climate change, promoting community-based recycling, and protecting biodiversity.

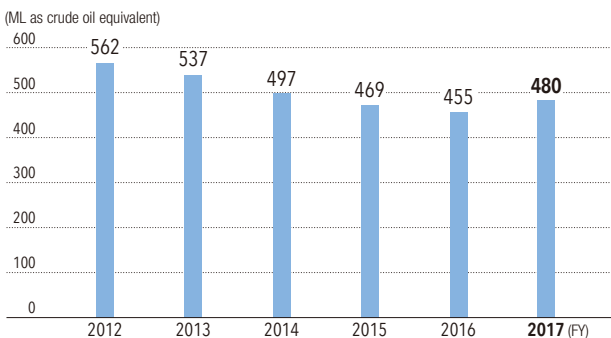
1. We shall strive to procure energy, raw materials, water, and other resources in a manner that minimizes environmental impact, and promote the efficient use of such resources.
2. We shall implement measures to reduce the environmental impact of greenhouse gases and other environmental pollutants.
3. We shall reduce waste through recycling and other initiatives, and properly manage and dispose of the waste we produce.
4. We shall promote the development and widespread use of products and technology that reduce environmental impact or help restore damaged ecosystems.
5. We shall fully comply with international rules and the environmental regulations of countries in which we operate.
6. We shall promptly and properly disclose information regarding our environmental initiatives and proactively engage with our communities.
7. We shall strive to raise awareness of environmental issues through education.

MGC's Primary Environmental Impacts

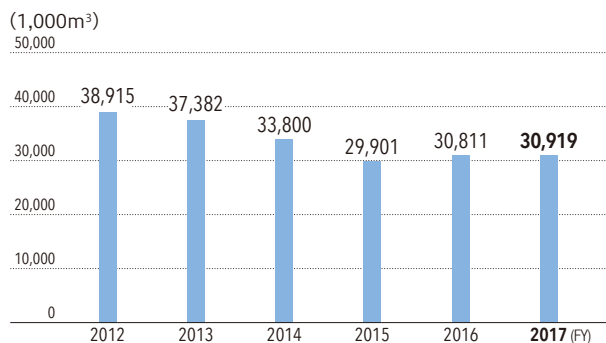
MGC considers climate change and water use to be important areas of risk that impact both the global environment and its business activities, and is working to reduce its environmental impact.

Details of the MGC Group's environmental impacts, including those not listed below, can be found on the Mitsubishi Gas Chemical website (information scheduled to be made available in November 2018).

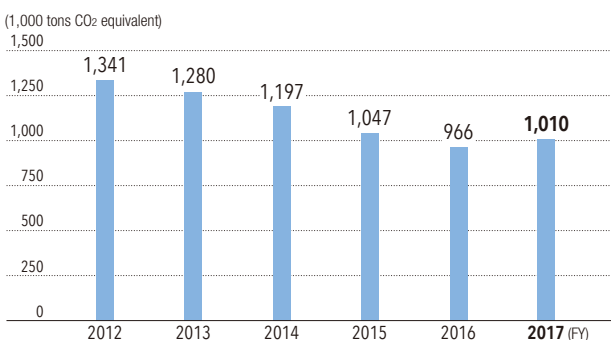
Energy consumption



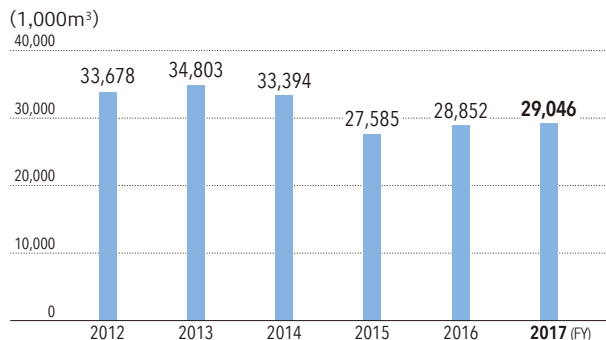
Water intake



GHG emissions



Wastewater



MGC Group Eco-Friendly Products

MGC products can be useful in reducing environmental impact in various areas of society. These kinds of products have been designated by MGC as “MGC Group Eco-Friendly Products.”

Ageless oxygen absorbers | Preserves the freshness and taste of food for longer periods

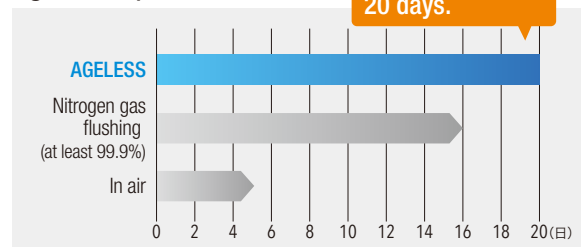
Reducing food waste loss

Benefits for the environment

Ageless can keep food tasting delicious and fresh for relatively long times, which leads to less food being thrown away due to mold, discoloration, or loss of flavor. That also helps reduce the amount of times food needs to be produced and delivered, which ultimately means less CO₂ emissions.

Testing the ability of Ageless to prevent mold

No mold colonies form even after 20 days.



Under experimental conditions, observations were made of blue mold colorization on castella sponge cake, in packaging containing an Ageless sachet, in nitrogen-flushed packaging, and when exposed to the air.

Meta-xylenediamine | An environmentally- and health-friendly paint component

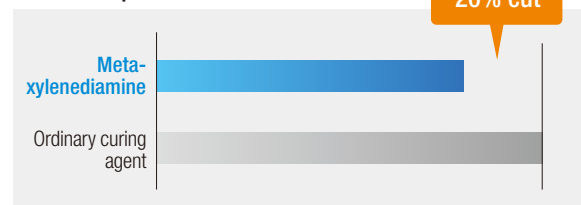
Contains absolutely no organic solvents

Benefits for the environment

MGC's meta-xylenediamine (MXDA) epoxy coating is comparatively friendlier to human health and the environment than conventional products because it is water-based and contains no organic solvents, which are a cause of atmospheric pollution. Compared with ordinary curing agents, about 20% less volume of MXDA is needed to achieve the same hardening performance, which ultimately contributes to conserving oil resources.

Comparing MXDA and an ordinary curing agent by the amount of needed for the same performance

20% cut



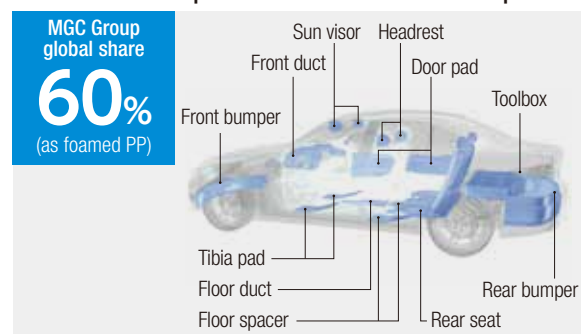
Foamed plastic | A resin that contributes significantly to reducing weight and increasing fuel economy of automobiles

Enables the weight of a car's rear seat to be reduced by 20 – 30% compared with previous products

Benefits for the environment

Widely used in automotive components, foamed plastic is a very lightweight and rigid material that contributes to improving the fuel efficiency of vehicles and reducing CO₂ emissions. Foamed plastic is also an environmentally friendly material that can be recycled.

Automotive components made with foamed plastic




* Products of JSP, a member of the MGC Group.

Dimethyl ether | A clean fuels

Emits comparatively low amounts of NOx and no SOx and PM matter during combustion

Benefits for the environment

MGC produces dimethyl ether as well as methanol from natural gas produced as a by-product of oil drilling, thereby making effective use of resources from an environmental perspective. Dimethyl ether is also being promoted as a clean fuel because it emits no sulfur oxide (SOx) and particulate matter (PM), which are emitted when burning diesel oil or kerosene.



As an alternative to chlorofluorocarbons (CFCs), MGC's dimethyl ether is used in aerosol spray cans as a propellant.

MGC is aiming to commercialize dimethyl ether as a greenhouse boiler fuel that facilitates cultivation since it emits CO₂ needed for the growth of plants and produce while also providing heating.

MGC's dimethyl ether can be used as a clean diesel fuel for trucks.

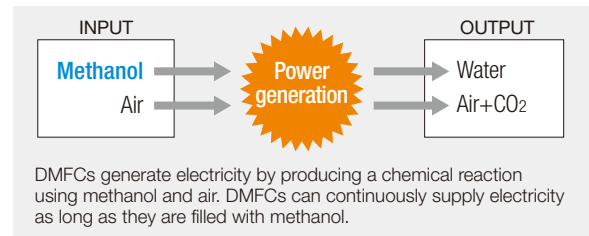
Direct methanol fuel cells | Enabling quiet and clean power generation

Supplies power without emitting any NOx, SOx, particulate matter or other atmospheric pollutants

Benefits for the environment

Direct methanol fuel cells (DMFCs) produce power through a chemical reaction, so they operate quietly and emit no atmospheric pollutants. They can also continuously supply electricity for several consecutive days and are becoming increasingly common as an emergency power source.

How DMFCs work



Geothermal power | A renewable and clean source of energy

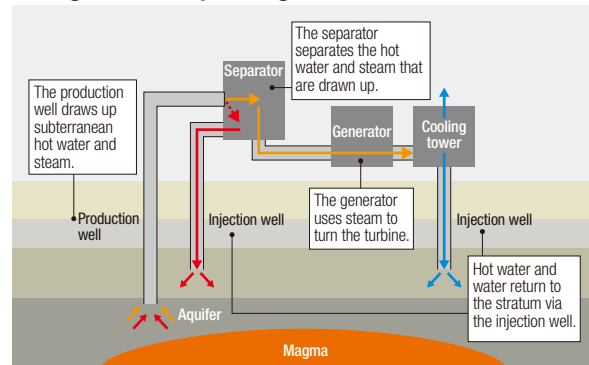
CO₂ emissions over the lifecycle of a geothermal power* are less than 2% of a coal-fired power plant

*Refers to CO₂ emission over the lifecycle of a power plant, from construction to operation and dismantling.

Benefits for the environment

Geothermal power is generated by using heat from the Earth's core to produce steam. It is a renewable source of energy that can stably generate power without being affected by seasonal weather changes. In addition, geothermal power plants emit very little CO₂, and contribute to preventing global warming.

How geothermal power generation works



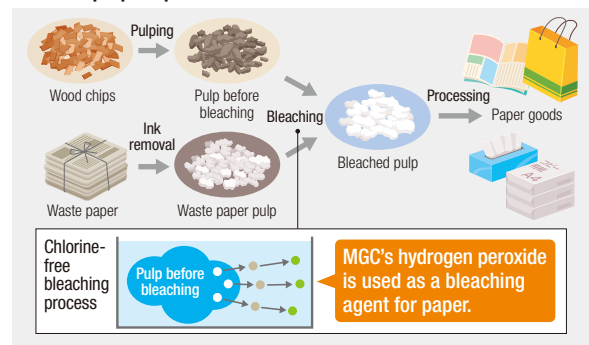
Hydrogen peroxide | An environmentally-friendly bleaching agent

Hydrogen peroxide is used as a bleaching agent that does not harm marine ecosystems because it decomposes into water and oxygen

Benefits for the environment

Hydrogen peroxide is a chemical compound that has been used as a bleaching agent and an oxidizer for many years. It produces no harmful by-products since it decomposes into water and oxygen. Consequently, hydrogen peroxide is in demand for various applications as an environmentally friendly chemical.

Using hydrogen peroxide instead of chlorine to bleach paper products



Initiatives Toward Safe, Stable Operations

MGC's top priority is to ensure safety, and we are engaged in proactive initiatives aimed at zero accidents and zero occupational injuries.

Occupational Health and Safety

With the goal of achieving zero occupational injuries, we regularly conduct safety-related education and drills and occupational health and safety risk assessments. In addition, each workplace continuously engages in everyday safety tasks such as 5S activities, hazard prediction, and proposals for addressing Hiyari Hatto (near-miss) incidents. As in the previous year, there were no lost time accidents in 2017, four plants and one research laboratory were recognized with zero-accident awards based on company rules, and as of January 2018, we have exceeded 1,000 days in a row with zero lost time injuries at MGC.



Chemistry class (Mizushima Plant)



Hazard prediction drill for new employees

Lost time injury frequency rate²

	2013	2014	2015	2016	2017
MGC	0	0	0.27	0	0
Chemical industry	0.82	0.76	0.81	0.88	0.81
Manufacturing industry	0.94	1.06	1.06	1.15	1.02

² Frequency rate: Number of occupational injury casualties per one million working hours

Lost time injury severity rate³

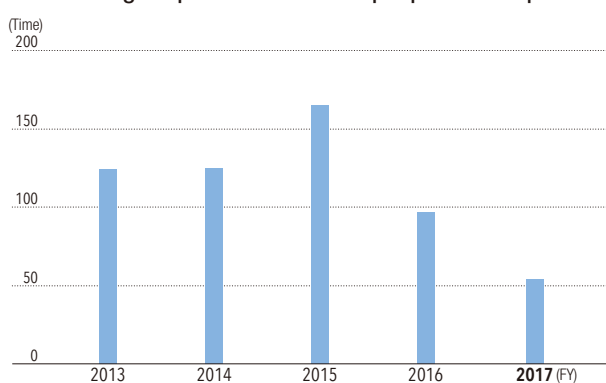
	2013	2014	2015	2016	2017
MGC	0	0	0.00	0	0
Chemical industry	0.12	0.17	0.04	0.03	0.09
Manufacturing industry	0.10	0.09	0.06	0.07	0.08

³ Severity rate: Number of lost working days per 1,000 working hours

Initiatives Toward Stable Operations

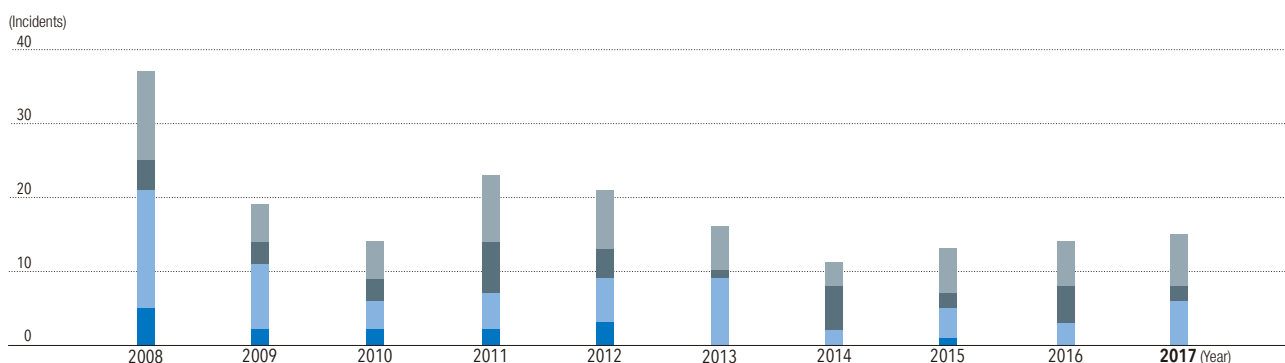
With the goal of reducing equipment breakdowns and production suspensions, we engage in systematic maintenance, while also working to enhance workplace skills. Our average unplanned down time per year per plant, a measure of the success of those activities, is trending downward. In fiscal 2017 in particular, the Yamakita, Mizushima, and Niigata plants received stable operation awards based on company rules, in recognition of their contribution to stable production.

MGC average unplanned down time per plant for all plants



Safety record (MGC and partner companies)

■ MGC lost time ■ MGC non-lost time ■ Partner lost time ■ Partner non-lost time



Together with Stakeholders

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

Together with Customers

Quality assurance

In its MGC Corporate Behavior Guidelines, MGC outlines its commitment to ensuring customer and consumer satisfaction and trust, by responding to society's needs and by providing high-quality products and services that are useful, safe, and reliable. As part of achieving that goal, our product liability management rules establish that the Companies or the general manager of new business development have responsibility for quality assurance, and all of our plants have acquired ISO 9000 series quality management certification.

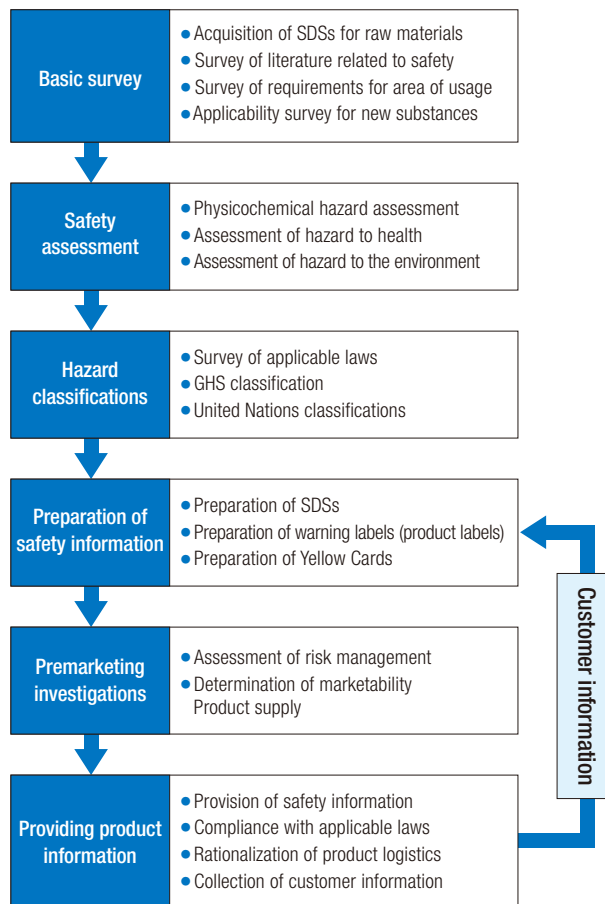
Other examples include MGC Ageless Co., Ltd. and AGELESS (Thailand) Co., Ltd., which manufacture the oxygen absorber AGELESS; they have obtained certification under the FSSC22000¹ food safety management system, and are working to build a quality assurance structure.

Preventing Product-related Accidents

At MGC, we conduct basic surveys and safety assessments at the product development stage. When products correspond to new chemical substances, we first conduct safety testing and then classify the products according to whether they do or do not come under applicable regulations, as well as according to their degree of hazard under standards such as GHS,² before preparing safety information such as safety data sheets (SDSs). Based on these, we perform risk assessments (based on hazards of the substances themselves and hazards related to exposure) for every stage of a product, from manufacture to disposal. Products are offered once this screening is complete.

Many of MGC's products are chemicals, and potential product-related accidents include fires and chemical burns. In the event problems related to the Product Liability Law (PL Law) occur, the designated staff person in charge of complaints at each Company will work with the business division in question, the production divisions, research divisions, or logistics divisions to investigate the source of the problem and propose countermeasures. At the same time, the Product Liability Committee, which receives reports from the designated staff person in charge of complaints, will formulate and implement company-wide preventive measures.

It should be noted that, thus far, problems related to the Product Liability Law have not occurred at MGC.



A SDS that conveys detailed information about the handling and safety of chemicals



A label printed with easy-to-understand warnings and safety information

¹ FSSC22000 is an international standard adopted by major food manufacturers, retailers, and others worldwide as supply chain management guidelines.

² GHS: The Globally Harmonized System of Classification and Labelling of Chemicals. Chemical hazards are classified under fixed standards and are indicated clearly with pictograms on labels and through SDS documentation. Ultimately, the information contributes to accident prevention and to protecting human health and the environment.

Together with Our Stakeholders

Enhancing Customer Satisfaction

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.

For example, oxygen absorber “AGELESS” comes in a diverse lineup of product grades to meet the quality retention needs of customers in fields such as food products and medicine, and the attention we give to sanitation in the production process ensures we deliver products that are safe and reliable.

Recognized with Intel Corporation's SCQI Award

MGC has been recognized as a recipient of its prestigious 2017 Supplier Continuous Quality Improvement (SCQI) award by Intel Corporation, the global semiconductor manufacturer. The SCQI award is Intel's most prestigious recognition and signifies an elite performance in all critical management systems supporting quality, cost, availability, technology, customer service, and sustainability.

To qualify for SCQI status, Intel suppliers must exceed the highest expectations and aggressive performance goals while scoring at least 95 percent on an integrated report card that assesses performance throughout the year.

Suppliers must also achieve 90 percent or greater on a challenging improvement plan and demonstrate outstanding quality and business systems.

MGC has been recognized with this award for eight consecutive years* since 2010.

*Recipient of the Preferred Quality Supplier (PQS) award in 2010, 2011, 2013, 2014, and 2015, and of the Supplier Continuous Quality Improvement (SCQI) award in 2012, 2016, and 2017.



Together with Business Partners

Procurement

One of the procurement criteria stipulated in MGC's procurement rules is supplier reliability, and we consider a supplier's CSR activity to be an important factor in this regard. In this way, we endeavor to build a supply chain that takes due account of regulatory compliance, the environment, and safety.

Compliance with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors

Each year we check the entire company for compliance with this important law. We have also created a check sheet to verify the applicability of this law during new business transactions, and regularly hold in-house training sessions on the law to ensure complete compliance.

Working with Partner Companies

With our construction partners, we share information on occupational injuries, and jointly conduct risk assessments, safety training, and disaster reduction drills in an effort to prevent industrial accidents. At some plants, we also recognize partner companies that have outstanding safety records during periodic maintenance work. We work closely with the shipping providers of our partner companies to ensure safety during transport, to enhance logistics quality, and to carry out a modal shift.

MGC is working with its partner companies to build better relationships, not only through efforts to ensure safety and preserve the environment, but by conducting audits and safety inspections of those partner companies.



Safety education during the first delivery under our modal shift.

Concern for Our Contractors

To ensure employees of our contractors can work safely, we conduct environmental and safety audits and share information on industrial accidents and irregularities. We also exchange information by participating as observers on one another's Occupational Health and Safety committees and ask contractors to participate in MGC safety meetings. Through business audits, we also check on contractor enrollment in various types of insurance and employee pension programs.

Together with Employees

Respect for Human Rights

At MGC, we adhere to strict Corporate Behavior Guidelines and the MGC Code of Conduct, which call for us to respect individual personality and human rights, and to do nothing that will hurt anyone by discriminating against them based on their race, gender, nationality, age, religion, or place of origin. Our Code of Conduct also articulates that sexual harassment and power harassment are prohibited. These guidelines and codes—along with the four fundamental principles^{*1} 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 and internal communications, and have also established a special consultation desk.

*1. Freedom of association and the right to collective bargaining; 2. Elimination of forced labor; 3. Effective abolition of child labor; 4. Elimination of discrimination with respect to employment and occupation.

Promoting Diversity

We are striving to put in place an environment that respects diversity and enables our employees, themselves diverse individuals, to demonstrate their unique capabilities, and approach their work with a sense of purpose and meaning.

In promoting a more active role for women, we have prepared an action plan ending in 2021 that targets a four-fold increase in the percentage of female managers over fiscal 2015. Under the action plan, we are implementing measures to support career development and enhance programs that assist in balancing work and family life.

The re-employment rate for retirees desiring re-employment has reached 100% for nine years in a row from fiscal 2009 to fiscal 2017 as a result of our employment opportunities for retirees.

MGC also continues working to create a workplace environment that allows people with various disabilities to fully demonstrate their capabilities.

MGC's rate of employment for people with disabilities in fiscal 2017 was 2.27%, which was 0.27% above the legally mandated rate of 2.0%.

Work-Life Balance

In terms of work-life balance, MGC is working to create programs and a culture in which each employee can feel secure and motivated by their work, taking an active role over long term in accordance with their individual circumstances.

We have established a system for child care that exceeds the statutory requirements, including childcare leave until a child reaches two years and one month, and a system of shorter working hours until a child enters elementary

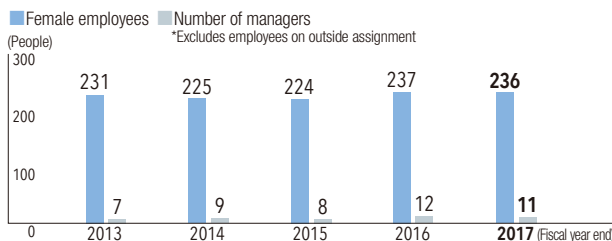
school. We have achieved a 100% return-to-work rate after childcare leave for six years in a row. In June 2016, MGC was certified by the Minister of Health, Labour and Welfare as a company that supports child rearing and obtained the “Kurumin” next-generation support certification logo.

In response to diversifying ways of working and taking time off, MGC has established a flextime system, as well as a system for accumulating annual leave (up to 40 days) and various types of special leave, including leave for marriage, childbirth, work transfers, volunteering, medical donors, and others. We also have in place a system whereby those needing leave to care for family members can take up to one full year, 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.

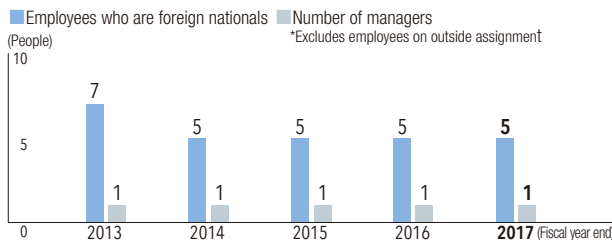
As a result of these initiatives, usage of annual leave was 90.3% in fiscal 2017 (versus 86.5% in fiscal 2016), and total working hours averaged 1,876.7 hours per employee (versus 1,867.5 hours in fiscal 2016).



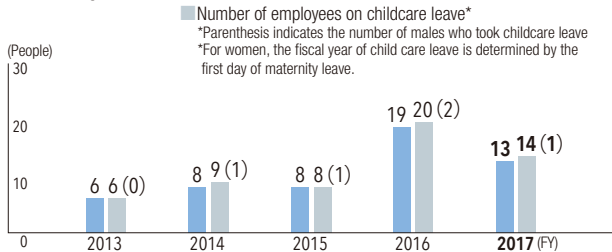
Female employees and managers (non-consolidated)



Employees and managers who are foreign nationals (non-consolidated)



Maternity leave



Together with Our Stakeholders

Mental and Physical Health Care

We provide regular health checkups each year for all officers and employees, and our checkup compliance rate is nearly 100%. When the results of tests indicate the need for retesting or there are any specific findings, we work to promote employee health through guidance provided by industrial physicians and public health nurses.

MGC has also implemented a number of programs to ensure mental well-being. The Employee Assistance Program (EAP) is one of these, and provides employees an environment in which they can freely consult outside specialists regarding their concerns. In addition, to meet the requirement for stress checks stipulated by Japan's Industrial Safety and Health Act, we conduct an annual mental health diagnosis for self-evaluation of stress levels, and work to raise awareness of stress-related issues through workshops and other means. We also conduct mental health training during sessions designed for new employees and those scheduled for promotion.

Human Resource Development at MGC

Our people are our most important asset. Based on our human resource development philosophy, MGC strives to enhance mechanisms for enabling employees to better themselves as professionals while improving their knowledge and capabilities, and to create a working environment invigorated by personal fulfillment.

MGC's personnel system is a multi-stream vocation qualification grading system based on management by objectives. Up to the standard age of 28, employees belong to the same basic career path regardless of gender or educational background, and then move on to select a course that will help them in their careers. We support all employees equally, providing them with a range of career opportunities in line with individual aspirations that meet their roles, achievements, and capabilities.

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 themes as work styles, employee benefits, and treatment, and meetings of the Personnel System Review Committee for joint labor-management discussion of various programs. 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 1,846 labor union members as of

the end of March, 2018 (a participation rate of 100% due to the union-shop system). Employee tenure was 18.5 years (18.6 years for men, 17.3 years for women).

Together with the Community

Involvement in Community Activities

We encourage interaction with the community through participation in local festivals, blood drives, and traffic safety campaigns on local roads.



Taking part in the local festival (Yamakita Plant)



Donating blood (Hiratsuka Research Laboratory)

Local Environmental Preservation and Beautification Activities

At each of its sites, MGC participates in the preservation of nearby coastal forests, and in cleanup of local roads, riverbeds, and other beautification activities.



Community cleaning (Kashima Plant)

MGC Advanced Polymers, Inc. Awarded Environmental Commendation for Fifth Consecutive Year

In September 2017, MGC Advanced Polymers, Inc. was the recipient of the Platinum Award, the highest honor under the Industrial Waste Pretreatment Program overseen by Chesterfield County in the state of Virginia. This was the fifth year in a row that MGC Advanced Polymers was so honored, and came in recognition of the company's having cleared all environmental regulations for 10 consecutive years. The company is currently working toward two major objectives in the area of the environment—reducing the volume of organic substances



The company's collection of trophies and commendations

in wastewater generated by production processes, and reducing the amount of nitrogen recovered from rainwater—efforts for which the county has high expectations.

Environmental and Disaster Preparedness Activities in the Local Community

To further local community understanding of our environmental conservation and process safety activities, we continue to participate in local dialogue meetings held by the Japan Chemical Industry Association (JCIA). In addition, we are working with local communities to promote safety and disaster preparedness through joint drills with fire departments and through other means. All of MGC's plants have obtained ISO 14001 certification and continually strive to improve the quality of their environmental management systems.



Local dialogue meeting (Kashima Plant)

Initiatives for the Next Generation

We host student visits and internships involving local junior high schools, high schools, technical junior colleges, and universities. We have also continued to provide chemistry experiment kits to junior high schools near our facilities since 2008, with the aim of helping students to realize that chemistry is useful in everyday life and preventing a declining interest in science. The kits help students learn about the oxidation of iron by making pocket heating pads.

Through these and other initiatives, we are stimulating interest in chemistry among children and students who represent the next generation.



Mirai Daigaku (Future University/Niigata Plant)



Chemistry experiment kits

Together with Shareholders and Investors

To ensure shareholders and the investment community have a correct understanding of MGC, we strive to disclose information in a fair and transparent manner through information disclosures in accordance with laws and the rules of the stock exchanges, through the announcement of information on our website or through media outlets, and through reports to shareholders.

Basic Policy on Profit Distribution

The MGC Group places topmost management priority on enhancing corporate value. Based on the belief that improving corporate value is in the interest of our shareholders and other stakeholders, we take into consideration planned investments and loans for business expansion, financial health, and future business trends, and work to achieve an optimal balance between retained earnings and shareholder returns. Retained earnings are applied to investments aimed at business expansion and growth and at strengthening our corporate structure. The Company will continuously provide stable dividends, while taking operating performance and other factors into account when determining the distribution amount. The Company's basic policy is to improve capital efficiency and enhance shareholder returns by flexibly purchasing treasury stock while considering the levels of internal reserves and returns to shareholders.

The full-year dividend for fiscal 2017 increased by 21 yen per share to 59 yen (taking into account the share consolidation conducted on October 1, 2016).

General Meeting of Shareholders

The general meeting of shareholders is held avoiding peak days so that as many shareholders can attend as possible. To give shareholders more time to consider how to vote, MGC also endeavors to send out convocation notices early, and posts the information on the company website in advance of sending notices out. We also translate the convocation notice and other documents into English and have adopted an electronic voting platform in order to make the process more convenient for shareholders. The rate at which shareholders exercised their voting rights at the 91st general meeting held in June 2018 was 83.27% (versus 84.27% in 2017).

To provide shareholders with booklets that are easier to read, understand and handle, beginning with the 91st general meeting we also began printing the convocation notice in color, and have bound it together with our annual business report.

Briefings for Shareholders, Institutional Investors and Securities Analysts

We hold a variety of earnings briefings and other business briefings for shareholders, institutional investors and securities analysts. We also post on our website reference materials from our earnings briefings as well as other explanatory materials in an effort to share information about MGC in a timely fashion.



Earnings briefing

Corporate Governance

We strive to operate an effective corporate governance system and to continually reinforce and enhance our system in order to fulfill the expectations of all stakeholders.

Corporate Governance Policy

Mitsubishi Gas Chemical Company, Inc. (MGC) shall strive to operate effective corporate governance systems and continuously reinforce and enhance those systems in order to meet the expectations of all stakeholders including shareholders. Accordingly, it shall adhere to the following basic principles:

- (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.

Corporate Governance System

MGC has adopted a corporate auditing system and, for the purpose of business execution, has established an executive officer system, which clearly separates management decision-making and supervisory functions from the business execution function. The Board of Directors decides the basic policies of management, as well as important matters relating to items decreed by law and the company's Articles of Incorporation. The Board of Directors oversees the execution of business, while executive officers are responsible for directly managing business affairs.

Directors

MGC has set the term of office for directors at one year to clarify the accountability of management. There is also a stipulation that MGC's directors may concurrently serve as an officer at a maximum of three companies other than MGC Group companies, to ensure that they can fully concentrate on MGC's management.

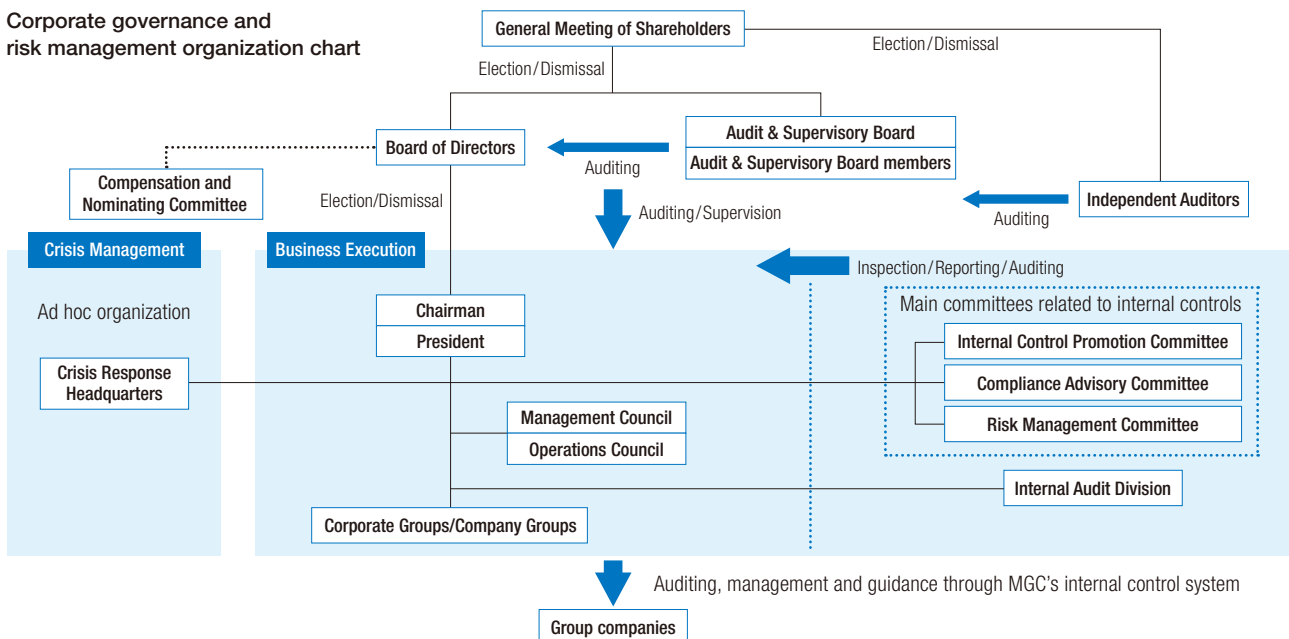
For matters arising in the course of business execution that may have a significant effect on the company, the Board of Directors makes its decisions on the basis of multifaceted deliberations, including deliberations on management policies by the Management Council and deliberations on plans for executing specific policies by the Operations Council. The Board of Directors receives advice from attorneys and other experts when necessary in the course of its decision-making and supervision of business execution.

In addition, discussions incorporating a diverse range of opinions are held to evaluate the efficacy of the Board of Directors.

Corporate Auditors

MGC's Audit & Supervisory Board is comprised of four corporate auditors, of which three are full-time and two are outside members. They attend important meetings such as those held by the Board of Directors and the Operations Council, conduct audits of each division and surveys of subsidiaries, and audit the execution of business. The members also monitor important decision-making processes and business execution in order to ensure

Corporate governance and risk management organization chart



reasonable decision-making and compliance with the law and corporate norms.

Training of Directors and Corporate Auditors

MGC has newly appointed directors and corporate auditors 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, MGC gives directors, corporate auditors, and other officers opportunities to attend external seminars covering various topics, including compliance, risk management, internal controls, and legal issues, and provides them with relevant books and other documents. 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, MGC works to improve the efficacy and quality of its auditing by organizing study meetings for members of the Audit & Supervisory Board and 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.

Compensation and Nominating Committee

MGC's Compensation and Nominating Committee was established for the purpose of ensuring transparency, objectivity, and proper conduct in the process of determining compensation for directors and executive officers, and of nominating and appointing directors, corporate auditors and executive officers.

Proposals for compensation and nominations are submitted to the committee, which is made up of the chairman of the Board, the president, and outside directors, prior to deliberations by the Board of Directors.

Information Sharing and Support Network for Outside Directors

An employee not subject to instructions from directors has been assigned to assist corporate auditors with their duties. In addition to providing practical support for conducting audits, the employee facilitates communication between the auditors and coordinates their activities as the administrative staff of the Audit & Supervisory Board.

As members of the Audit & Supervisory Board, corporate auditors regularly exchange views with directors, periodically and promptly receive reports on the status of

business execution and other important matters from directors and the office staff, request explanations whenever necessary and express opinions. The auditors also inspect important documents related to the execution of business and request explanations from directors and the office staff. The auditors can make use of specialists who are independent from the company, such as attorneys of law, for the purpose of making proper decisions related to auditing.

In addition, outside directors and corporate auditors are encouraged to share opinions and information at any time in an effort to promote cooperation between the outside directors and members of the Audit & Supervisory Board.

Standards for Outside Directors and Outside Auditors

In order to ensure the fair and objective oversight of management, particular attention is paid to the independence of outside officers (outside directors and outside auditors), in accordance with criteria set by the Tokyo Stock Exchange regarding independence. MGC appoints only candidates who have no conflict of interest with general shareholders.

The Company defines as independent all outside officers who satisfy the requirements for being an independent officer.

In addition, that candidate is deemed to qualify as an independent officer as long as none of the following matters apply.

1. If any of the following applies to the candidate.
 - Has been a business execution manager¹ of the Group.²
 - Is a major shareholder of MGC³ or is or has been a business execution manager for a major shareholder company within the previous five years.
 - Is or has been a business execution manager within the previous five years of an important business partner.⁴
 - Has been dispatched from a company or organization that has established a relationship with the Group through the reciprocal appointment of outside officers.
 - Works for or has worked for an auditing firm within the previous five years that has conducted a statutory audit of MGC.
 - 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 relation⁶ of the candidate.
 - Is or has been an important business execution manager⁷ of the Group within the previous five years.

Corporate Governance

- Is a major shareholder of MGC or a business execution manager for a major shareholder company.
- Is or has been a business execution manager within the previous five years of an important business partner.
- Works for or has worked for an auditing firm within the previous five years that has conducted a statutory audit of MGC.
- 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 officer.

*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 pertains 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

basic compensation amount decided in accordance with each director's position and duties, performance-based compensation reviewed every fiscal year, a reserved retirement benefit, and restricted stock. The reserved retirement benefit consists of a reserved sum that reflects each director's performance each fiscal year based on internal rules and is to be paid in full upon retirement of the director.

In order to share the value with shareholders and further motivate directors to work toward sustainable growth in corporate value, a number of MGC shares will be issued to directors as part of their compensation to be held for a certain period of time with a restriction on transfer. This system was newly introduced at the June 26, 2018 ordinary general meeting of shareholders.

In addition to these forms of compensation, a bonus amount that is considered appropriate may be paid upon resolution of a general meeting of shareholders.

Only basic compensation (fixed compensation) will be paid to outside directors.

Officer remuneration will be decided by the Board of Directors after comprehensively examining company performance, common corporate criteria, employee salary trends, etc., and after consultation with the Compensation and Nominating Committee, comprised of the chairman, president, and outside directors.

● Compensation to Corporate Auditors

Compensation to corporate auditors, who serve as members of the Audit & Supervisory Board, consists only of a basic compensation amount within a range stipulated by the general meeting of shareholders, which is determined through deliberations by the corporate auditors.

Compensation of Directors and Auditors

● Compensation to Directors

Compensation to directors (excluding outside directors) consists of monthly compensation, which is the total of a

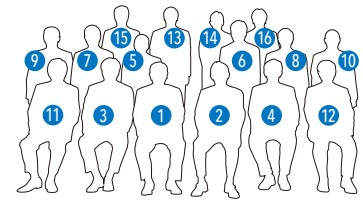
Hostile Takeover Defense Plan

At present, MGC has not established a hostile takeover defense plan.

Compensation (For Fiscal 2017)

Position	Total amount of compensation (millions of yen)	Total amount of compensation by type (millions of yen)		Number of people receiving compensation
		Basic compensation	Reserved retirement benefits	
Directors(excluding outside directors)	496	398	97	11
Auditors (excluding outside auditors)	52	52	–	2
Outside directors and auditors	54	54	–	5
Total	603	505	97	18

Note: In the above reserved retirement benefits for directors, provision has been made for the current fiscal year with respect to reserved retirement benefits for 12 directors other than outside directors. In addition, at the 91st Ordinary General Meeting of Shareholders held on June 26, 2018, it was decided to allot a total of 97 million yen in reserved retirement benefits for 10 directors excluding outside directors for their execution of duties between June 27, 2017 and June 26, 2018 to be paid at the time of retirement of each director.



Members of the Board of Directors and Audit & Supervisory Board



1 Kazuo Sakai

Representative Director, Chairman

2 Toshikiyo Kurai

Representative Director, President

3 Kenji Inamasa

Representative Director, Senior Managing Executive Officer

4 Yasuhiro Sato

Representative Director, Senior Managing Executive Officer

5 Masahiro Johno

Director, Managing Executive Officer

6 Masashi Fujii

Director, Managing Executive Officer

7 Susumu Yoshida

Director, Managing Executive Officer

8 Masamichi Mizukami

Director, Managing Executive Officer

9 Masato Inari

Director, Managing Executive Officer

10 Nobuhisa Ariyoshi

Director, Managing Executive Officer

11 Kazuo Tanigawa

Outside Director

12 Tsugio Sato

Outside Director

13 Takashi Kimura

Audit & Supervisory Board Member (Outside)

14 Katsuhiko Sugita

Audit & Supervisory Board Member

15 Kunio Kawa

Audit & Supervisory Board Member

16 Yasuomi Matsuyama

Audit & Supervisory Board Member (Outside)

As of June 26, 2018

Compliance and Risk Management

MGC practices compliance with the aim of earning the trust and understanding of the community, while putting in place and strengthening systems for responding to a wide variety of risks.

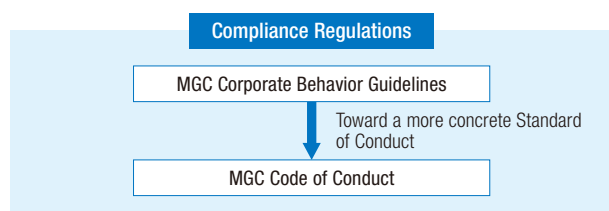
Promoting Compliance

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

To ensure thorough compliance across the entire MGC Group, we distribute the MGC Compliance Handbook to all of our employees in Japan. For overseas Group companies, we have also created English, Chinese, and Thai language versions of the MGC Corporate Behavior Guidelines and the MGC Code of Conduct to ensure our approach to compliance is instilled in those companies as well.



MGC compliance concepts

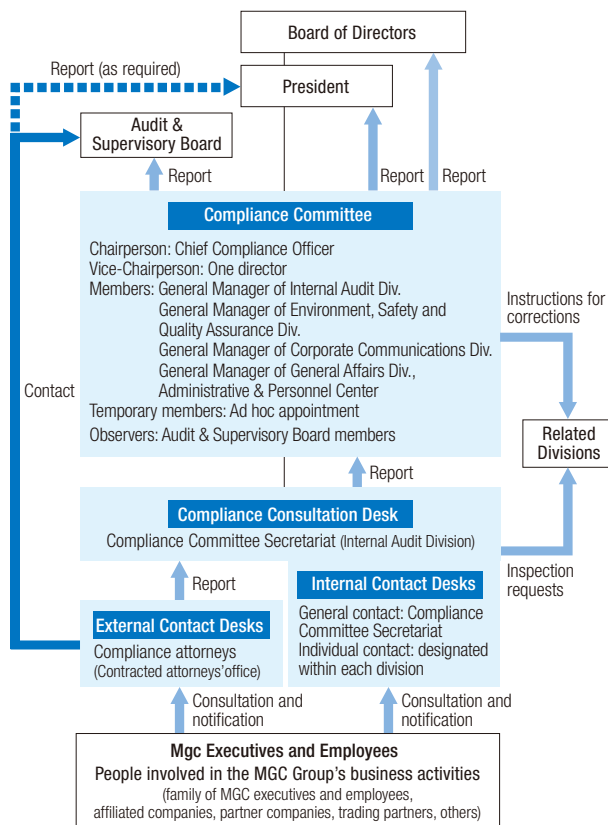


Compliance System

MGC has established a Compliance Committee to supervise matters concerning the Group's compliance program, headed by the Chief Compliance Officer and reporting directly to the President. The Compliance Committee also includes a director (as vice-chairperson), heads of compliance-related departments, and others. The roles of the Committee are as follows:

1. Formulating and deliberating on the framework, policies, and implementation measures of MGC Group compliance.
2. Understanding the status of implementation of MGC Group compliance and providing necessary guidance and supervision.
3. Investigating instances of noncompliance and formulating and deliberating on corrective measures and prevention of recurrence.

MGC compliance structure



Compliance policies, guidance and supervision, and steps taken to correct and prevent recurrence of noncompliance which are formulated and deliberated on by the Compliance Committee, are reported to the MGC president and the Audit & Supervisory Board, then implemented upon completion of prescribed internal procedures.

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

Reports and consultations brought to the attention of the Consultation Desk and deemed potentially serious compliance violations are promptly reported to the Compliance Committee chairperson. The Compliance Committee determines any required corrective action or measures to prevent a recurrence after investigating the relevant facts. The results of these investigations and the details of said measures are also reported back to the party who submitted the original consultation or report.

Compliance Education

In fiscal 2017 we renewed our study materials to make them compatible with the latest compliance trends, issues, and regulatory changes, and provided them to all employees through our intranet.

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

Security Export Control Initiatives

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

Export transactions subject to screening include all products exported by MGC or for which it provides technology (including basic chemicals, high-performance resins, electronic materials-related products, oxygen absorbers, life science products, and newly developed products), regardless of whether the transaction involves direct, indirect, or brokered trade, as well as all technology related to those products (including technology for manufacturing, handling, and analyzing them). Export screening is the responsibility of business divisions (head office divisions) familiar with the attributes and technology used in chemical products, and an independent export control division (Environment, Safety and Quality Assurance Division), who screen all exports to determine if cargo and technology restrictions apply, the final customer, destination and use.



Security export control education for new employees



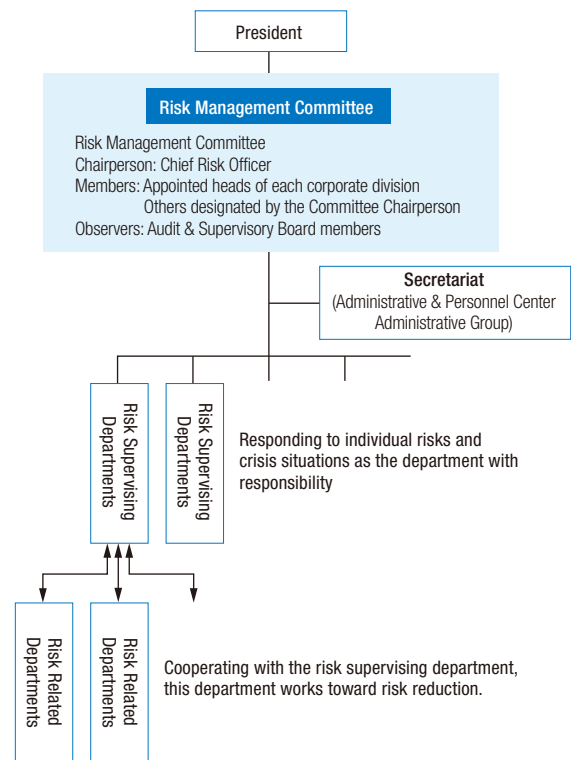
Screening demonstration using a computer

Promoting Compliance

The four Companies conducting business activities and all corporate divisions actively assess and prioritize risk situations and devise risk reduction measures. The Risk Management Committee, headed by the Chief Risk Officer, provides direction and supervision for each department as well as deliberates on problems that require a company-wide response.

In terms of risks associated with business execution, we have developed an action plan to identify and evaluate risks inherent in our operations and internal control systems. We then take appropriate measures. In the event a serious risk is identified, we set up a special group to address it according to internal rules.

Risk management promotion system



Risk Management of Group Companies

MGC investigates and exchanges information regarding the status of risk management efforts at each of its group companies, while also requesting that they further enhance their risk management activities. MGC divisions in charge of each company also share information and address any issues when necessary. Risks that may have a significant impact on MGC are also reviewed by the Risk Management Committee.

Together with Our Stakeholders

Formulating and Implementing Business Continuity Plans

Business divisions responsible for important products at MGC formulate business continuity plans (BCPs).

To fulfill their obligation to supply core materials that have a significant impact on customers, each business division implements plans for developing multiple manufacturing sites (which, depending on the product, may include sites in other countries), buildup of inventory, and reduction of equipment stoppage risk.

Addressing Priority Risks

Among the various risks associated with its business activities, MGC considers earthquakes, leaks of poisonous and other hazardous substances, fires and explosions, and information leaks to be company-wide risks that need to be given special priority, and measures to address these are reviewed in collaboration between business sites.

1. Measures Against Large-scale Natural Disasters

MGC has undertaken advance disaster reduction measures to improve its facilities and minimize damage, based on scenarios envisioning such natural disasters as a Nankai Trough earthquake or an earthquake directly below Tokyo, flooding, and volcanic eruptions. We have also deployed a company-wide safety confirmation system to cope with the aftermath of a large-scale natural disaster, along with wireless communication devices and other emergency devices, while also setting up reserve supplies of food, water, and other materials. Each year, we conduct emergency drills using these systems and equipment. We also work to ensure that in the event our headquarters are paralyzed by a natural disaster, each of our other facilities may continue supporting customers and maintaining other services, supplementing the headquarters' functions.



Wireless communication device for emergency use



Disaster reserve supplies

2. Preventing Chemical Leaks

To prepare for an emergency situation, we have secured a supply of disaster preparedness materials and equipment and also conduct drills. We have created a wide-area support structure to ensure our business sites can collaborate and provide an emergency response in the event of an accident.

Further, in addition to conducting drills envisioning a logistics accident, we also conduct drills for deploying oil fences

in the event of a spill at sea during marine transport, and drills to address the possibility of an act of terrorism.



Ammonia spill response drill



Oil barrier deployment drill

3. Preventing Fires and Explosions

To prevent accidents and injuries before they happen, it is important to ensure that processes are safe and equipment is sound, to allow stable operations to continue. Each MGC plant utilizes an equipment management system, and works to inspect, maintain, and upgrade equipment as necessary according to potential risk and importance. The plants also use the Japan Society for Safety Engineering's safety competency assessment system to strengthen any areas of vulnerability. Further, we reevaluate accidents that have occurred at MGC in the past, establishing countermeasures to prevent similar accidents from occurring, and conducting risk assessments based on assumed emergency stoppages.

To prepare for an accident, each business site has established a self-defense disaster preparedness system and conducts appropriate drills.



Disaster preparedness drill



Disaster preparedness drill

4. Preventing Information Leaks

MGC has put in place a framework and rules for managing a variety of information—business information, technical information, personal information and others—and works to prevent leaks in terms of both hardware and soft skills, including everything from building information management systems to providing employee training and education.

We also work to prevent leaks by strengthening information system security using the latest available IT.

Ensuring the Safety of Employees Traveling or Posted Overseas

Working with an outside consultant, we have analyzed threats to safety by country and received advice about addressing those threats. This allows us to acquire immediate, accurate information, and, when necessary, provide that information to employees posted or traveling on business overseas.