



Corporate Report  
2020

## Philosophy for Being

MGC contributes to societal growth and harmony by creating a wide range of value through chemistry.

## MGC Group Vision

“Creating value to share with society”

## Management Concept

- MGC management is striving to create a place where there is job satisfaction and a dynamic group in which motivations and abilities are respected
- Marketing that watches the world to ascertain needs, and expands/creates markets
- Creative research/development that deeply understands needs, and refines the seeds that will bring forth success
- Production activities that work toward improved technology, environmental preservation, ensure safety, and provide better products
- An open corporate culture in which each person can share their goals and actively participate

## Principles of Conduct

As a Professional Group

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

## Editorial Policy

In 2018, Mitsubishi Gas Chemical decided to consolidate its presentation of financial and non-financial information into a single Corporate Report combining both financial and non-financial information. To offer an easy-to-follow description of the management strategies designed to achieve the MGC Group Vision of “Creating value to share with society,” it offers the perspective of an integrated report while bringing together information on MGC’s Medium-term Management Plan, growth strategy, and CSR/ESG information, as well as financial information and other data. We hope that by reviewing this report, our stakeholders will gain a deeper understanding of MGC Group.

### Scope of This Report

Mitsubishi Gas Chemical Company, Inc. (MGC) and MGC Group (Where the scope of reporting differs, it is noted in the data.)

### Reporting Period

April 1, 2019–March 31, 2020 (Some activities taking place in or after April 2020 are also noted.)  
Note that Responsible Care activities cover only the period between January 1, 2019, and December 31, 2019. (Some activities taking place in or after January 2020 are also noted.)

### Published

December 2020

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### Investor Information

Contains releases from the latest financial information and stock and shareholder information.

<https://www.mgc.co.jp/eng/ir/>



### CSR Information

Introduces the MGC Group's thinking, initiatives, and detailed data relating to CSR/ESG based on our vision and philosophy.

<https://www.mgc.co.jp/eng/csr/>

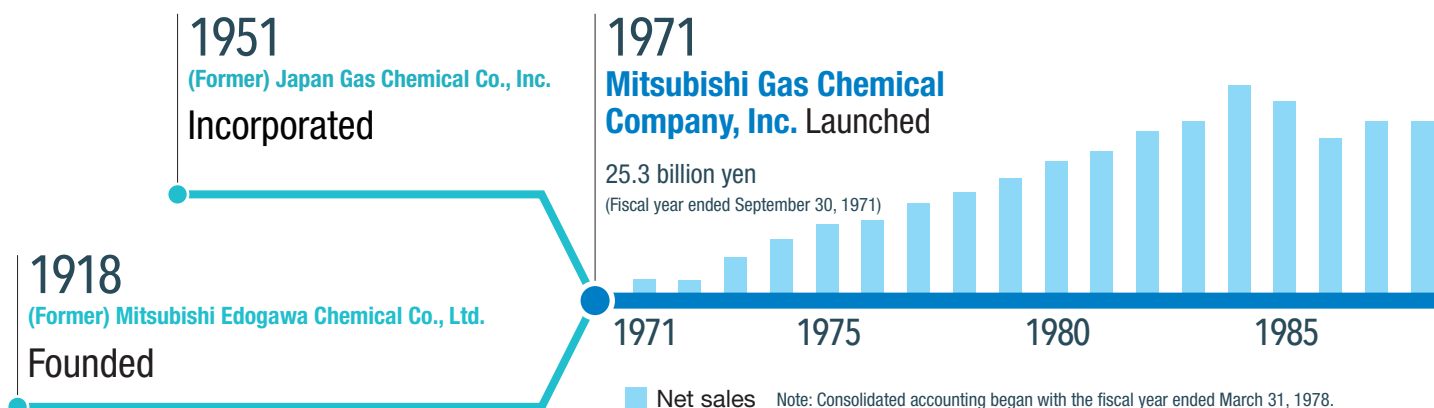


Important

Detailed (latest)

# A History of Creating Value and Strengths

Since its foundation, Mitsubishi Gas Chemical has continuously tackled the challenges of creating new technologies and value and has used its unique strengths to manifest its presence.



## 1 Strength First in the world and first in Japan technological capabilities that exhibit MGC's distinctive character

We continuously create innovative products and technologies. We have developed numerous technologies in-house, some of which are innovative technologies previously not seen in Japan or the world. We will continue to create products and technologies that enable us to contribute to the development of society.

### 1927 Formalin manufactured



## 2 Strength Unique global expansion and development capabilities

Since MGC's foundation, we have placed particular importance on the attitude of pursuing distinction so that we can provide previously unseen value to society. This holds true in the global development of business, and we have been among the first to establish business in emerging countries and manufacture and sell products around the world.

### 1980 Saudi Arabia (Methanol)



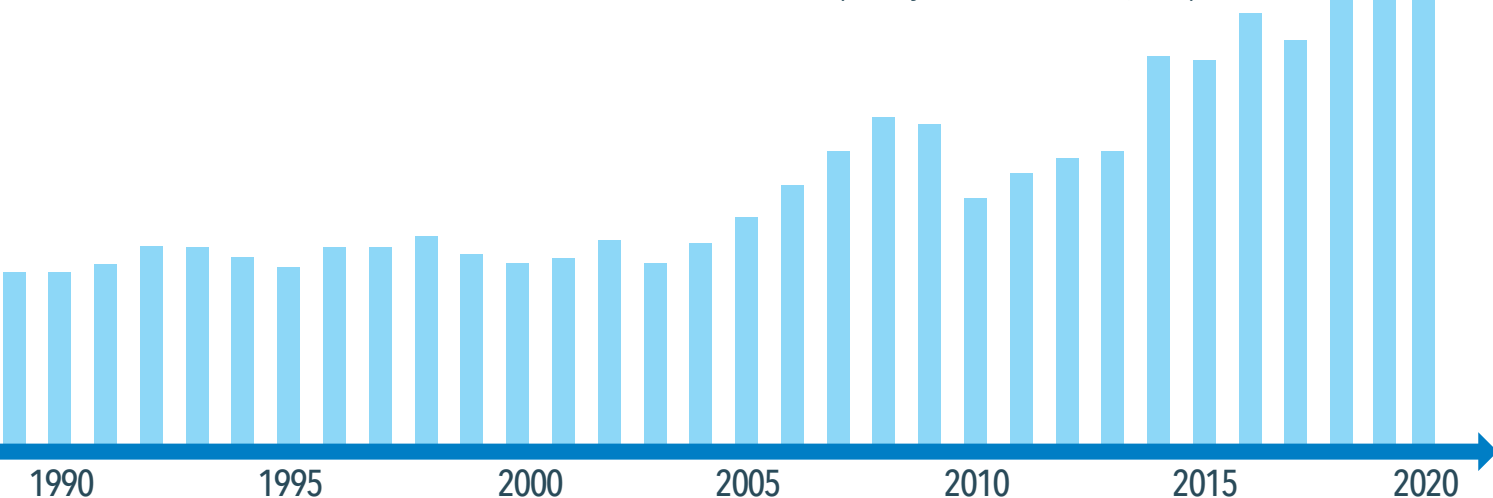
## 3 Strength Numerous products with the top share of the global market

We have a wide range of products that support business and lives with high market shares. We have continuously created products designed to meet the needs of society, leading to support from many businesses.

### 1969 Meta-xylenediamine (MXDA), which has excellent curability and chemical resistance



**613.3 billion yen**  
(Fiscal year ended March 31, 2020)



**1933**

Hydrogen peroxide manufactured using the electrolytic process



First in Japan

**1952**

Methanol manufactured from natural gas



First in Japan

**1968**

Xylene separation technology using superacid HF-BF<sub>3</sub>



First in the world

**2015**

OXYCAPT<sup>TM</sup> plastic syringes and vials



First in the world

**1987**

Indonesia (Hydrogen peroxide)



Entry into emerging country

**1992**

Venezuela (Methanol)



Entry into emerging country

**1995**

Thailand (Engineering plastics)



Entry into emerging country

**2006**

Brunei (Methanol)



Entry into emerging country

**1976**

BT materials, the de facto standard for semiconductor substrates



Top market share in the world

**1977**

AGELESS<sup>TM</sup> oxygen absorbers, enable food to maintain freshness



Top market share in the world

**1982**

Foamed polypropylene, used in lightweight automobile parts



Top market share in the world

**2006**

Iupizeta<sup>TM</sup> EP, optical resin polymer used in high refractive index camera lenses



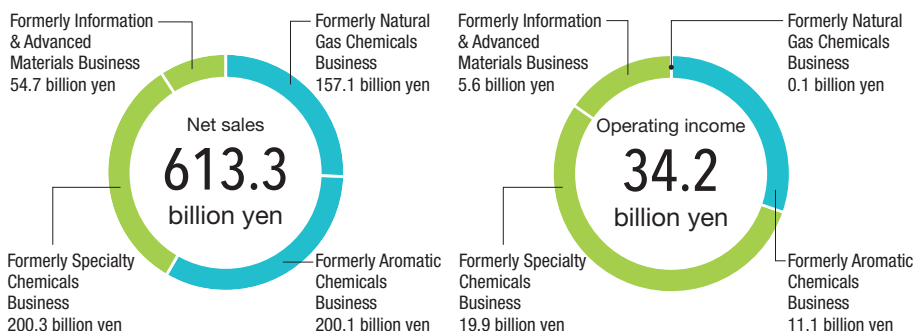
Top market share in the world

# MGC Group at a Glance (As of End of March, 2020)

The Group conducts wide-ranging businesses that handle diverse chemical products, material products, functional products, and other products through a global integrated system covering all aspects from materials development to production and sales.

## Business Development and Main Products

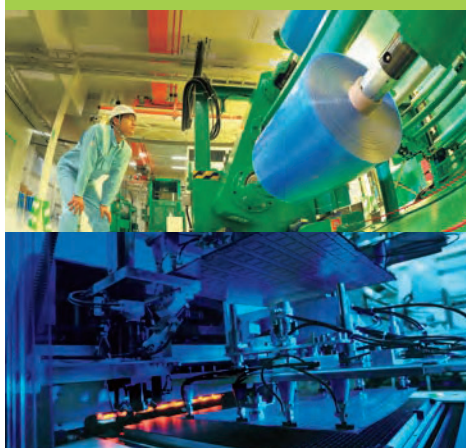
Through its two principal business sectors, the Basic Chemicals Business Sector and the Specialty Chemicals Business Sector, Mitsubishi Gas Chemical offers a range of exceptionally creative products including basic chemicals, fine chemicals, and functional materials.



\*These graphs show 2019 business segments (before organizational reform).

### Specialty Chemicals Business

Details can be found on p. 27.



Using our refined technical capabilities and achievements to develop advanced products meeting market needs

#### Inorganic Chemicals

We conduct business with an emphasis on hydrogen peroxide, which is used as a non-chlorine bleach and industrial oxidant, and high-purity electronics industry cleaning agents used primarily in the semiconductor field.

- Hydrogen peroxide
- Electronic chemicals

#### Engineering Plastics

We provide polycarbonate, polyacetal, polyamide MXD6 molding compound, and other engineering plastics.

- Polycarbonate (Iupilon™)/Polycarbonate sheet, Polycarbonate film
- Polyacetal (Iupital™)

### Basic Chemicals Business

Details can be found on p. 23.



Using our unique catalyst and production technologies to provide a stable supply of essential products for society

#### Methanol

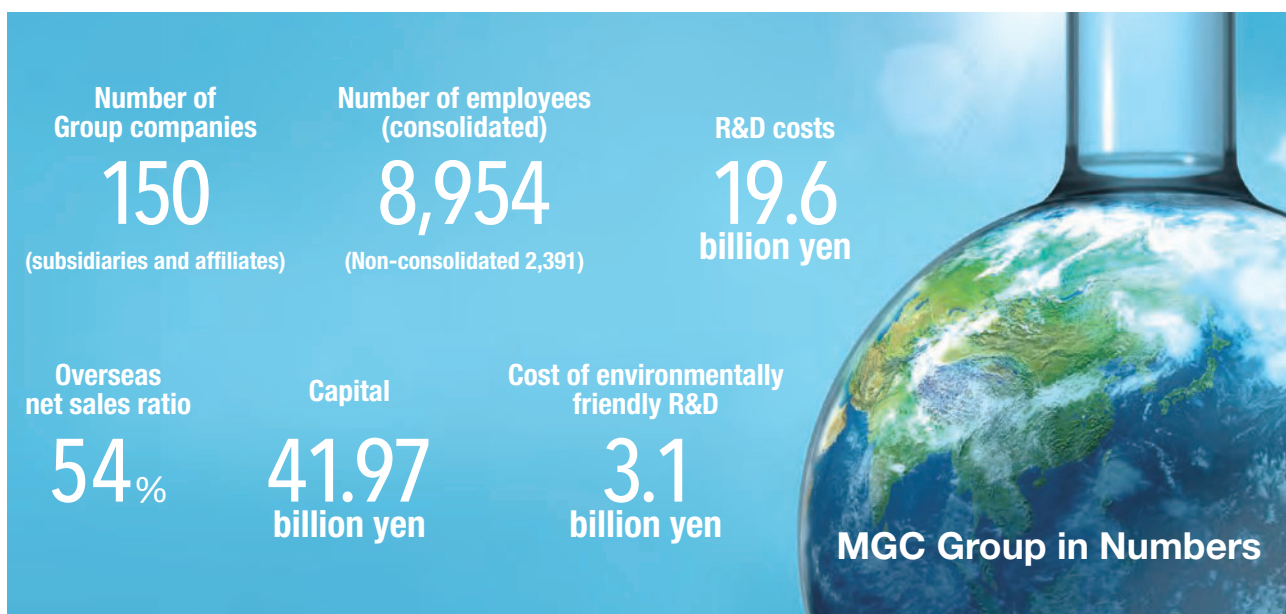
We are actively developing overseas methanol joint ventures and sales businesses by making use of our extraction technologies for natural gas, which is used as a raw material, and our accumulated manufacturing technologies.

- Methanol

#### Organic Chemicals

We are expanding the chemical chains for methanol and ammonia in a wide range of fields from base chemical raw materials to functional materials.

- Ammonia
- Amine



### Optical Materials

We supply products with excellent optical properties such as optical resin polymers and ultra high refractive index plastic lens monomers.

- Optical resin polymer (Iupizeta™)
- Monomers for ultra high refractive index lenses (IURESIN™)

### Electronics Materials

We provide products essential in the electronics industry including semiconductor package substrate materials and auxiliary materials used for small diameter hole processing.

- BT materials for semiconductor packaging
- Auxiliary material for drilling (LE SHEET™)

### Oxygen Absorbers

We offer total solutions for quality maintenance in a wide range of fields with a focus on oxygen absorbers.

- Oxygen absorbers for food (AGELESS™)
- Oxygen absorbers for medical use (PharmaKeep™)

### Energy & Resources

We develop resources including oil and natural gas exploration.

- Geothermal power/Natural gas

### Life Science

We use technologies accumulated over many years to develop and manufacture health food ingredients.

- Health food ingredients/Antibody drugs

### Aromatic Chemicals

Based on technologies using superacid HF-BF<sub>3</sub>, we conduct business centered on meta-xylene chain and aromatic aldehydes.

- Meta-xylenediamine/MX-Nylon
- Meta-xylene/Purified isophthalic acid
- Aromatic aldehydes
- Foamed plastic

### Research and Development

Details can be found on p. 31.



We provide solutions that make maximum use of synergies among our businesses and products.

- Medical packaging materials—OXYCAPT™
- Solid electrolytes
- Factory-produced vegetables
- Active optical cable—TeraWire™

# To Our Stakeholders

The new organizational structure will allow us to continue optimizing our business portfolio and accelerate the creation of products and businesses providing solutions to social issues.



**Masashi Fujii**

President and  
Representative Director

## Opening

### New discoveries during measures to respond to COVID-19 are opening new paths for growth

First of all, I would like to extend my deepest sympathies to the many people affected by COVID-19. I also wish to once again pay tribute to the many professionals and others at medical sites on the front lines of battling the infection.

The MGC Group immediately formed the Crisis Response Headquarters when the disease started to spread and put top priority on ensuring the safety of its employees and their families, including enabling non-manufacturing employees to work from home from early March so work could continue. We incorporated information and communication technology (ICT) deeper into our operations and by mid-March about 80% of the head office employees were working from home. As a product manufacturer, our manufacturing sites are fundamentally essential to our business. Although some of our Group companies overseas halted operations temporarily, our manufacturing sites were able to continue their operations while taking full precautions for employee safety.

We have a corporate social responsibility to protect our employees and to do all in our power to assist all people who are directly confronting the COVID-19 pandemic. When the virus started rapidly spreading in Japan in April, Group company MGC Filsheet began producing polycarbonate sheet for medical face shields and donating it to medical institutions in Tokorozawa in Saitama Prefecture and to the city of Toyonaka in Osaka Prefecture. When news reports appeared saying that there was a shortage of face shields for workers on the front lines fighting the virus, we met with MGC Filsheet to figure out a way to use our transparent and durable polycarbonate, and we quickly shifted to producing shields. We also donated supplies from our stockpiles at our research centers of protective clothing and N95-grade masks certified by the National Institute for Occupational Safety and Health of the United States, while preserving only the amount needed for our immediate research activities.

As we responded to the COVID-19 situation, we found ourselves putting into place various things that we had previously thought would have been too problematic, such as enabling new workstyles and business operations. I believe we should continue using these “discoveries” in the future. Society would have made no progress if it merely returns to how it was prior to the pandemic.

Pushing forward with digital transformation is essential for us as a chemical manufacturer, and we must take it as an opportunity for growth. We also need to make sure that our Company and the way we work are improving in the right direction. In fact, I want to use this situation as a catalyst to aggressively invest in transforming our Company by incorporating AI and IoT to create smart factories that have fewer production troubles, better quality control, and safer and more stable operations. We also need to use marketing intelligence (MI) and ICT to accelerate development at our research sites.

As we tried the new working format, many employees at the head office were able to fulfill their duties from home without significant difficulties. We learned that we did not need to have all employees physically present, so at the head office and research centers we adopted a system for people to work at home about three days a week. I am hoping to introduce changes like these to how we treat employee attendance and how and where we carry out our business throughout the Group.

At the same time, if we increase telework and remote meetings, we will need to give more care to communicate clearly and support each other as we get used to using the new medium. One such effort I made was to send personal letters to employees who were new to the Company but were immediately asked to work from home to assure them not to worry that the Company was fine, and if they were having any difficulties to please contact me. Even with our new workstyles, I would ask all of our employees to continue being considerate to their fellow workers just like we were all working together inside the Company.

## Fiscal 2019 Review

### Sales of high value-added products for IoT applications grew steadily while market conditions led to weak profits for general-purpose products

The MGC Group continued executing the MGC Advance2020 medium-term management plan launched in April 2018, under which we are pursuing five strategies aimed at fulfilling two fundamental objectives of “enhancing the corporate value of the MGC Group” and “deepening the trust of MGC Group stakeholders.” (For details, please see [Progress of the Medium-term Management Plan on page 13](#))

In fiscal 2019, the second year of the three-year plan, we recorded consolidated sales of ¥613.3 billion (-5.5% from the previous fiscal year). We likewise reported declines in operating income to ¥34.2 billion (-17.2%),

ordinary income to ¥31.1 billion (-55.0%), and net income attributable to owners of the parent to ¥21.1 billion (-61.5%).

The chief factor in the decline were weak prices for the commodity products methanol, polycarbonate, purified isophthalic acid. At the same time, expanding demand in IoT-related fields generated increased sales volume and operating income for high value-added products, such as optical polymers used in smartphone camera lenses and BT materials for semiconductor packages. Meanwhile, profit below the ordinary profit line was strongly impacted by the transition to the new scheme for the methanol joint venture in Saudi Arabia, which caused a ¥29.6 billion drop in equity-method earnings from the previous fiscal year.

The COVID-19 pandemic had limited impact on our business results during the fiscal year, but we do expect some form of negative impact in the future. We are particularly watching for repercussions from the reduced demand in industrial fields related to automobiles, housing, infrastructure, and electrical and electronic equipment. We expect the severe business conditions to persist and will be monitoring the pandemic situation worldwide. While doing everything we can to help minimize the impact from the COVID-19 pandemic, we will continue steadily advancing our strategies with the aim of providing a solid foundation for the next medium-term management plan.

## Organizational Reform

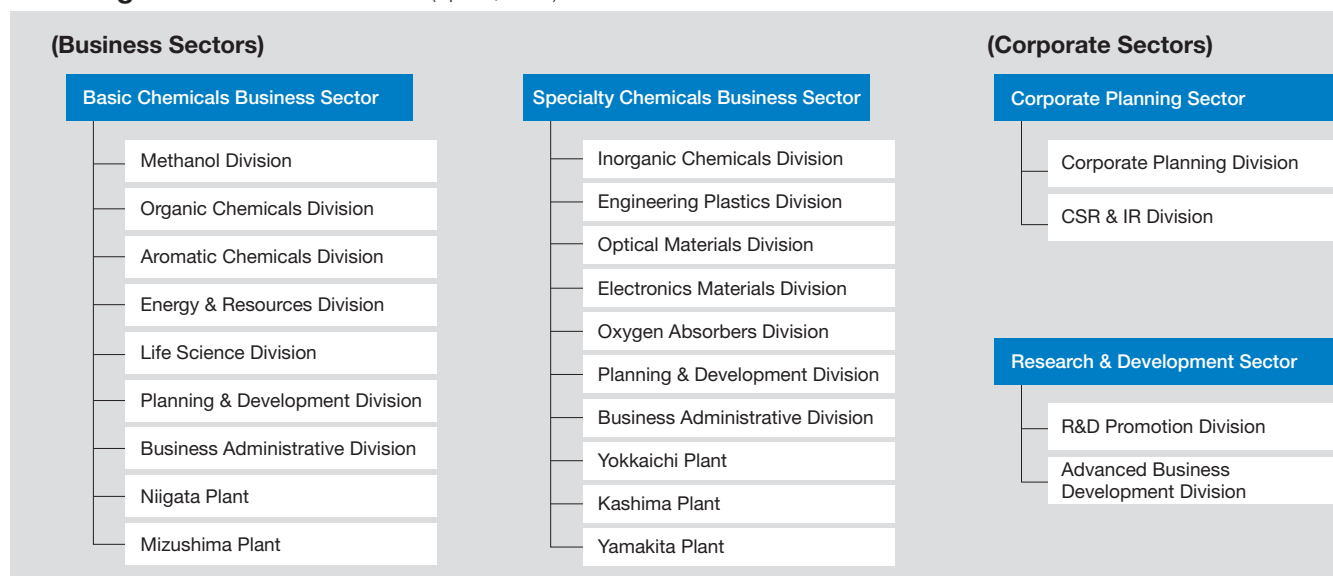
### Organizational reforms for overall optimization and accelerated growth as a group

In April 2020, we conducted a major reform of our organization by merging and reorganizing our four-company format into a streamlined structure with two business sectors.

We adopted the company format roughly 20 years ago. We created that format at a time when the whole Company was facing severe financial conditions and our best prospects for growing the business were to give each company responsibility for their capital investment and R&D spending. I believe the company format helped our formerly dispersed management become more disciplined and therefore played a significant role in our organizational development. However, the Group's growing earnings during the past 10 years have given us a certain degree of flexibility with our cash flow and has brought us to the point where we can invest in ways to accelerate our business growth.

The primary objective of the present organizational reform is to shift from a company system focused on compartmentalized optimization to a large organization format that facilitates approaches for overall optimization. I would like to lower the barriers between the business sectors so they can have a broader view of the Group and have more flexibility to pursue ideas that will give rise to growth strategies.

## New Organizational Structure (April 1, 2020)



This principle applies to our R&D structure as well, and the R&D departments from all companies are now integrated into the R&D Promotion Division. Likewise, we will be a large organization advancing R&D for the overall optimization of the Group. As we integrate our R&D functions, we plan to increase our R&D personnel from the current 500 to about 700. We are also changing the focus of the Advanced Business Development Division. Where the previous department primarily focused on developing business in areas outside the domains of our existing businesses, the new division will take a wide-ranging view for business opportunities, including in areas of close proximity to existing businesses. We will also seek to make greater use of academic collaborations as well as cross innovation and open innovation with entities outside the Group.

The constitution of the corporate sectors has also been revised. By reorganizing specialized and segmented divisions into a broader functional structure, we are aiming to provide our businesses with more flexibility and speed. The new organization enables us to more easily adapt to changes, as we did with the quick adoption of telecommuting, and will make us more resilient in the post-COVID-19 world.

While revising our internal organization, we also recognized the importance of creating a system for more deeply integrated management of the MGC Group. Our Group is composed of numerous companies that are small but possess highly specialized technology and excellent human resources. Capital investment and R&D spending were previously conducted by the individual

Group companies, but we will build synergies across the Group in various ways, such as through shared strategies and collaborated R&D. This autumn, we plan to combine the Group's three trading companies into a single entity to be called Mitsubishi Gas Chemical Trading, Inc. Although some time will be needed for the full effects of the new structure to emerge, I am confident that clarifying the roles of Mitsubishi Gas Chemical Trading and Mitsubishi Gas Chemical Company and making the new trading company's sales channel the core conduit for sales will lead to expanding profits throughout the Group.

### Business Portfolio Reform

#### Flexibly responding to market environment changes by investing in high value-added products and growth fields

The Group is maintaining the firm earnings base of its existing businesses while creating and nurturing new businesses to optimize its business portfolio. The MGC Advance 2020 plan calls for investing a total of ¥200 billion over three years for future growth, and we will continue to invest in growth in fiscal 2020.

We plan to establish investment priorities for our product and business fields based on analysis in the two areas of "market growth rate and future potential" and "our market share and competitive advantage." Our "shining star" products for which we hold strong shares in high-growth markets include our optical polymers and electronic materials. So these will naturally be focus areas

#### (Internal Audit Division)

##### Corporate Management Sector

Administrative &  
Personnel Division

Finance & Accounting Division

Information Systems Division

Internal Audit  
Division

##### Environment & Total Production Sector

Environmental Safety &  
Quality Assurance Division

Production Technology Division

Purchasing & Logistics Division



for growth investment. We will also invest in basic chemicals, such as hydrogen peroxide and methanol, that are in low growth markets but require a certain amount of continuous investment. These products have firm business foundations and are a key part of our profit base. In addition, we will continue upfront investment aimed at sustainable growth in the future in new business fields that have high growth rates but are still contributing minimally to earnings. This balance of investment for growth will be a fundamental as we reform our business portfolio. We have tended to have a high weight of investment in basic chemical products, but we are now looking to restrain investment in products with high volatility and to focus investment in high value-added products that we can differentiate in the market and in growth fields where we have business growth potential.

The amounts of our fundamental investments in each product area may not appear to reflect our objective for future growth. The reason is that different fields require different levels of investment. For example, building a methanol plant can cost over ¥100 billion, but constructing an optical polymer manufacturing facility can be done at one-tenth or less of the investment. So although the amounts may vary year by year, each move will be made with the objective of optimizing our business portfolio.

While investing in new businesses, we will also continue

carefully examining unprofitable businesses or businesses with a difficult future outlook for potential withdrawal or sale. By formulating a business portfolio able to respond flexibly to severe changes in the business environment, we are creating a base for earnings growth for the entire Group.

### **Promoting CSR Management and Contributing to a Sustainable Society**

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#### **Formulating CSR Basic Policy and identifying materiality**

We recognize that promoting CSR management is essential to improving the quality of our company. I believe that pursuing economic value, fulfilling our responsibilities to stakeholders, and contributing to realizing a better society are the reasons for the Group's existence in society and are what will enable our sustainable growth.

To clearly show our employees and the public that CSR is at the core of our management, we created the CSR Department in October 2019 and adopted our CSR Basic Policy in February 2020. Rooted in our Group vision of "creating value to share with society," the CSR Basic Policy demonstrates our dedication to developing businesses with a deep awareness of our responsibilities to each of the environment, society, and corporate



governance (ESG) and to contributing to creating a sustainable society. Based on this policy, we also identified the important CSR issues (materiality) that the Group should focus on. (Please see the Special Feature on Promotion of CSR Management on page 15)

In April 2020, we became a signatory of the United Nations Global Compact. The MGC Group has long been operating numerous businesses aimed at addressing the social issues covered by the United Nations' Social Development Goals (SDGs), and signing the compact reconfirms our commitment to using the SDGs as a guideline for contributing to creating a sustainable and harmonious society.

Comprehensive governance is essential to being a sustainable company. In June 2020, we added two new outside directors, including a female director, bringing the number of outside directors to one-third of the total 12 members. I look forward to the additional input that the outside directors' diverse areas of expertise and experience will bring to enhancing the function of our Board of Directors. (Please see the Corporate Governance information on page 49)

## Capital Policy

### Continue providing stable shareholder returns as increasing profit improves our capital efficiency

The Group believes that improving corporate value benefits shareholders and all stakeholders. We seek to maintain an optimal balance between shareholder returns and internal reserves from a comprehensive perspective encompassing capital investment and loan plans for future business development, financial soundness, and the outlook for future business performance.

Internal reserves are used for investments and loans for

business expansion and growth and to strengthen our corporate structure. While taking into account operating performance and other factors, the Company aims to maintain a stable level of dividend distribution.

In fiscal 2019, although profits declined significantly from the previous fiscal year, in accordance with its initial plan, the Company distributed annual dividends amounting to ¥70 per share. Management plans to distribute annual dividends of ¥70 per share again in fiscal 2020. We will continue balancing internal reserves and profit return to shareholders while striving to further enhance our corporate value.

## 50th Anniversary of the Company Launch

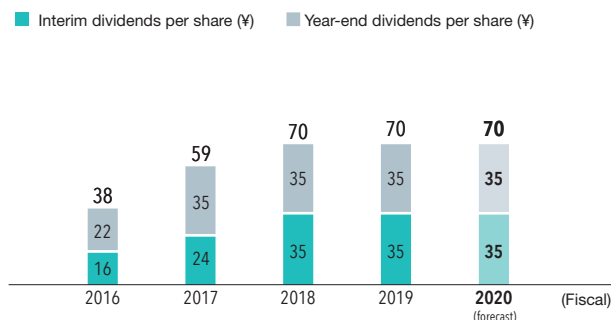
### "Creating value to share with society"

MGC will celebrate the 50th anniversary of its launch in October 2021. Management is currently discussing what the Group needs to do to ensure another half century of continuous growth as an R&D-driven corporation. First, we are defining what we want the MGC Group to be—what value we want to have and what contribution we should be making to society 50 years from now. When we have a clear image, then we will backcast to determine what we need to do now so we can realize that vision. Those measures will become the basis for our next medium-term management plan that we are planning to launch in fiscal 2021.

To mark a fresh start in our 50th year, we plan to implement several improvements and suggestions by workers at our plants and other sites, including introducing redesigned uniforms for plant employees.

Our employees are unquestionably one of our most important stakeholders. Employees are a company's most important management resource and the longest-lasting stakeholders. A company where each employee is proud to work, feels like they are improving every day, and feels satisfied with their job is a company with an essential resource for sustained growth, for contributing to resolving social issues, and for maintaining satisfied shareholders. Our executives and employees are working together to be a distinctive chemicals company seeking to "create value to share with society," and we will continue steadfastly advancing on our path to the future, the MGC way. (May 2020)

## Shareholder return



\* With an effective date of October 1, 2016, MGC conducted a reverse stock split for MGC's ordinary shares on a 2:1 basis. As a result, amounts per share in the above table are calculated assuming that the reverse stock split had been conducted at the beginning of FY2016.

**Masashi Fujii**

President and Representative Director

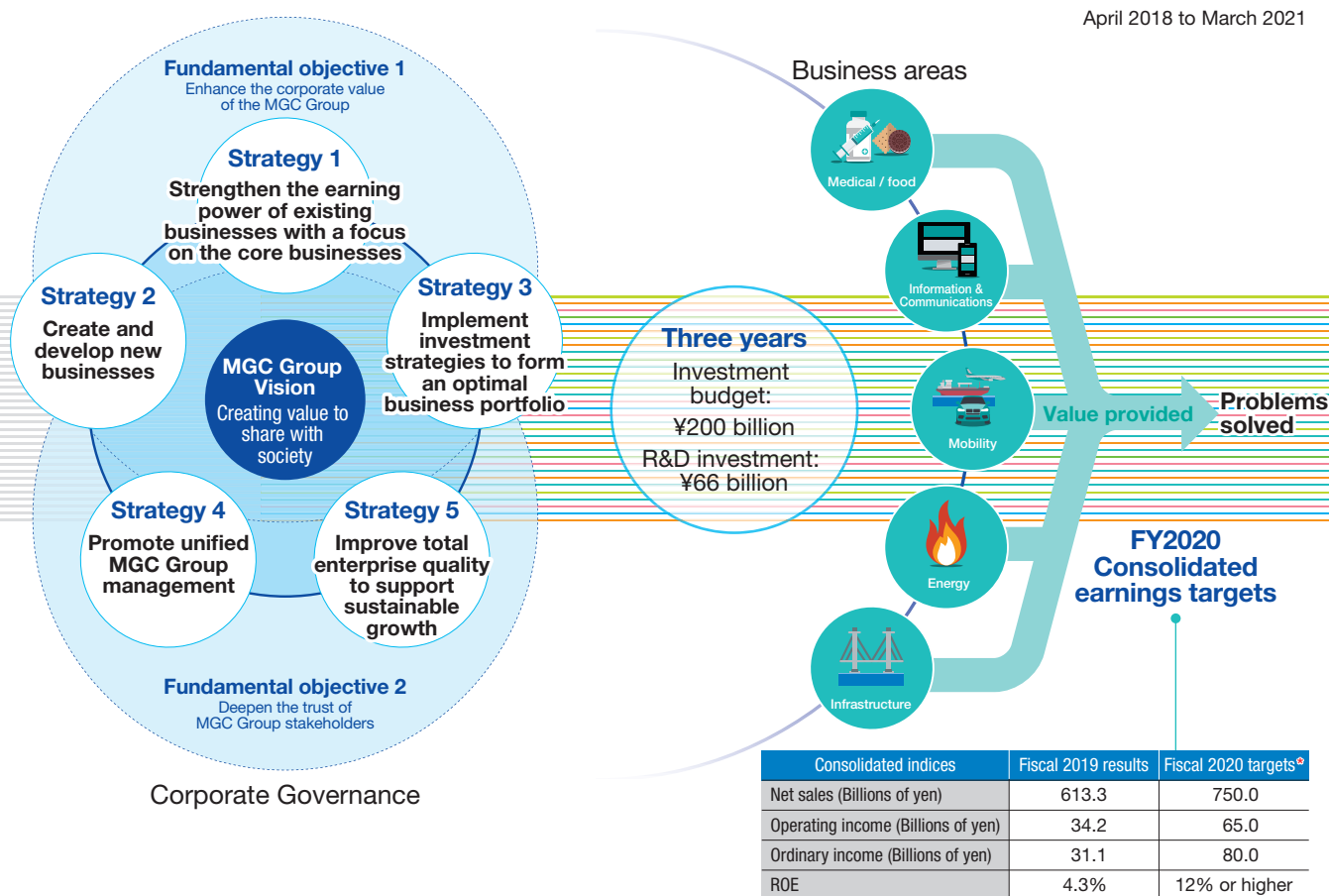
# Progress of the Medium-term Management Plan

## Five Strategies for Continuing Growth

The MGC Advance 2020 three-year medium-term management plan launched in April 2018 specifies two fundamental objectives of “enhancing the corporate value of the MGC Group” and “deepening the trust of our stakeholders” to realize the Group vision to “create value to share with society.” We are currently executing five strategies to fulfill these objectives and generate future growth for the Group.

## Medium-term Management Plan **MGC Advance 2020** A brighter future from bigger dreams!

April 2018 to March 2021



\*Revised on May 13, 2019

## Response to business environment trends and business results

Our business results in fiscal 2019, the second year of the medium-term management plan, have diverged substantially from the target values we set for the plan's final year. The divergence was primarily caused by the major impact from changes in the external environment, which includes the markets for methanol, polycarbonate, and other general-purpose products becoming more sluggish than anticipated when forming the plan. We certainly expect fluctuations in the economic and market conditions, including the impact from the COVID-19 pandemic, to significantly affect our results going forward; however, we have several businesses that should be relatively unaffected by the pandemic, and we will harness them to help us recover and deliver us as close to our targets as possible.

We are therefore maintaining intact the three-year investment budget of ¥200 billion, R&D investment plan of ¥66 billion, the two fundamental objectives, and the five strategies of the medium-term management plan. Specific initiatives will include aggressively investing to strategically fortify our business base and leveraging our modified R&D structure to accelerate the creation of new businesses by taking full advantage of the technologies and human resources inside and outside the Group and engaging in cross and open innovation.

## Business progress and performance results

### Strategies 1 and 3 | Strategically invest for growth centered on specialty chemicals

We are focusing our strategic investment for growth in specialty chemicals while taking into account the changing markets and the speed of change under the current megatrends. To date, we have invested in launching operations at two super-pure hydrogen peroxide plants in North America and expanding the production capacity for optical polymer at the Kashima Plant in Japan. In the basic chemicals field, the new factory for the methanol project in Trinidad and Tobago is advancing to the trial-run stage. We are also taking steps to enhance the profitability of our existing businesses by continuing to improve our technologies, substantiating our competitive advantages, and diligently developing markets for our products.

To expand and strengthen our business foundation, we are increasing production capacity of bismaleimide triazine (BT) materials at the plant in Thailand and preparing plans to launch operations at a meta-xylenediamine (MXDA) plant and for upfront investment in aromatic aldehydes.



Super-pure hydrogen peroxide plant in North America  
Constructed two new plants



Constructed an optical polymer manufacturing plant



Methanol project in Trinidad and Tobago



Expanded capacity at the electronic materials plant in Thailand is planned to come online in April 2022

### Strategy 2 | Develop new products and businesses centered on the medical & food, information & communications, and mobility business domains

We are pursuing new management approaches capable of aggressively incorporating a full range of management resources, including through collaborations with other companies, to develop new products and business in the promising growth domains of medical & food, information & communications, and mobility.

Specific initiatives are focused on antibody drugs, bioproducts, medical packaging materials, and factory-produced vegetables in the medical & food domain, Neopulim™ heat-resistant polyimide resin in the information & communications domain, and solid electrolytes in the mobility domain.



OXYCAPT™ non-glass syringes adopted for practical use



Produce shipments have begun of factory-produced vegetables



Advancing development of the Neopulim™ flexible, transparent film resin and varnish



Developing solid electrolyte for all-solid-state lithium-ion batteries

### Strategy 4 | Promoting unified MGC Group management

- The MGC Group's three trading companies were merged into MGC Trading\*, and Toho Earthtech and Japan U-PiCA were made into consolidated subsidiaries.
- To accurately manage MGC Group information and improve Group management efficiency, we are incorporating a Business Management Unit (BMU) structure for consolidated business management and integrated and standardized Group accounting systems.

\*Changed name to Mitsubishi Gas Chemical Trading on October 1, 2020

### Strategy 5 | Improving total enterprise quality to support sustainable growth

- The organization has been reformed to optimize the overall management efficiency and speed.
- CSR management was further enhanced with a new department and identification of issues of materiality.
- We are aiming to create an effectively operated, robust, and fully developed corporate governance system.

## Special Feature

# Promotion of CSR Management



## Compilation of CSR Basic Policy as foundation for CSR initiatives aimed at “Creating value to share with society”

Corporate social responsibility (CSR) means taking responsibility for the impact that wide-ranging corporate activities have on society and the environment. In February 2020 the Mitsubishi Gas Chemical Group revised the MGC Corporate Behavior Guidelines and also compiled the CSR Basic Policy as a guideline for wide-ranging corporate behavior.

### CSR Basic Policy

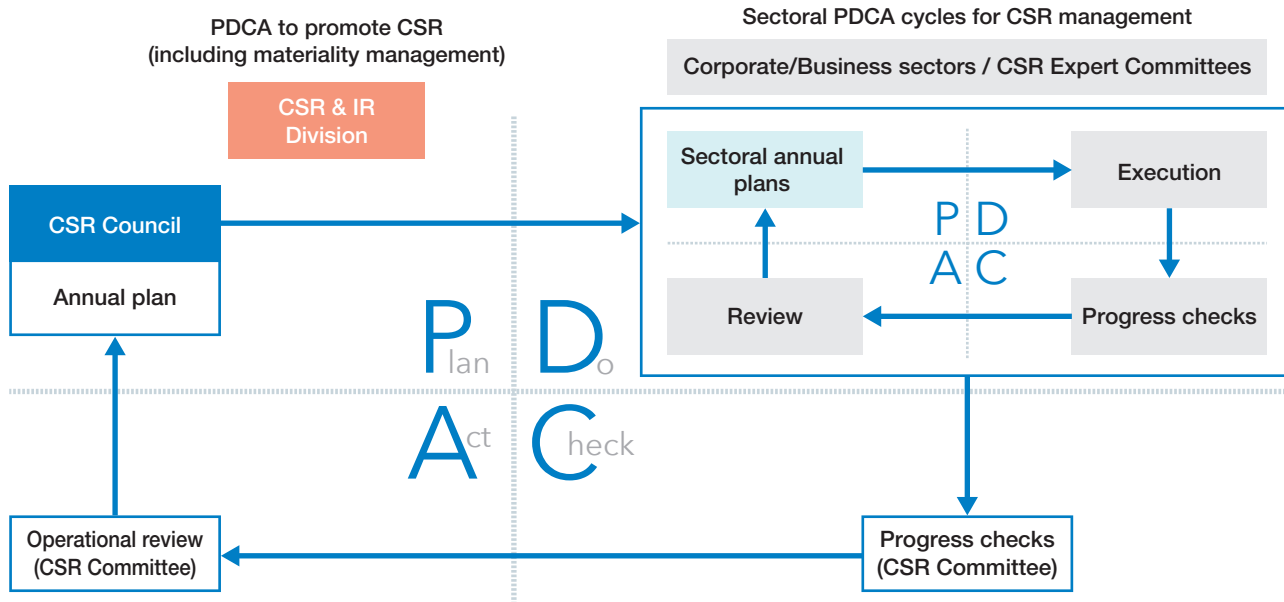
The MGC Group contributes to realizing a harmonious and sustainable society that keeps growing, in accordance with its vision of “Creating value to share with society.” The Group is deeply aware of its corporate responsibilities in the areas of the environment, society, and corporate governance and carries out its business activities in line with the MGC Corporate Behavior Guidelines.

## PDCA Cycle for the Promotion of CSR Management

MGC promotes continuous improvement in socially responsible management through a Company-wide PDCA cycle. Toward this end, MGC has established a CSR Council and CSR Committee. The former is composed of directors and chaired by the President. The latter, an advisory body to the CSR Council, comprises corporate sector heads. Its meetings are convened by the General Manager of the CSR & IR Division.

The CSR Council deliberates and makes decisions on fundamental matters pertaining to CSR management, such as future CSR activities and identification of Key Issues (materiality). It is also briefed on CSR initiatives' implementation status, among other matters. The CSR Committee promotes effective CSR activities by monitoring the status of segmental CSR activities and conducting periodic reviews. In addition, it establishes various CSR Expert Committees on an as-needed basis to address specific CSR requirements/priorities.

### CSR Promotion System



## Materiality Identification Process

In order to show clearly to stakeholders our stance of contributing to the development and harmony of sustainable societies over the medium to long term through the creation of wide-ranging value based on chemicals, prior to the formulation of the next Medium-term Management Plan, we have identified Key issues (materiality) that we should address in our management.

### Step 1 Identification of issues

Compiled list of over 600 terms related to societal issues/changes from various sources, including requirements in GRI and SASB standards, ISO 26000 and SDGs and trends among other companies.

### Step 2 Winnowing

Keywords related to social issues and social change were classified by theme and winnowed them down to 39 materiality.

### Step 3 Prioritization

Assessed the materiality's importance from the standpoint of both stakeholders and the MGC Group. The CSR Committee drafted a prioritized list of materiality and submitted it to the CSR Council.

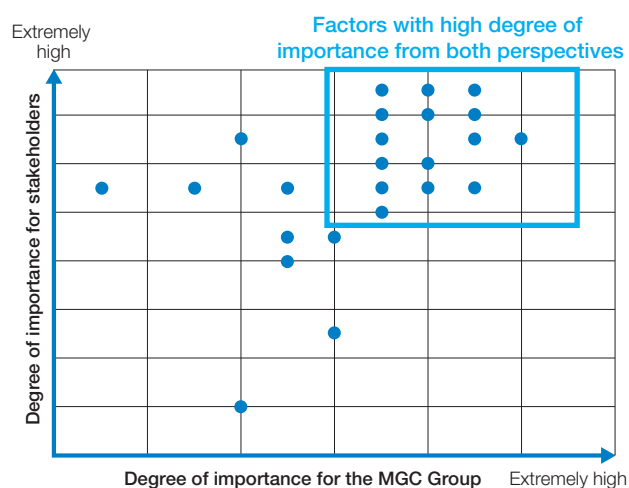
### Step 4 Management deliberation/approval

The materiality submitted by the CSR Committee was deliberated and determined by the CSR Council.

### Step 5 Updating of identified materiality

Materiality is subject to change in response to changes in societal imperatives and stakeholders' needs and preferences. Materiality will accordingly be updated as needed in response to changes in society and/or the MGC Group's business activities.

### Materiality Matrix



The MGC Group has arranged materiality in four categories, with “creating shared value” (CSV) being added to the environment, social, and governance (ESG) criteria. We have identified factors that are closely related to the Group’s vision and will lead to its realization as our materiality. We will include this materiality in our next Medium-term Management Plan, which is currently being compiled. By stipulating medium-term key performance indicators and managing progress, we will pursue the Group’s vision.

## Topics

### Signatory to the United Nations Global Compact

MGC has signed the United Nations Global Compact, which is advocated by the United Nations, and was registered as a participating company in April 2020. At the same time, we joined the Global Compact Network Japan, which comprises Japanese companies and other organizations that have signed the United Nations Global Compact.

By becoming a signatory to the United Nations Global Compact, we have clearly demonstrated our corporate stance of contributing to societal growth and harmony by creating a wide range of value through chemistry in accordance with our Group’s vision of “Creating value to share with society.”





























WE SUPPORT



## Special Feature Promotion of CSR Management

### Materiality and Main Initiatives — Pursuing Creation of Value to Share with Society

Materiality		Why it is material	
Category	Elements		
CSV Creating Shared Value	<b>Contribution through business operations</b> <ul style="list-style-type: none"> <li>• Contribute to development of ICT/mobility society</li> <li>• Solve energy and climate change problems</li> <li>• Solve medical and food problems</li> </ul>	Pursuing creation of value to share with society leads to improvement in corporate value from economic, social and environmental standpoints.	
Social Foundation for shared-value creation	<b>Cultivating a corporate culture of job satisfaction</b>	An organizational culture that enables all employees to confidently give full play to their abilities over the long term while finding individualized meaning in their jobs is the foundation of corporate value creation.	
	<b>Promotion of diversity and inclusion</b>	A culture of collaboration among individuals with diverse values is conducive to new ideas and technological innovation.	
	<b>Stakeholder engagement</b>	Corporate value creation is a result of stakeholders' contributions, including the resources they provide.	
	<b>Promotion of socially responsible sourcing</b>	Companies have a societal responsibility to upgrade CSR compliance throughout their supply chains with respect to the environment, working conditions, human rights, etc.	
	<b>Occupational safety and health / Process safety and disaster prevention</b>	Safety is the foundation of business activities. Companies have a societal duty to ensure safety.	
	<b>Highly energy- and resource-efficient production</b>	Companies have a duty to harmonize their operations with global environmental protection in accord with the principle of sustainable development.	
	<b>Chemical/product quality and safety assurance</b>	Quality assurance is the basis of stakeholders' trust. Companies have a duty to provide highly safe and reliable products and services.	
Environment Harmonization of shared-value creation with environmental protection	<b>Promotion of innovative R&amp;D</b>	Developing valuable new products and technologies that help to move society forward and solve problems is the pursuit of creation of value to share with society.	
Governance Value-creative discipline	<b>Proactive response to environmental problems</b> <ul style="list-style-type: none"> <li>• Air quality control</li> <li>• Water and biodiversity conservation</li> <li>• Reduction of industrial waste</li> </ul>	Addressing environmental problems is imperative for all of humanity. Companies must proactively do so as a prerequisite for their existence and activities.	
	<b>Strengthen systems</b> <ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• Compliance</li> <li>• Internal controls</li> <li>• Risk management</li> </ul>	Developing disciplined ways steadily execute strategies to bring business models to fruition and to sustainably grow corporate value.	

MGC's main initiatives	Related SDGs (targets)
Helping to move society forward and solve problems through business operations, including by contributing to development of an ICT/mobility society with polycarbonates, polyacetal, super-pure hydrogen peroxide, electronic chemicals, optical polymers and semiconductor packaging materials (BT resin); solving energy and climate change problems with geothermal and LNG-fired power penetration projects and functional monomers; and solving medical and food problems with life science products (e.g., antibody drugs, fermented foods), oxygen absorbers and MX-Nylon	 3.6 3.8  4.4  7.2 7.3  8.1  9.4  11.4  12.2 12.3  17.3 17.16
Promoting work-life balance; offering generous child/family care systems, creating dynamic workplace environments	
Providing more opportunities to women; supporting career advancement and work/life balance; promoting employment of individuals with disabilities	
Disclosing information in compliance with laws and securities exchanges' regulations; fairly and transparently disclosing information online and via news media	 3.8 3.9  4.2 4.4  5.1 5.5  6.3  7.3  8.2 8.7  9.4 9.5  10.2
Building safe, legally compliant and environmentally friendly supply chains	
Continuing to conduct occupational safety and health risk assessments, daily safety activities and safety education/training in the aim of zero occupational injuries	 12.2 12.4 12.6  16.2 16.10
Minimizing environmental impacts in sourcing resources; efficiently using resources (energy, raw materials, water, etc.)	
Promoting Company-wide quality assurance activities (Q-MGC) throughout supply chains	
Developing/adopting new processes that maximally leverage core technologies cultivated over many years; founding and developing new businesses	
<ul style="list-style-type: none"> <li>Formulating medium-term and annual RC* plans and endeavoring to achieve their targets</li> <li>*RC: Responsible Care</li> <li>Reducing GHG emissions while supporting the Task Force on Climate-related Financial Disclosures</li> </ul>	 3.9  6.3  12.2 12.4 12.5  13.2  14.1 14.3  15.1
Building effective internal control systems based on appropriate corporate governance, ensuring the soundness of business activities through compliance, risk management, etc.	 5.1 5.5  8.7  10.2  16.2 16.5 16.10

🖥️ Eco-Friendly Products Web Site: <https://www.mac.co.jp/eng/csr/eco-friendly/>

## A component in people- and environment-friendly paints

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 atmospheric pollution. Compared with ordinary curing agents, about 20% less volume of MXDA is needed to get the same hardening performance, which ultimately contributes to conserving oil resources.



20% cut



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 CO<sub>2</sub> emissions. Foamed plastic is also an environmentally friendly material that can be recycled.

**MGC Group's  
global share**  
(as foamed PP)

60%



A top-down diagram of a car interior with various components highlighted in blue. Labels with leader lines point to the following parts:

- Sun visor
- Front duct
- Front bumper
- Tibia pad
- Floor duct
- Headrest
- Door pad
- Toolbox
- Rear bumper
- Rear seat
- Floor spacer

Geothermal power is generated by using steam 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 CO<sub>2</sub>, and contribute to preventing global warming.



The diagram illustrates the geothermal power cycle. At the bottom, a red area represents the **Magma**. Above it is the **Aquifer**, shown in grey. A **Production well** (black line) draws up **subterranean hot water and steam** from the aquifer. This mixture enters a **Separator**, which **separates the hot water and steam that are drawn up**. The **Generator** then **uses steam to turn the turbine**. The steam is then sent to a **Cooling tower**, which releases it into the air. Finally, **Hot water and water return to the stratum via the injection well**, which is shown as a blue line with arrows pointing down into the aquifer.

## Hydrogen peroxide

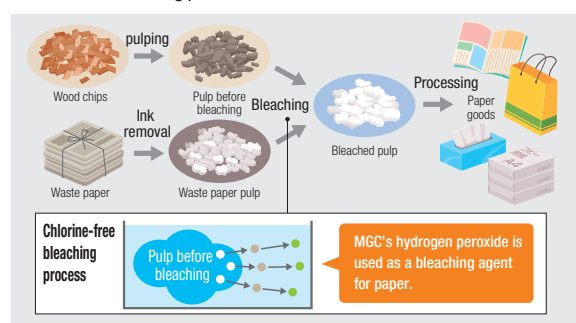
An environment-friendly bleaching agent

Benefits for the environment

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

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.

Chlorine-free bleaching process



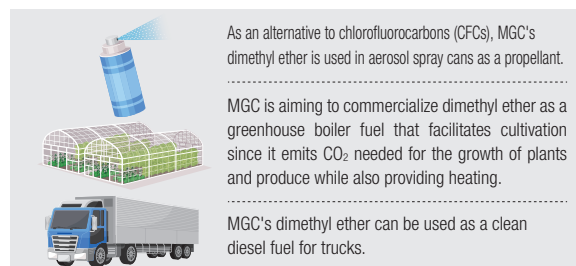
## Dimethyl ether (DME)

A clean fuel derived from methanol

Benefits for the environment

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

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.



## AGELESS™, oxygen absorbers

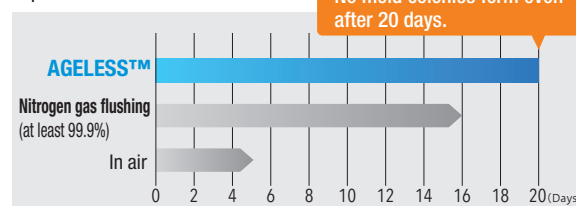
Preserves the freshness and taste of food for longer periods

Benefits for the environment

**Reducing food waste loss**

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 CO<sub>2</sub> emissions.

Testing the ability of AGELESS™ to prevent mold



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.



# Examples of Initiatives | Promoting Diversity

MGC promotes diversity and is striving to establish an invigorated corporate culture that embodies mutual respect and enables all of our employees, themselves diverse individuals, to play active roles in a workplace environment that encourages personal growth and diverse values, which will allow new paths to emerge and technological innovation to take place.

## Reinforcing Systems for Promoting Diversity

We established the Diversity Promotion Office in August 2019 to develop a corporate culture of respect for diversity that values differences and further promote MGC's management concept of creating a place where there is 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.



### Work Style Reforms

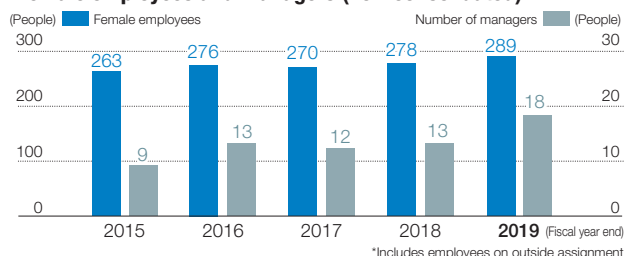
Work style reforms that make possible work styles that do not rely on long work hours as well as diverse and flexible work styles are essential for diverse human resources to work with vitality, play active roles, and create innovations. Based on this belief, we are reviewing work flows, reducing meeting times, and taking other measures to shorten work hours and create environments where employees can choose their work hours and sites. Workplace environments have changed drastically including an increase in working from home as a result of measures implemented to counter the spread of novel coronavirus, and we will continue to implement work style reforms without turning back.

### Promoting More Active Roles for Women

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.

In fiscal 2019, we started conducting training to support the return to work by employees who took childcare leave in order to expand and enhance support for balancing work and childcare. We also conducted training for all managers on methods of communicating with diverse employees including women.

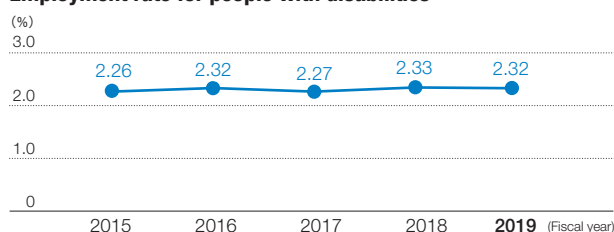
#### Female employees and managers (non-consolidated)



### Employment of People with Disabilities

MGC also continues working to create a workplace environment that allows employees with various disabilities to fully demonstrate their capabilities. MGC's rate of employment for people with disabilities in fiscal 2019 was 2.32%, above the legally mandated rate of 2.20%. Through both a culture and systems being putting in place, we are creating a workplace that provides a sense of purpose.

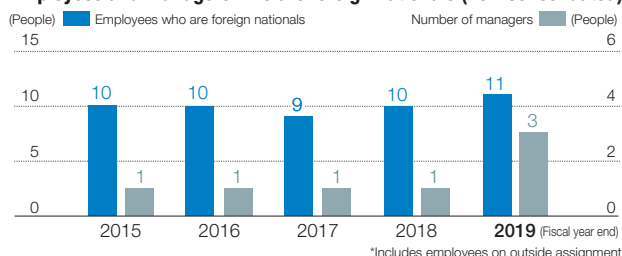
#### Employment rate for people with disabilities



### Employment and Exchanges of Foreign Human Resources

We encourage hiring of foreign employees to develop business at overseas sites, promote improvements in work processes from diverse perspectives, and support R&D. We accepted interns under the government-sponsored African Business Education Initiative for Youth and are working to encourage exchanges and build networks with foreign human resources.

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



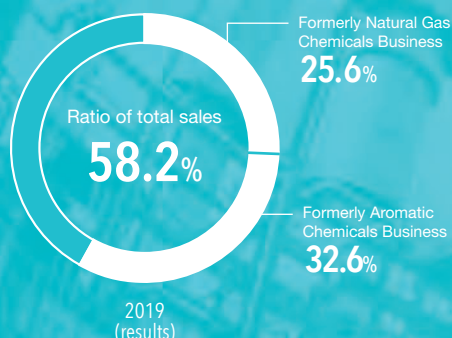
# Growth Strategy

Basic Chemicals Business	23
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# Growth Strategy

## Basic Chemicals Business

Using our unique catalyst and production technologies to provide a stable supply of essential products for society



**Tomohiko Okubo**

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

### Business Overview

#### Providing highly versatile products to diverse industries

The Basic Chemicals Business Sector was created in April 2020 to integrate and develop the businesses of the Natural Gas Chemicals Company and the Aromatic Chemicals Company. The Natural Gas Chemicals Business manufactures methanol, ammonia, and their derivative products. The Aromatic Chemicals Business produces highly original products, notably meta-xylene derivatives.

Many of the products manufactured by the sector are highly commoditized products that are high up in product chains and are widely used in industries around the world. Because these products are used in various industries and for a wide range of applications, these products have longer product lives than functional products. The sector is building a business foundation that is resilient to market conditions by leveraging proprietary technologies accumulated over many years, such as in methanol catalysts and HF-BF<sub>3</sub> catalysts, to expand its offerings of

highly original products.

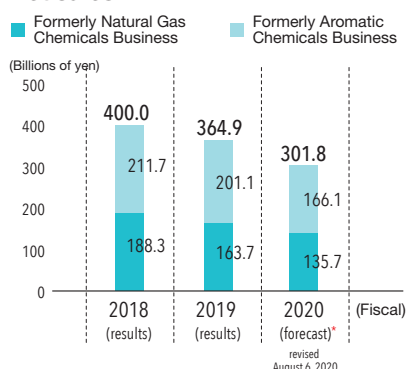
While manufacturing basic chemical products, we also have been exploring and developing natural gas—a component of numerous products—in Japan and overseas for decades. The sector also engages in other businesses, including using technology from its natural gas exploration and development operations to expand its geothermal resource development business in Japan and actively seeking to build the Life Science Business, which encompasses health food ingredients and antibody drugs.

### Fiscal 2019 Review

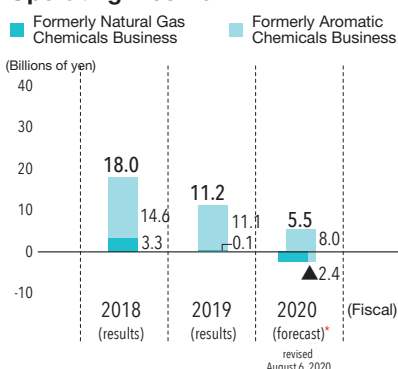
#### Market conditions impacted earnings, but new initiatives are making progress

Lower prices for the sector's core methanol products led to declines in both sales and profits in fiscal 2019. Market conditions deteriorated more than anticipated in early 2020 from the drop in crude oil prices and the spread of COVID-19. Profits were also affected by falling prices for the methanol ammonia derivative products methyl

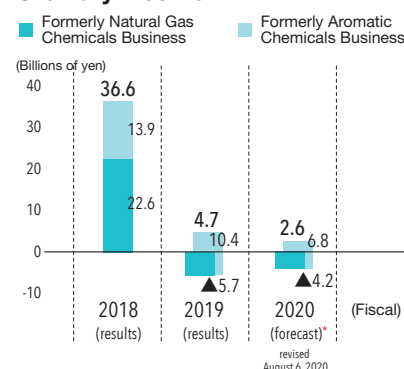
#### Net sales



#### Operating income

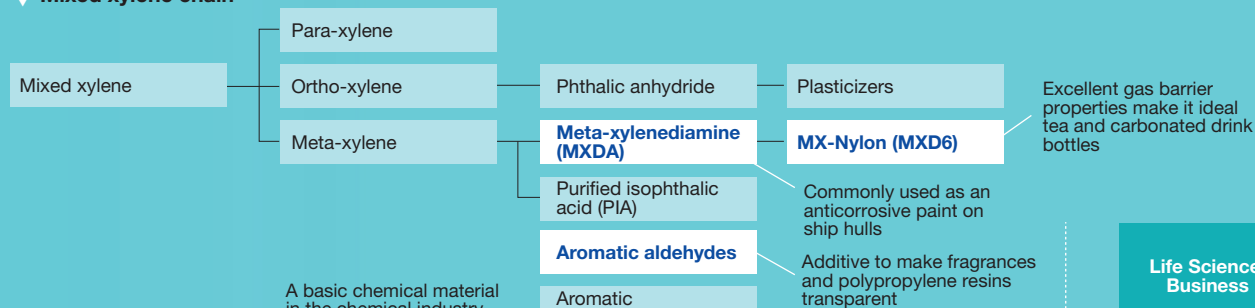


#### Ordinary income

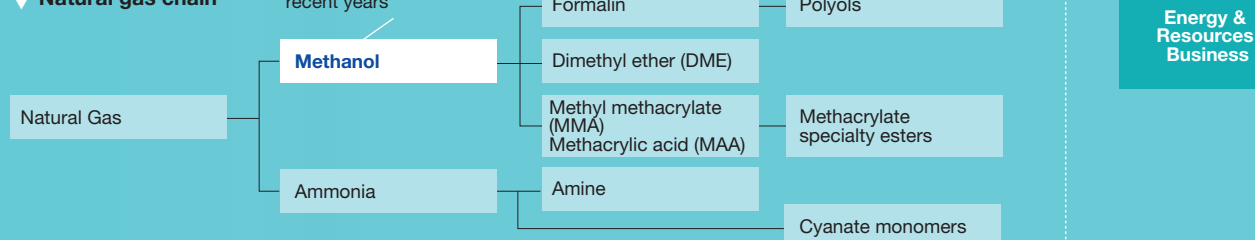


## Basic Chemicals Business Main Products

### ▼ Mixed xylene chain



### ▼ Natural gas chain



Life Science Business

Energy &amp; Resources Business

methacrylate (MMA) and neopentyl glycol as well as for natural gas commodity products, such as monomer-based chemicals.

We also recorded an equity-method loss in fiscal 2019 owing to a one-time expense due to revising the joint-venture framework for the methanol production operation in Saudi Arabia. Despite the temporary setback, the new framework gives us a considerable advantage by enabling us to continue our operations at the highly competitive Saudi Arabia plant and to respond to the ongoing strong growth in demand expected for methanol, including in China, a major consumer.

At the same time, our extensive lineup of unique aromatic products, such as our meta-xylene derivatives, was relatively unaffected by the pandemic. Demand for our aromatic aldehydes was particularly strong, and we recorded an increase in sales volume.

It was certainly a challenging year, but we still made positive progress in several areas. One such area was the Energy & Resources Business. In May 2019, the Wasabizawa Geothermal Power Plant in Yuzawa, Akita Prefecture completed construction and began operations, and construction began later in the summer for the geothermal power plant in Appi Kogen, Iwate Prefecture. We also made a key addition to the Group by bringing in the Toho Earthtech, Inc., a natural resources developer in Niigata Prefecture. We look forward to strengthening our collaborative activities with the company to develop several promising synergies.

## Growth Strategies

### Growth strategies for our businesses of particular interest to investors

#### Strengthening our methanol supply network

Our overseas methanol production bases in the Middle East, Asia, the Caribbean and South America enable us to efficiently distribute our production to our worldwide customers. This global network is resilient to fluctuations in energy prices and markets, and allows us to both diversify risk and maximize profitability.

The COVID-19 pandemic has necessitated significant delays to the construction of the joint-venture methanol plant in Trinidad and Tobago. On-site delays had previously pushed the completion date into 2020 then the pandemic forced all construction to be suspended. However, it is now possible to dispatch personnel to the country, and we are aiming to commence commercial operation during 2020. Bringing the plant on line will add further strength to our methanol supply network that should lead to improving profitability.

#### Stepping up investment in highly unique special aromatic products

We expect demand for our highly unique, high value-added MXDA and 1,3-BAC to continue growing across a wide range of fields, including housing, infrastructure, and automobiles and will accordingly step up investment in those areas. We are currently considering plans to construct an MXDA plant overseas with the aim of starting operations by the end of 2023.

We are also taking steps to increase the production of aromatic aldehydes, for which demand is growing as a raw material for fragrances and resin additives. Highly advanced technologies are needed for aromatic aldehyde production because of its use of HF-BF<sub>3</sub> catalyst, and we

# Basic Chemicals Business

are examining ways to utilize equipment and expertise from the Mizushima Plant. We plan to incrementally increase capacity over about three years while actively working to expand the sales channels for our aromatic aldehydes.

We have high expectations for developing the new Neopulim™ aromatic product into a full-fledged business. The product is being considered for applications in numerous areas, including foldable displays, automobile head-up displays, and mobile device screens.

### Using Our Business to Address Social Issues

#### Advancing the Energy & Resources Business with our well-tested excavation technology

We made steady progress laying the foundation for the Energy & Resources Business in fiscal 2019, including starting operations at the Wasabizawa Geothermal Power Plant, beginning construction of the Appi Geothermal Power Plant, and commencing operation in April of the No.1 unit at the natural gas power plant project underway in Fukushima Prefecture, which was engineered to have a minimal environmental footprint. Although these operations are not yet generating significant revenue, confirming that they can be competitive businesses even when generating power using externally procured LNG was a major step forward.

We also look forward to collaborating with our new Group member Toho Earthtech. The company has extensive experience developing safe and environmentally-friendly methods for collecting and selling water-soluble natural gas in Niigata Prefecture, and is also researching iodine contained in the minerals of water-soluble natural gas. We are using our broad knowledge and expertise in resource development and chemical product development in a collaboration with Toho Earthtech to begin development of new water-soluble natural gas. We have provided detailed presentations to local communities about the environmental conservation and have received their support and understanding for the project. This new



The Wasabizawa Geothermal Power Plant

approach to creating added value is also significant because it uses domestically produced natural resources.

#### Developing the Life Science Business in two main areas

The Life Science Business was established in 2016 with the aim of broadening our business in high value-added fields. The business is focusing on two main business lines—developing health food ingredients centered on pyrroloquinoline quinone (PQQ) and providing contract manufacturing of antibody drugs.

We are developing the PQQ project in collaboration with manufacturers of final food products. The project has advanced somewhat more slowly than we originally planned, but we are steadily gaining increasing recognition, including with the approval in Europe as a “novel food” under the region’s new food safety regulations. We are promoting recognition of the PQQ project while developing new applications to meet customer needs.

The contract manufacturing business for antibody drugs is currently engaged with a number of drugs that are still at the trial stage of clinical testing and has not yet been contracted to produce commercial products. The business’s technical capabilities offer much promise that the operation can be developed into a highly profitable new business.

#### Addressing social issues as an avenue for further growth

We understand that our business sector is the very foundation of the MGC Group as a chemical company. More than a primary revenue source for the Group, the Basic Chemicals Business is a reliable source of chemical products that are essential to industries and people’s lives, and in that sense we consider our business to be a foundation of society as well.

Part of our corporate social responsibility is to address climate change issues by using the geothermal resource development capabilities using the technologies and expertise we have accumulated in our operations developing underground resources. In recent years, we have also been participating in governmental carbon capture and utilization (CCU) demonstration project, contributing the unique technologies and expertise in catalyst technology that we have developed as a chemical manufacturer.

We expect the severe business conditions for our operations to persist as the impact from the COVID-19 pandemic extends to consumer goods, such as automobiles and home electronics. We are fully dedicated to our mission to provide a continuous stream of chemical products that society needs while aiming to realize sustained business growth.

## MGC Innovation

Advances in aromatic chemicals using HF-BF<sub>3</sub> catalystsThe Mitsubishi Gas Chemical Mizushima Plant is applying strict safety management for the industrial use of superacid HF-BF<sub>3</sub>.

## World's first to successfully industrialize superacid

We have produced various products with our highly unique xylene separation technique using a combination of hydrogen fluoride and boron trifluoride, HF-BF<sub>3</sub>. Mixed xylene contains four isomers, including meta-xylene and paraxylene, that are commonly used as raw materials for the chemical industry. However, separating the isomers was a complicated process, and there was no established technique for separating high-purity meta-xylene. The principles of the HF-BF<sub>3</sub> separation technique were identified in the 1950s by a researcher in the United States, however the extreme acidity of HF-BF<sub>3</sub> made it very difficult to handle and unsuitable for industrial applications because it would corrode factory equipment and pipes.

MGC took to the challenge to develop a way to use HF-BF<sub>3</sub> industrially and use it to create new technologies that would separate us from our competitors. We achieved a breakthrough in 1964 when we successfully used HF-BF<sub>3</sub> to continuously extract meta-xylene from mixed xylene. In 1968, the Mizushima Plant introduced separation and isolation process using HF-BF<sub>3</sub> capable of efficiently isolating the four isomers in mixed xylene.

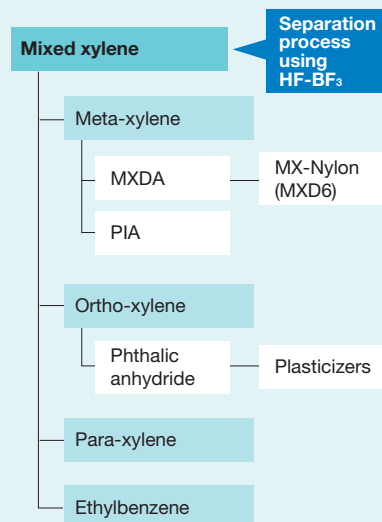
Our separation technology is lauded worldwide for its ability to isolate extremely pure (99%) meta-xylene in large volume and at low cost as well as for its minimal environmental impact through the recovery and reuse of the HF-BF<sub>3</sub> used in the processes.

HF-BF<sub>3</sub> also key to producing highly functional aromatic aldehydes

We also use HF-BF<sub>3</sub> as a catalyst to produce aromatic aldehydes. MGC is highly competitive in the field and currently manufactures and sells over 10 types of aromatic aldehydes, some of which we are the sole company capable of producing. In addition, since we recover and reuse the catalyst, our processes are environmentally cleaner than conventional processes using aluminum chloride as a catalyst.

Aromatic aldehydes are used in fragrances, additives, medicines, agricultural chemicals, and for a wide range of applications. Because the efficiency of our manufacturing techniques produces highly pure target substances, our products are also safe for use with food products, and we are receiving increasing demand from the food packaging industry.

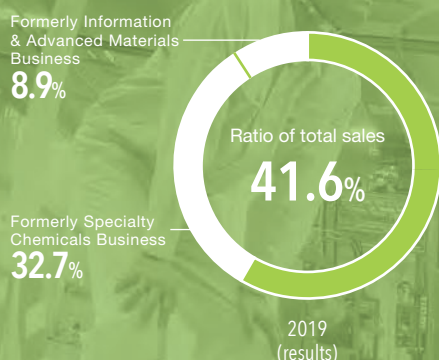
Original products using **high-purity** meta-xylene obtained by our separation process using HF-BF<sub>3</sub>



Aromatic aldehyde improves the transparency of plastic containers

## Specialty Chemicals Business

Using our refined technical capabilities and achievements to develop advanced products meeting market needs



**Yasushi Kosaka**

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

### Business Overview

#### Business growth by meeting needs in the information and communication field

The Specialty Chemicals Business Sector was created in April 2020 combining the Specialty Chemicals Company and the Information & Advanced Materials Company and encompassing the five business segments of inorganic chemicals, engineering plastics, optical materials, electronics materials, and oxygen absorbers.

Our main products are commodity products such as engineering plastics and hydrogen peroxide used for bleaching, sterilizing, oxidizing, and polishing metal; and high value-added products meeting specific user and market needs, such as super-pure hydrogen peroxide used in semiconductor cleaning processes, resin used in high refractive index plastic lenses, liquid crystal film materials, and BT materials for semiconductor packaging. The Specialty Chemicals Business Sector aims to use a balance of both product lines to generate stable business development and growth.

Of the five focus fields set in the medium-term management plan, our business sector is particularly focusing on the information and communications field. We expect the emergence of 5G and IoT technologies to drive worldwide demand for products and services, particularly related to semiconductors and mobile devices. We are strengthening our development, manufacturing, and sales networks with the aim of growing our business with the expanding market.

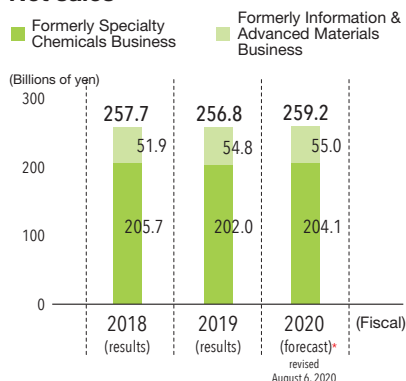
### Fiscal 2019 Review

#### The information and communications field contributed solid profits in a harsh business environment

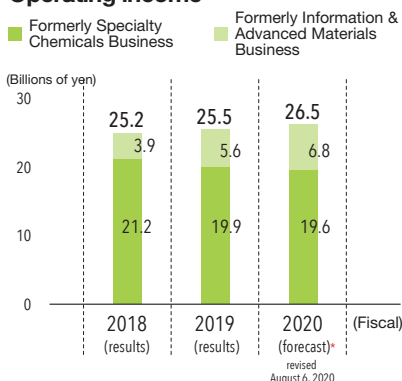
Profits from engineering plastics declined as the sharp year-on-year price drop for polycarbonate resins markedly narrowed the price margin with raw materials.

Sales volume of super-pure hydrogen peroxide expanded on the demand recovery in the semiconductor industry, although fixed costs rose with the launch of the

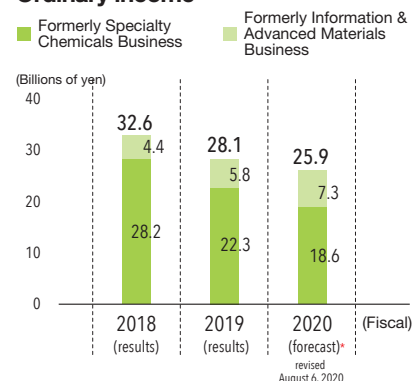
#### Net sales



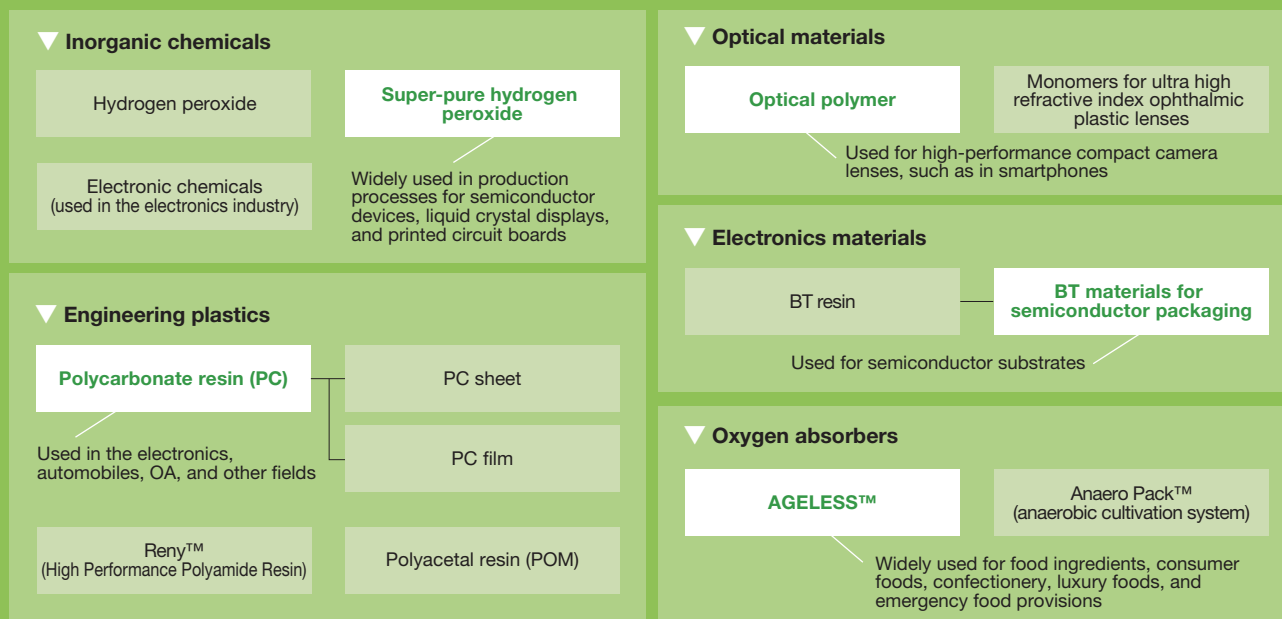
#### Operating income



#### Ordinary income



## Specialty Chemicals Business Main Products



new plants in North America. Sales volume also grew for optical materials fueled by our expanded production capacity at the Kashima Plant to meet the growing demand from the smartphones equipped with multi-lens cameras. Sales and profits increased for electronic materials on the brisk smartphone demand, the recovery in memory demand in the third quarter, and steadily growing sales for our main product of BT for semiconductor packaging.

Although individual businesses turned in varying performances, considering the severity of the business conditions during the year, we believe our overall results represent a certain degree of success, particularly in the information and communication field.

### Growth Strategies

#### Introducing our main businesses, particularly related to ICT

##### Expanding local production capacity for super-pure hydrogen peroxide

Super-pure hydrogen peroxide is used as a cleaning solution in the increasingly sophisticated manufacturing processes for semiconductors. The high quality of our products and our stable supply structure have earned us the leading position in the field with roughly 50% market share, and we plan to further strengthen our global production and sales structure to meet the growing demand.

We anticipate continuing steady sales volume growth in fiscal 2020 supported by the addition of new plants in North America and South Korea that commenced operations in fiscal 2019. We plan to expand our production systems in Asia to harness the brisk demand from the semiconductor production industry in the region.

Construction of a new plant in Taiwan to produce hydrogen peroxide materials has already been decided with the aim to further develop the site into an integrated producer of super-pure hydrogen peroxide. Also under way is a relocation project for a hydrogen peroxide material plant in China, where we are also considering a plan to create an integrated production structure from hydrogen peroxide materials to super-pure hydrogen peroxide.

##### Proposing BT materials for the 5G era

BT materials used in semiconductor packaging are another core product contributing to the sector's profitability. Our high-quality, high performance BT materials feature high heat resistance and low warpage. We command a leading 40% market share with a brand known worldwide. We expect demand for BT materials to continue growing as 5G technology becomes common and demand for semiconductors used in data centers grows.

We are focusing our sales activities on proposing materials for 5G smartphones and consumer premises equipment (CPE) as well as on applications for 5G small-cell base stations, where we anticipate growing demand. To meet the anticipated demand growth, we decided to strengthen our supply structure by expanding the production capacity of the Thai Plant. The plant's new production line is scheduled to start operations in 2022, and we plan to develop an optimal two-base global supply structure using the Thai Plant and our facilities in Fukushima, Japan.

##### Expanding optical polymers production capacity to boost profits

Demand for our optical polymer continues increasing as a lens material for smartphones and other devices with

# Specialty Chemicals Business

high-performance compact cameras.

The measures to meet the strong demand by expanding the production capacity of the Kashima Plant, which is our main production site for optical materials, were completed in the second half of fiscal 2019, and immediately began contributing to profits. We expect a full year's operation with the expanded capacity to make a considerable contribution in fiscal 2020. At the same time, we believe the pace of the demand growth requires a further increase in supply and are currently considering plans to expand capacity.



Multiple camera lenses on smartphones are increasing demand for our materials

### Using Our Business to Address Social Issues

#### Raising employee awareness and developing products that solve social issues

The growing awareness of environmental preservation is leading our OA equipment manufacture customers to adopt stricter procurement standards in which they will only accept plastic materials with a recycling rate above a certain level. In other words, regardless of whether products are targeted for other business entities or individual consumers, products can no longer be put on the market unless they are environmentally friendly. We also expect demand to become increasingly stronger for value creation that contributes to solving global social issues, such as represented by the United Nations SDGs.

As a manufacturer of chemicals, I believe we need to be especially aware of issues related to the environment and energy. We will continue to focus on raising employee awareness in all of our businesses and on developing new products that will not only decrease our environmental footprint but also help resolve a wider range of social issues.

#### Fostering our sense of unity as a new organization and strengthening our technological capabilities through collaboration among our businesses

My mission as the person in charge of Specialty Chemicals Business Sector is to maximize the benefits of

the organizational restructuring. My first objective is to cultivate a sense of unity as a new organization.

Eliminating the vertical division system and barriers in the old company structure and conscientiously promoting the exchanges of personnel and information between our businesses will enable us to share knowledge and information related to each business's technologies and growth strategies, the characteristics of its customers and sales channels, and the status of overseas business development. Then, taking a "technology inventory" across all of our operations to confirm the technologies and points of differentiation of each business, we can link technologies together or bring in technologies from outside to make us stronger.

I will also look to optimize our supply chains by shifting away from a narrow focus on improving production efficiency and minimizing costs on an individual product basis, and by taking a broader perspective to take advantage of the Group's production sites and networks of affiliated and partner companies.

#### Being sensitive to market changes and accelerating the shift to high value-added products

We expect the chemicals market to continue polarizing toward two types of products— highly versatile general-use products and high value-added products for specific applications.

Our business sector is responding to these conditions by shifting away from general-use products, which are difficult to differentiate in functionality and quality, and by focusing on high value-added products where products can be differentiated and are more profitable. Although they cover different business fields, several of our businesses are pursuing the common strategy to shift to high value-added products, and I will be looking to create new synergies among them for technologies and information sharing as well as through horizontal development of successful business models.

Key to accelerating this effort will be our ability to identify the needs of our customers and the markets. We are entering an era where a supplier that cannot meet the strict demands of its customers and the market will fall by the wayside. I have felt that myself over my many years in sales and development of engineering plastic. We must be constantly on the lookout for changes in the markets, trends, and final users, and it is crucial that we immediately and accurately convey all the information we find to the R&D department. Fortunately, we have many products in our sector that are relatively close to the end user. We will create a system facilitating quick delivery of information from the front lines to the R&D department to drive sustaining growth.

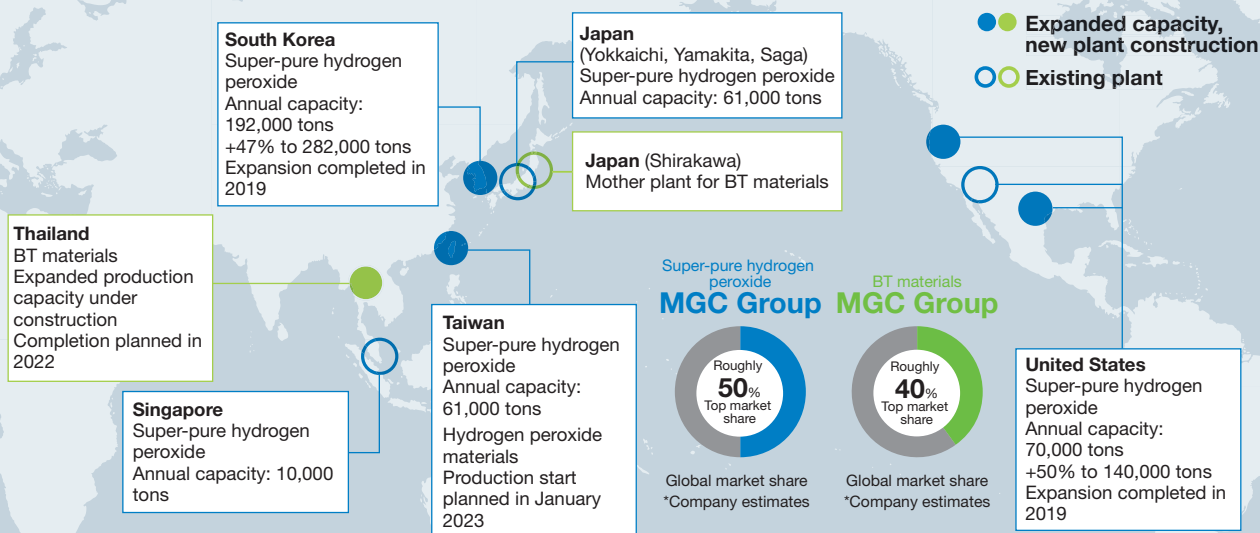
## MGC's Main Markets and Products

### Super-pure hydrogen peroxide and BT materials are driving the growth of the semiconductor market



## Global Production Network

Accelerated expansion of production capacity since fiscal 2019



We project demand in the global semiconductor market to continue growing in the medium and long term supported by wider applications for semiconductors with the development of 5G, IoT, cloud, and AI technologies.

We are preparing to meet this growth by forming a global production and supply system for the super-pure hydrogen peroxide and BT materials that are an integral part of semiconductor manufacturing. We provide high-quality products meeting the needs of semiconductor manufacturers in all countries and regions. We currently command top market shares for both of these products worldwide and under the medium-term management plan are aggressively investing to ensure we continue to capture demand and grow our profits.

Our specific strategy is to fortify our production capacity of

ultra-pure hydrogen peroxide in areas where major semiconductor manufacturers have production bases. We have completed expansion projects in North America and South Korea, and are now focusing on our operations in Taiwan. We have successfully integrated production from hydrogen peroxide materials to super-pure hydrogen peroxide, and this is becoming a key advantage for maintaining and improving our competitiveness.

We are also enhancing our production capacity of BT materials. The expansion project at the Thai Plant is scheduled to be completed in 2022. In Japan, we are strengthening the mother factory functions of the Shirakawa Plant to broaden its production capabilities for high-performance products, such as for 5G applications.

## Research and Development

We will accelerate R&D activities aimed at maximizing the return on investment and expanding the presence of the MGC Group



**Kenji Kato**

Director, Managing  
Executive Officer  
In charge of the Research &  
Development Sector

### Strengthen R&D capabilities under the new organizational structure

MGC has set “cultivate our R&D innovation capabilities” as a priority objective of the MGC Advance 2020 medium-term management plan. We have grown on the strength of our original technologies, and even now about 90% of our products were developed in-house. The creation of unique technologies that differentiate our Company can be considered the foundation point for advancing our management strategies.

That was one of the reasons we reorganized the business divisions in April 2020 and completely revised the structure of our R&D organization. (See the chart on the right above)

The new structure combines all of the research departments and laboratories of the four company divisions and the research departments of the Advanced Business Development Division in the Corporate R&D into the new R&D Promotion Division. The new structure will enable us to further accelerate our R&D activities from a Company-wide perspective.

### Maximizing R&D return on investment

An R&D department’s chief purpose is to maximize return on investment, which essentially means raising the investment efficiency in R&D. We believe the following three points are the keys to achieving this.

#### 1. Optimal allocation of R&D resources

The first is optimally allocating R&D resources from the

overall perspective of the Company. The new organization allows us to reconsider the research themes being pursued by the four company divisions and the Advanced Business Development Division from a Company-wide perspective. Then by evaluating each theme in terms of importance to the management strategy, connection with core competence, expected outcomes, and degree of technical differentiation, we can set a strategic priority level for each theme and concentrate management resources in the high-priority areas.

#### 2. Accelerated R&D activity

The second key is accelerating the pace of R&D activities. Speeding up research in all areas is essential to achieving results within the timeframe that makes an investment worthwhile. We will carry out PDCA cycles faster as we continue to improve our research activities.

We are also dividing our approach to R&D. While the R&D teams of the company divisions pursued both research and development as a single unit, the R&D Promotion Division will now focus mainly on the research side—basic research and technology development—and the business sectors will conduct the development activities of product commercialization and market entry planning. The ability to clearly focus on specific parts of the research themes, such as on the basic technology or on the market entry plan, will accelerate our R&D activities. The R&D Promotion Division and each business sector will work in tandem to accelerate the activities on each side by communicating and convening regularly to discuss the progress status of each project.

## New Organization (as of April 1, 2020)



### 3. Creation of products and businesses that provide large contributions to profits

The third key is creating new products and businesses that provide large contributions to profits. As an R&D-driven company, we created numerous products and businesses under the former company structure, and the new organization will further enhance our abilities and accelerate our efforts.

Our first focus will be on initiatives based on the current business domains. The closer integration of the R&D Promotion Division and the business sectors will enable us to efficiently develop products and businesses that can contribute to profits throughout the Company.

We will also work to create products and businesses in new fields for markets with future potential. This continues our past approach which successfully produced the plant cultivation factory providing safe and secure production of leafy vegetables in an optimal growth environment unaffected by weather conditions, and introduced medical-grade plastic containers that are lighter and safer than glass while offering high oxygen barrier properties. The R&D Promotion Division also has the important mission of selecting the new fields and research themes and will arrange and coordinate the research themes of all of our research facilities while taking a broad approach to identifying new research directions for the MGC Group. (Please see page 34 for the progress in new businesses)

I recognize that sustainability will be an increasingly important factor when identifying new fields for research. The priority we put on specific research themes and how we select the themes to pursue will take into account the potential for our work to contribute solutions for social

issues, as we have with our research into biodegradable resins and plant-based synthetic resins.

### Creating synergies through Group company collaboration

Organizing the research structure into a single system will necessitate changes to how the Company interlinks with its Group companies. Many companies in the MGC Group have outstanding proprietary technologies, and this has created a situation where only the company divisions that were using those technologies were working closely together. Under the new organization, we will take an overall Group perspective on each company's technologies and strengthen links between companies based mainly on the field where the technologies can be best used.

Because the Group encompasses such a large number of companies, our first priority will be to set up synergies between MGC and Group companies with clear technological advantages and with companies that are active with customers and markets that are different from MGC. Utilizing the excellent technologies of our Group companies should speed up and streamline our R&D, and we are confident that it will lead to new creative technological developments.

# Research and Development

### Accelerating digital integration to R&D

Another major theme in our R&D activities is the integration of digital technology. Our research institutes extensively use ICT, such as computational chemistry for reaction analysis, but we need to integrate more sophisticated digital technologies, such as using AI in materials informatics for material development.

I also want our researchers to actively use digital technology to communicate with each other. Since the COVID-19 pandemic, information collection and exchange via remote meetings and the internet have become common in the Group. This is an opportunity to improve our communications, and I would like to take advantage of the efficient and effective communications that digital technology enables.

### Strategically using our intellectual property to enhance our competitive advantage

It goes without saying that patenting technology created by our Company and maintaining and strengthening our competitive advantages are extremely important strategies. I believe R&D and intellectual property management should always be viewed together as one.

Staff in charge of R&D and in charge of intellectual property management meet daily to discuss patent applications and other matters. R&D and intellectual property management departments also regularly convene Intellectual Property Strategy Meetings and advance strategic applications of our intellectual assets. We are also planning to use digital technology to improve our intellectual property management, such as by using patent maps and citation analysis to our intellectual property strategy.

### Combining our diverse knowledge and technologies to create new value

As mentioned earlier, we will emphasize the return on investment in R&D, but that does not mean we will restrain our investments. The steady R&D investments at each company division have produced a constant stream of new products and businesses that are contributing to our growth in sales and profits. The approach has proven successful, and we therefore plan to increase investment in R&D.

Constant innovation is essential for corporate growth, and I believe innovation does not come from scratch, but

from a melding of existing expertise and new knowledge and the interchange of existing technologies and ideas. The biggest objective of the organizational reform is to provide a catalyst for “cross-value innovations.”

The Group has a track record of innovation in a wide range of fields. I expect the new organizational structure that brings together our units and research institutes specializing in distinct fields into a single force to lead to even greater innovation and new knowledge integration.

Creating cross-value innovation will also require bringing in expertise from outside the Group. While tapping the synergies among our Group companies, we will expand our technological exchanges and joint research activities with universities, research institutes, and companies in Japan and overseas. To facilitate joint activities, we are renovating the training facilities in Meguro, Tokyo, and preparing bases across Japan to serve as host sites for exchanging knowledge with outside professionals. The new innovation sparked by combining knowledge and perspectives from inside and outside the Group will be a driving force for ongoing value creation.



The newly completed research building facilitates employee interaction and new idea creation by combining the Niigata Research Laboratory, the R&D Department and the Quality Assurance Department of Niigata Plant.

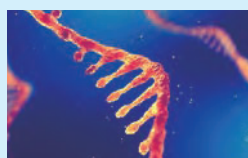


A relaxed atmosphere encourages conversation supported by an easily partitioned space with light exercise equipment to stretch and refresh, information signage, magazines, and a touch-screen computer for easy information access.

## MGC's Leading Edge R&amp;D

Progress Status of Projects in Advanced Business  
Development Division

Photo provided by Farmship, Inc.



## Marketing

## Development

## Prototype

## Commercialization

## Plant Cultivation Factory

Japan's largest plant cultivation factory using 100% artificial lighting started operating in October 2019 and is currently selling six types of lettuce in the Kanto region. The factory is environmentally efficient with higher yield (land use efficiency) and better water use efficiency than open-field cultivation.

## OXYCAPT™

MGC has started supplying multilayer plastic vials and syringes with a middle layer made of our in-house-developed plastic with oxygen absorption and barrier properties. OXYCAPT™ is much more durable than the traditional glass. A venture company in Japan decided to use the OXYCAPT™ in November 2019.

## Solid Electrolyte

Development is continuing with samples being provided to customers and through collaboration with public research institutes. The research structure is being expanded and mass production technology is being engineered with the aim of commercialization in two to three years.

## Active Optical Cable

Trial sales started in fiscal 2019. We are aiming for a full-fledged entry to the active optical cable (AOC) market, which is expected to expand with growing demand for HDMI cable for high-resolution 8K video transmissions, equipment connection cables in large-scale data centers with the proliferation of 5G communication and IoT, and high-performance supercomputers.

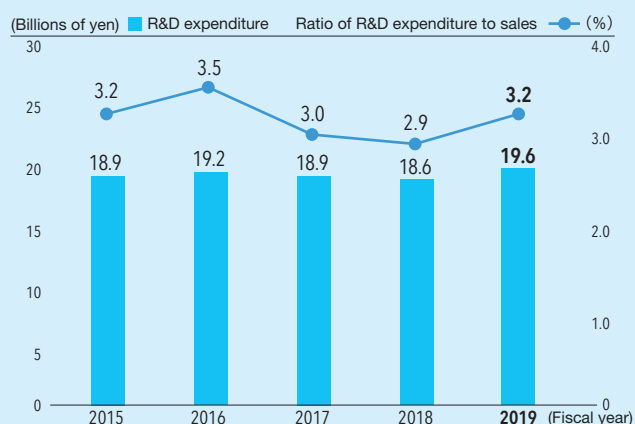
## Nucleic Acid Pharmaceuticals

We have invested in Veritas In Silico Inc., which conducts R&D of nucleic acid pharmaceuticals, as a strategic partner for product commercialization.

## Future Research Themes

- New optical materials
- Functional composite materials
- Biodegradable resins and biomass-derived chemicals
- Advanced communication technology materials
- Energy development materials
- Healthcare raw materials
- Medical devices, such as allergy diagnostic chips
- Biomass Shore  
(Biomass complex research course endowed at the University of Tokyo)

## R&amp;D Expenditure (consolidated)



# Strengths Supporting Growth (CSR/ESG)

Harmonization of shared-value creation with environmental protection **[E]** — 36

- Environment and Safety Management System (Responsible Care)
- Initiatives for the Environment
- Initiatives for Climate Change
- Initiatives for Water Resources

Foundation for shared-value creation **[S]** — 41

- Cultivation of Corporate Culture of Job Satisfaction
- Stakeholder Engagement
- Promotion of Socially Responsible Sourcing
- Occupational Safety and Health, Disaster Prevention
- Chemical/Product Quality and Safety Assurance
- Initiatives for Quality

Value-creative discipline **[G]** — 49

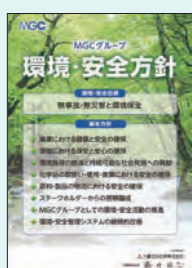
- Corporate Governance
- Compliance and Risk Management

## Environment and Safety Management System (Responsible Care)

Mitsubishi Gas Chemical sets sustainable development, building a recycling-based society, and safe operations as important management issues determining how we conduct our business. MGC promotes Responsible Care\*1 in all of its activities as part of our efforts to ensure we achieve our environmental and safety goals.

### MGC Group Policies on Environment and Safety

MGC recognizes that it is an important member of society and accordingly seeks to continue earning the trust of society by acknowledging our responsibilities to contribute to society, preserve the environment, and ensure safe working conditions. We conduct our corporate activities with the intention of protecting the earth's environment 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, Safety, and Quality Assurance

MGC established the CSR Basic Policy and identified priority issues (materiality) to be addressed by management. The RC system, which plays a central role in overseeing environmental and safety issues, is positioned as a subsystem of the CSR management system. RC plays a key role in ensuring Process Safety and Disaster Prevention, Environmental Protection, Occupational Safety, Chemicals and Product Safety, Distribution Safety, Communication with Society, and MGC's materiality. MGC has designed RC to enable the

systems of each business site to function as subsystems linked to headquarters activities, and we are working to spread understanding regarding management issues to each employee who engages in business.

Under the new normal that are emerging in the post-novel coronavirus world, uncertainty in economic activities has increased, but there has been no change in the global movement toward reducing greenhouse gases, and in fact, it has accelerated. Under these conditions, the CDP<sup>\*2</sup> places even greater emphasis on the strategic value of climate change assessment, and in 2019, MGC's assessment fell from B to B-. One of the causes is that the CSR management system was under development at the time, and going forward, we intend to make strategic responses to societal demands under a fully-established CSR management system. In addition, the Q-MGC<sup>\*3</sup> Company-wide quality assurance system is taking root, and we are undertaking management that is even more customer-centric than previously.

In this way, we will continue our efforts to carry out the MGC Group Vision: Creating value to share with society.



**Masato Inari**

Director and Managing  
Executive Officer

\*1 Responsible Care is voluntary activities conducted by chemical industry firms to harmonize business activities with global environment preservation by ensuring environment, safety, and health in all stages of chemical substance life cycles from development, manufacture, distribution, use, and final consumption to disposal.

\*2 A joint project undertaken by institutional investors to assess the environmental action information of business enterprises regarding climate change and other issues

\*3 MGC's Company-wide quality assurance activities



## Environment and Safety Management System

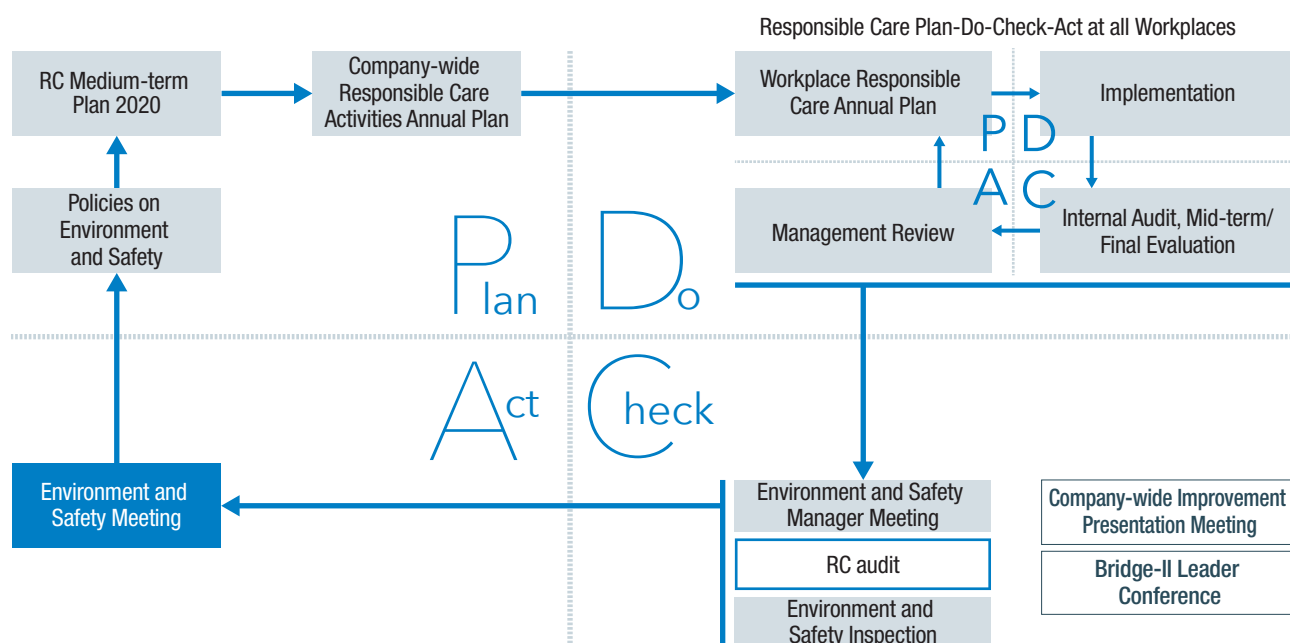
### RC Promotion System

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 comprised of all directors, audit and supervisory board members, Business sector heads, 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.



Environment and Safety Meeting

### MGC Company-wide Responsible Care Plan-Do-Check-Act



### RC Audits in 2019

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 2019, we audited (1) the progress status of Bridge-II activities, (2) the operational status of the guidelines for safety and disaster prevention (security evaluation), (3) efforts for preventing the recurrence of abnormal phenomena (leaks), (4) efforts to prevent accidents caused by human error, (5) efforts to prevent

work-related accidents with cooperative companies, and (6) efforts for unsteady risk assessment.

#### • RC auditees

5 plants, 3 laboratories (including Tokyo Techno Park), 4 company business divisions, Purchasing & Logistics Center

#### • RC audit findings

Full conformity (19 cases)  
Non-conformity (zero cases)  
Improvement orders (8 cases)  
Comments (29 cases)

\*The above organization names are the old names used in fiscal 2019.

## Initiatives for the Environment


The MGC Group is conducting a variety of initiatives as we recognize that while environmental problems are important issues that could have a large impact on business operations, they are also business chances.

### 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.

The MGC Group's environmental-impact data can be seen in Environmental Report on the MGC website.

 Environmental Report website: <https://www.mgc.co.jp/eng/csr/environment/report/index.html>

### MGC Selected for Research Project on the Effective Use of CO<sub>2</sub> Through Synthesis of Methanol and Other Basic Substances

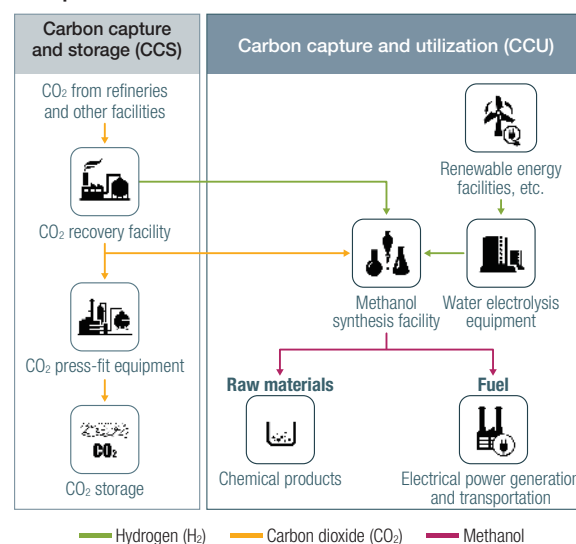
Mitsubishi Gas Chemical, Mitsubishi Hitachi Power Systems\*, and Mitsubishi Heavy Industries Engineering were selected to participate in the Research Project on the Effective Use of CO<sub>2</sub> Through Synthesis of Methanol and Other Basic Substances at the Tomakomai CO<sub>2</sub> Storage Site announced by the New Energy and Industrial Technology Development Organization (NEDO). The three companies are conducting research on the effective use of CO<sub>2</sub> through synthesis of methanol (CO<sub>2</sub> capture and utilization (CCU)) from CO<sub>2</sub> that is recovered by facilities employed in a CO<sub>2</sub> capture and storage (CCS) demonstration project at a refinery located in Tomakomai City, Hokkaido. The project will cover the two years until the end of February 2021.

Methanol is a basic substance used as a raw material in various chemical agents and plastics, and by synthesizing methanol from CO<sub>2</sub>, it will be possible to reduce the amount of CO<sub>2</sub> without any impact on day-to-day lives. For this research project, it is expected that CO<sub>2</sub> recovered from a refinery will be used as the raw material for synthesizing methanol, and technical surveys necessary for CCU will be conducted. The project will also seek to generate innovations needed for commercialization of recycled carbon methanol and a decarbonized society.

The result of the research will be applicable to diverse sources of CO<sub>2</sub> in the future. MGC will actively take measures to reduce CO<sub>2</sub> such as CCS and CCU in order to create a sustainable society where both preservation of the environment and economic development are possible.

\*Changed name to Mitsubishi Power, Ltd. on September 1, 2020.

#### The process of CCS and CCU



# Initiatives for Climate Change

MGC recognizes that tackling energy and climate change issues is an important challenge, and is committed to working on resolving these issues from the point of view of both climate change mitigation and climate change adaptation.

## Climate Change Mitigation and Climate Change Adaptation

Tackling climate change is a major challenge that calls for initiatives on a global scale for the realization of a sustainable society. In order to reduce greenhouse gas emissions and lessen the environmental burden, the

MGC Group actively promotes initiatives by utilizing the technological and development capabilities that have been developed so far.

### Basic Approach to Climate Change Mitigation

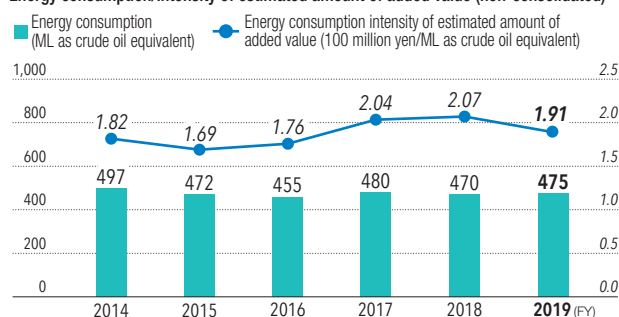
1. Formulate targets for reducing Scope 1 and 2<sup>\*1</sup> GHG emissions and steadily reduce them through planning, execution, monitoring and reassessment.
2. Assess, manage, monitor and proactively disclose Scope 3<sup>\*2</sup> GHG emissions and take action to reduce them in collaboration with suppliers.
3. Improve energy efficiency and raw materials' carbon cycle and promote energy transition toward realization of a zero-carbon society by 2050.
4. Contribute to solving energy and climate change challenges through business operations by deploying innovative process technologies and factoring whole-lifecycle GHG emissions into design and development processes.
5. Disclose information through climate change initiatives<sup>\*3</sup>.

\*1 Scope 1 emissions are GHG emissions directly generated by MGC. Scope 2 emissions are indirect GHG emissions associated with use of energy (mainly electric power) purchased from external suppliers.

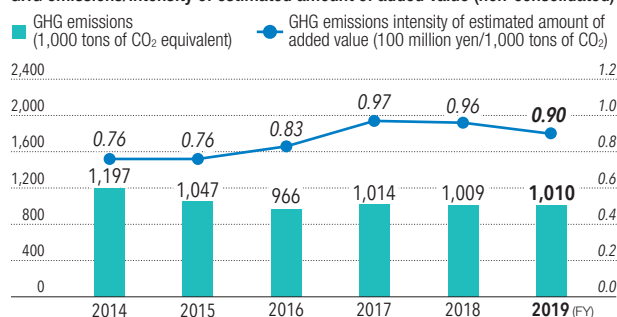
\*2 Scope 3 emissions are indirect GHG emissions generated in supply chains through organizational activities such as raw material sourcing, manufacturing, distribution, sales and waste disposal.

\*3 MGC proactively participates in various collaborative activities to mitigate climate change (climate change initiatives).

Energy consumption/Intensity of estimated amount of added value (non-consolidated)



GHG emissions/Intensity of estimated amount of added value (non-consolidated)



\*Estimated amount of added value: The estimated amount of added value is calculated by multiplying the net sales of MGC (non-consolidated) with the added value ratio of the chemical industries published by the Ministry of Economy, Trade and Industry.

### Supporting the TCFD Recommendations

MGC declared its support for the TCFD recommendations in 2019. The TCFD recommendations endorse disclosures about four themes related to climate change (governance, strategy, risk management, and metrics and targets). We promote initiatives for information disclosures in accordance with the recommendations.

# TOPICS



# Initiatives for Water Resources

MGC recognizes that water, a blessing of nature, is essential for business activities, and that it is important to enable sustainable use of water without compromising on water quality, and is working on a variety of relevant initiatives.

## Water Resource Risk Management

MGC uses large quantities of water, both as a raw material of chemical products and for various other purposes, including steam-heating and cooling in chemical manufacturing processes, product refining and cleaning containers. To sustainably use water resources essential to manufacturing chemicals, MGC manages a variety of risks. Specifically, MGC monitors its actual water consumption and uses water efficiently by measuring water withdrawal, water discharge, water usage and water recycling. In drawing from water sources, MGC restricts its intake to permitted quantities in accord with applicable laws or agreements with municipalities. Additionally, MGC discharges wastewater into rivers, the sea or other public water bodies in compliance with effluent standards after treating it to filter out identified pollutants. Data on water-related environmental load are available in our website.

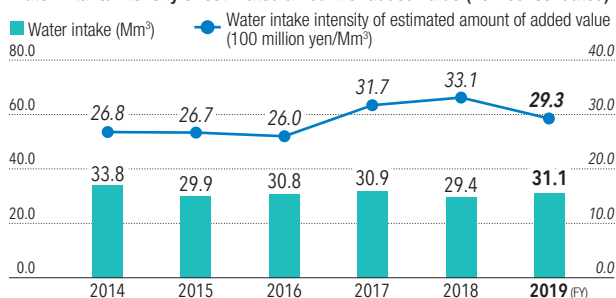
Additionally, MGC maintains a sanitary water-use environment at all its sites to provide its workforce with access to properly functioning, safely managed sanitary facilities (wash service).

From a business continuity standpoint, MGC has identified production downtime due to drought or flooding of production facilities as a water-related risk, formulated the business continuity plan (BCP) that addresses this risk and implemented measures to mitigate it. None of the areas in which MGC's plants are located has experienced either adverse impacts on production activities due to water stress or conflicts with stakeholders regarding use of water resources.

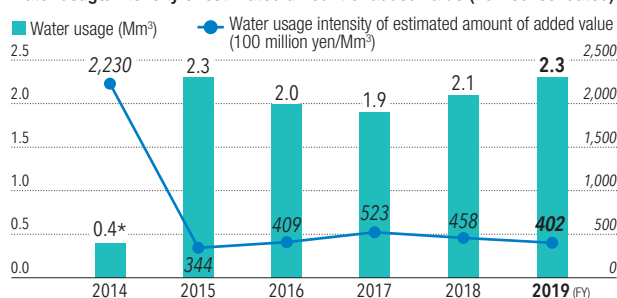
Meanwhile, MGC sees opportunities in businesses that provide solutions for issues surrounding the coolant water of air conditioning equipment and cooling systems. Such solutions include water treatment agents that maintain healthy coolant water quality by killing disease-causing legionella bacteria and a comprehensive water treatment system service offered through affiliate Dia Aqua Solutions Co., Inc.

Going forward, MGC will set qualitative and quantitative targets for efficient water usage to more effectively preserve water resources.

Water intake/Intensity of estimated amount of added value (non-consolidated)



Water usage/Intensity of estimated amount of added value (non-consolidated)



\*The drop in water usage seen in FY 2014 was due to a temporary increase in drainage after a device stopped.

## The “Biomass Shore Endowed Course” —Aiming for the Co-existence of Environmental Protection and Business

MGC established the “Biomass Shore (Mitsubishi Gas Chemical) Endowed Course” within the Graduate School of Agricultural and Life Sciences, University of Tokyo, with the aim of realizing the Biomass Shore Initiative. The goal of the Biomass Shore Initiative is to build a society that performs industrial activities while reducing carbon dioxide in the atmosphere. Specifically, separating deep ocean water into fresh water and high-concentration seawater in coastal desert regions. The plan is to build a system in which, in addition to agriculture and greening being promoted with fresh water, algae are cultivated in high-concentration seawater, and these respectively absorb carbon dioxide, and at the same time high value-added products are obtained.

For the past two years our company has been supporting the course as sole contributor, but from 2020 other companies will join as contributors, expanding the support for the initiative. Currently, we are engaged in conducting small-scale demonstration tests in Japan to identify issues.

This initiative has the potential to resolve social issues such as global warming, food shortages, and depletion of resources at the same time. Our company is committed to contributing to the environment through endowments over the long-term, and to the application of research results in the business activities of the MGC Group.

# Cultivation of Corporate Culture of Job Satisfaction

MGC respects human rights and actively supports the realization of work-life balance, mental and physical health management, and improvement of abilities, so as to enable all its employees, who are the most valuable management asset, to demonstrate their abilities to the fullest.

## 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, 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\* 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.

## 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 the long term in accordance with their individual circumstances.

Our return-to-work rate after childcare leave was 100% in fiscal 2019. We have established a system for supporting childcare that exceeds the statutory requirements including childcare leave until a child reaches two years and one month and shorter working hours 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 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 institutes), 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. In addition, from fiscal 2020, we started trials of a work-from-home system (up to three days a week) targeting all employees of the head office and research institutes. We also have in place a system whereby those needing leave to care for family members can take up to

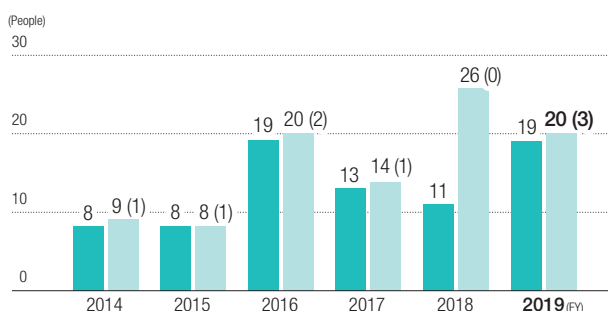


one full year, exceeding statutory requirements. In terms of corporate culture, efforts include establishing a no-overtime day and measures to encourage employees to take their annual leave through such groups as the Shorter Hours Committee established by labor and management.

As a result of these initiatives, usage of annual leave was 95.7% in fiscal 2019 (versus 91.0% in fiscal 2018), and total working hours averaged 1,854.8 hours per employee (versus 1,863.0 hours in fiscal 2018).

### Maternity leave

■ Number of employees on maternity leave before and after birth  
■ Number of employees on childcare leave\*



\*Parenthesis indicates the number of males who took childcare leave.  
\*For women, the fiscal year of child care leave is determined by the first day of maternity leave.

## 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 that is vibrant and that facilitates self-fulfillment.

MGC's personnel system is a multi-stream vocation qualification grading system based on management by objectives. Up to the standard age of 26, 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.



Safety education for new employees

## Main training systems

	Grade-specific training	Occupation-specific training	Self-education	OJT
<b>Managerial level</b>	<b>General Manager level</b> <ul style="list-style-type: none"> <li>Organizational management training</li> </ul>	<ul style="list-style-type: none"> <li>Global human resource development training and overseas short-term training</li> <li>Logical communication and negotiation strategies</li> </ul>	<ul style="list-style-type: none"> <li>Language qualifications and language training (includes English, other languages, and theme-specific training)</li> <li>Management and business skills</li> </ul>	<ul style="list-style-type: none"> <li>Practical OJT training</li> </ul>
<b>Mid-level employees</b>	<b>Manager level</b> <ul style="list-style-type: none"> <li>Manager training</li> <li>Beginner manager training</li> </ul> <ul style="list-style-type: none"> <li>Career development training</li> <li>Mid-level employee training</li> </ul>	<ul style="list-style-type: none"> <li>Technology networking events (production, research and engineering departments)</li> <li>Patent study sessions (research promotion departments)</li> <li>Placements at research institutions, such as universities</li> </ul>	<ul style="list-style-type: none"> <li>Finance, accounting, tax, and law</li> <li>Basic chemistry and basic safety technology</li> <li>Other communications training</li> </ul>	
<b>Junior employees</b>	<ul style="list-style-type: none"> <li>New employee follow-up training</li> <li>New employee training</li> </ul>	<ul style="list-style-type: none"> <li>Safety and health, environmental management, quality control-related training</li> <li>Other specialized education and in-house seminars</li> </ul>		

## Mental and Physical Health Care

We provide regular health checkups each year for all officers and employees, and in fiscal 2019 our checkup compliance rate was over 99%. 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 effectively implement stress checks stipulated by Japan's Industrial Safety and Health Act, we conduct an annual mental health diagnosis for self-evaluation of stress levels, provide appropriate feedback of results of group analysis to each organization head, and work to raise awareness of stress-related issues through workshops on self-care and "line care" (consulting with managers and supervisors) and other means at our business sites. We also conduct mental health training during sessions designed for new employees and those scheduled for promotion.

## 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 have acquired immediately accurate information, and, when necessary, provide that information to employees posted or traveling on business overseas and use it to

determine whether it is advisable to travel or not and to plan 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 arranging 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 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 1,887 labor union members as of the end of March, 2020. Employee tenure was 18.5 years (18.8 years for men, 15.8 years for women).

# Stakeholder Engagement

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

## Stakeholder Engagement

Stakeholders	Communication philosophy	Main means of communication
Customer	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.	<ul style="list-style-type: none"> <li>● Direct contact by sales staff</li> <li>● Incoming phone calls, website contacts</li> <li>● Survey requests from customers</li> <li>● Responses to CDP climate change questionnaires</li> <li>● Responses to CDP water security questionnaires</li> </ul>
Shareholders/Investors	MGC conducts a broad range of communication activities and ensures shareholders and the investment community have a correct understanding of MGC, we strive to disclose information timely in a fair and transparent manner.	<ul style="list-style-type: none"> <li>● Earnings briefings ● IR inquiries/responses</li> <li>● Information disclosure in compliance with laws or securities exchanges' regulations</li> <li>● IR section of website ● General meetings of shareholders</li> <li>● Reports to shareholders</li> </ul>
Business partners	We consider a supporting 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.	<ul style="list-style-type: none"> <li>● Communication through purchasing activities</li> <li>● Inquiries about product sourcing</li> <li>● Responses to CSR surveys</li> </ul>
Local communities	We encourage community interaction and contributes to their 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.	<ul style="list-style-type: none"> <li>● Incoming phone calls, website visits</li> <li>● Community activities (e.g., disaster relief, litter cleanup, tree planting, traffic safety)</li> <li>● Scholarships for foreign students through Mitsubishi Gas Chemical Memorial Foundation</li> <li>● Youth educational support (e.g., donation of chemical experiment kits)</li> <li>● Community meetings at plants</li> <li>● Plant tours ● Participation in local events</li> </ul>
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.	<ul style="list-style-type: none"> <li>● Training programs, interviews</li> <li>● Management council meetings / management briefings (worker consultation)</li> <li>● Personnel System Review Committee for joint labor-management discussion</li> <li>● Collective bargaining ● Internal newsletter</li> <li>● Intranet ● Consultation desk, whistleblower hotline</li> <li>● Occupational Safety and Health Committee meetings</li> </ul>

## Mitsubishi Gas Chemical Memorial Foundation Transitions to a Public Interest Incorporated Foundation

The Mitsubishi Gas Chemical Memorial Foundation was established in September 2018, with the aim of contributing to the resolution of societal issues that we face by providing support to talented individuals aiming to become researchers in the fields of chemistry and chemical engineering, and by providing assistance to research in these fields. Since its establishment, we have been engaged in providing scholarship benefits. We were recognized by the Cabinet Office as a public interest incorporated foundation and got off to a new start in January 2020.

Currently, the Foundation provides scholarships to eight international students from Southeast Asia majoring in chemistry and chemical engineering at Japanese universities. In January 2020, a scholarship exchange student meeting was held and in the scholarship students' research presentations a lively exchange of opinions was conducted with employees of MGC. Going ahead, as a public interest incorporated foundation with a higher level of social confidence, we plan to expand the scope of our business activities including increasing the number of scholarship students and implementing research grant programs in the future.

Mitsubishi Gas Chemical Memorial Foundation website  
<https://www.mgc.co.jp/foundation/>  
 (Japanese language only)



Commemorative photo at the exchange meeting with scholarship students

# Promotion of Socially Responsible Sourcing

MGC is developing initiatives that consider the society and the environment even in the supply chain, which includes a wide range of activities from raw material procurement to manufacturing and sales.

## Our Company Initiatives

MGC has established “Basic Concepts Related to Raw Material Procurement Activities” and “Mitsubishi Gas Chemical CSR Procurement Guidelines” and promotes CSR procurement with the understanding and cooperation of our business partners.

### Basic Concepts Related to Raw Material Procurement Activities

In order to realize the MGC Group Vision of “creating value to share with society,” MGC complies with the laws and various regulations in accordance with the MGC Corporate Behavior Guidelines, recognizes social issues in the supply chain, and strives for responsible procurement to support the development of a sustainable society.

#### 1. Compliance with laws and regulations

We comply with the laws and social norms in purchasing activities.

#### 2. Fair and equitable transactions

With fair and equitable free competition as the basis, we strive to maintain relationships with our business partners based on high principles and virtuous character and strive to build partnerships based on mutual trust.

#### 3. Selecting business partners

When selecting business partners, we make decisions taking into account quality, price, supply stability, technological development capabilities, and safety and environmental considerations.

#### 4. Fulfilling social responsibilities

We conduct procurement activities that recognize corporate social responsibility and that give full consideration to human rights, conservation of resources, environmental protection, and safety among others.

Even throughout the supply chain we aim to contribute to societal growth and harmony, and seek our business partners to work together.

### Mitsubishi Gas Chemical CSR Procurement Guidelines

We are deepening the understanding of our business partners by further actualizing the basic concepts related to raw material procurement activities.

- |                                   |  |
|-----------------------------------|--|
| I Human Rights and Labor          | V Quality and Safety   |
| II Occupational Health and Safety | VI Information Security  |
| III Environment                   | VII Contribution to Society  |
| IV Fair Trade and Ethics          | VIII Responsible Procurement of Raw Materials<br>(Prohibition of Procurement of Conflict Minerals) |

# Occupational Safety and Health, Disaster Prevention

Based on our Safety Philosophy that “ensuring safety is the top priority of our business activities,” MGC formulated a Safety Code of Conduct and takes active measures to achieve zero accidents and zero occupational injuries. We established Bridge-II as a Company-wide organization to address occupational health and safety as well as process safety and disaster prevention, and we are implementing and reinforcing measures.

## Policies on Occupational Health and Safety, Process Safety and Disaster Prevention

We undertake safety measures in accordance with the Safety Philosophy and Safety Code of Conduct and with “participation by all” as our motto and a goal of achieving zero occupational injuries by employees and the employees of cooperating companies who work at MGC.

Each business site implements voluntary safety measures under its own initiatives, and Bridge-II, a Company-wide organization, conducts Company-wide improvement measures.

In addition, reducing equipment breakdowns and production suspensions is also effective for preventing accidents, and accordingly, we conduct systematic maintenance of facilities and are reinforcing measures at production sites centered on TPM activities\*.

### ■ Safety Philosophy

Ensuring safety is the top priority of our business activity

### ■ Safety Code of Conduct

- (1) Fostering a Safety Culture
- (2) Thorough Education and Training
- (3) Confirming and Abiding by Safety Rules
- (4) Comprehensive Preventive Safety Measures

### ■ Safety Slogan

Build a safety culture together through keen awareness and certain knowledge.

## Setup to Promote the Occupational Health and Safety, the Process Safety and Disaster Prevention

MGC holds the Environment and Safety Manager Meeting, a gathering of the heads of environmental and safety departments of each workplace to report on and discuss the status of RC measures, and meetings of the Bridge-II Leaders Conference, which discusses Bridge-II activities at each workplace, multiple times each year.

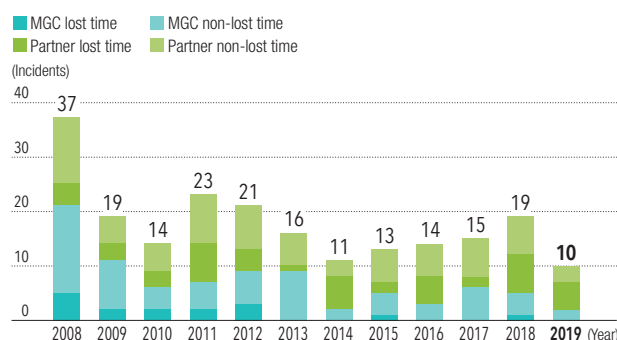
At environment and safety meetings, which are chaired by the President and are held each December, activities are reviewed, plans for the following year are discussed, and the PDCA cycle is implemented to continuously enhance the levels of activities.

## Occupational Health and Safety Activities

The goal of zero occupational injuries at all workplaces was achieved in 2019. In order to maintain zero occupational injuries, MGC regularly conducts education, 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 to bolster day-to-day safety measures.

In 2019, the Niigata Plant and Tokyo Techno Park (TTP) (now the Tokyo Research Laboratory) were commended pursuant to internal rules.

### Safety record (MGC and partner companies)



### Lost time injury frequency rate\*

	2015	2016	2017	2018	2019
MGC	0.27	0.00	0.00	0.29	0.00
Partner	0.58	1.45	0.57	1.91	1.41
Chemical industry	0.81	0.88	0.81	0.90	0.94
Manufacturing industry	1.06	1.15	1.02	1.20	1.20

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

### Lost time injury severity rate\*

	2015	2016	2017	2018	2019
MGC	0.00	0.00	0.00	0.00	0.00
Partner	0.00	0.06	0.02	0.03	0.04
Chemical industry	0.04	0.03	0.09	0.06	0.02
Manufacturing industry	0.06	0.07	0.08	0.10	0.10

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

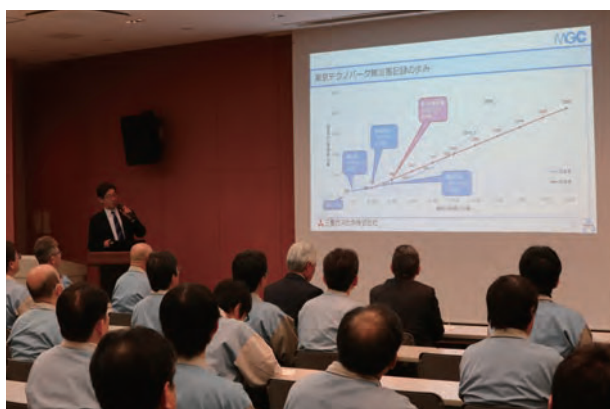
\*Total Productive Maintenance activities: Activities that continually realize productivity improvements and the securing of revenue by eliminating all possible losses existing within the production system



Hazard prediction training during new employee training  
(At Tokyo Techno Park (now the Tokyo Research Laboratory))



Third rank accident-free (7.2 million hours) award presentation ceremony  
(Niigata Plant)



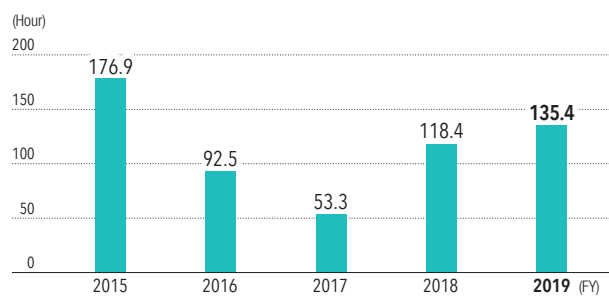
Second rank accident-free (3.6 million hours) award presentation ceremony  
(Tokyo Techno Park (now the Tokyo Research Laboratory))

## Process Safety and Disaster Prevention Activities

MGC set average unplanned down time per year per plant as a measure of the success and takes action to reduce equipment breakdowns and production suspensions. This indicator increased in fiscal 2018 and fiscal 2019, but the long-term trend is downward.

In fiscal 2020, we will take action based on new key performance indicators (KPI) to reduce extended unplanned down time even further.

### Average unplanned down time per plant



A powder explosion test at the Safety Dojo in the Niigata Plant



A prior safety assessment (Kashima Plant)

# Chemical/Product Quality and Safety Assurance

In order to ensure safety in the handling, use, and disposal of chemical products, MGC conducts risk assessment and the transmission of information throughout the supply chain.

## Safety Policy for Chemicals and Other Products

The basic policy of MGC is to ensure safety in the handling, use, and disposal of chemical products in accordance with our Safety Philosophy and Safety Code of Conduct.

## Setup to Promote the Safety of Chemicals and Other Products

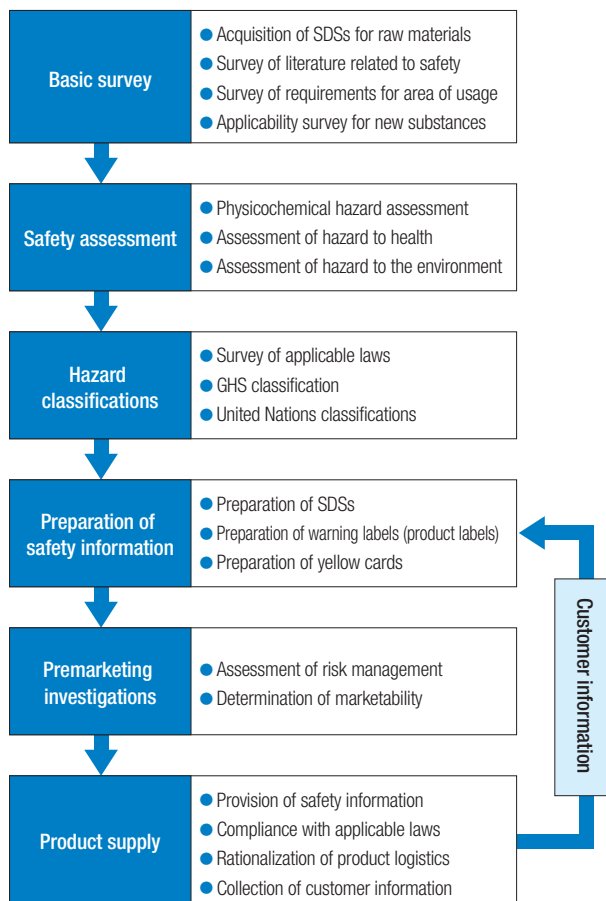
All MGC divisions promote Responsible Care in line with the MGC Group Policies on Environment and Safety. We formulate RC Medium-term Plan and annual plan, report the state of progress of these plans to the environment and safety meeting, which meets every December and is chaired by the president, and obtain approval. Continuous improvements are made by rotating the PDCA cycle in this way.

## Safety Activities for Chemicals and Other Products

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 such standards as GHS\*, before preparing safety data sheets (SDSs) and other safety information. 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 (premarketing investigations) is complete.

Many of MGC's products are chemicals, and potential product-related accidents include fires and chemical burns. We present hazard information about chemicals with SDSs, product labels, and yellow cards given to customers and others concerned to ensure that products are handled safely. Regarding products destined for overseas markets as well, we supply hazard information through translated SDSs and other means.

Flow of Safety Assessment and Supply of Product Information



\*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.

## Initiatives for Quality

MGC, under our own quality policy, promotes company-wide quality assurance activities (Q-MGC) with an overview of the supply chain in order to provide superior products and services with high safety and reliability.

### MGC Quality Policy

Mitsubishi Gas Chemical (MGC) will:

1. Respond to society's needs and provide highly useful, safe and reliable, superior products and services, gaining the satisfaction and trust of customers and consumers.
2. Recognize that product and service quality assurance is an important management issue, ensuring the availability of resources (people, infrastructure, environment for the operation of processes) needed to maintain, assure, and improve quality. MGC will also enhance quality education, working to improve employee awareness of quality-related issues and enabling them to acquire the necessary knowledge.
3. Ensure that all departments closely involved in quality—not only quality assurance and quality control departments but R&D, manufacturing, procurement, distribution, sales, and others—have a strong awareness regarding the need to maintain, assure, and improve quality and that each fulfills its responsibilities, striving toward continuous improvement in quality assurance activities.

### Quality Assurance Activities

MGC promotes Company-wide quality assurance activities (Q-MGC). Along with providing superior products and services with high safety and reliability, all divisions act in accordance with the MGC quality policy in order to thoroughly ensure quality control and assurance.

The Quality Assurance Conference, which is chaired by the President, is composed of directors, auditors, and workplace managers. Basic matters, such as the Q-MGC annual plan, are discussed and decided, and reports on implementation status are received. In addition, we have established the Quality Assurance Supervisors Conference, composed of the people in charge of quality from each organization, where we discuss and consider the Q-MGC implementation plan, audit plan, and education/support plan.

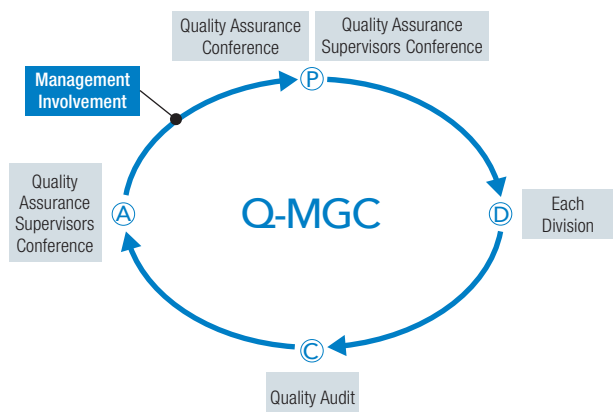
All plants have acquired ISO 9001 certification, the international standard for quality management systems. In

addition, we have acquired FSSC 22000 certification for food safety management systems and ISO 13485 certification for medical devices quality management systems.

### Quality Audit

For quality audits, the quality assurance director and the audit team evaluate the Q-MGC implementation status of all divisions. The priority audit items of 2020 are (1) the transmission of information relating to quality assurance, (2) the agreement of product specifications, (3) the quality assurance and management of contract manufactured products and purchase sales products, and (4) confirmation of the correction of quality complaints and problems.

#### Promotion of Q-MGC



### MGC Receives Intel's PQS Award

#### TOPICS

MGC received the 2019 Preferred Quality Supplier (PQS) Award from the US firm Intel Corporation. Intel's PQS Award is presented to suppliers that relentlessly pursue excellence and conduct business with resolute professionalism.



The PQS Award trophy

# 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

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 an Audit & Supervisory Board and appoints four outside directors. For the purpose of business execution, we have 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.

In April 2020 the main committees related to internal control were reorganized into the Internal Control and Risk Management Committee, which endeavors to maintain and

strengthen internal control and incorporates the perspective of risk management, and the Compliance Committee, which strives to protect the foundations of fair, transparent, and free business activity in strong awareness of the Company's social responsibility.

### Directors

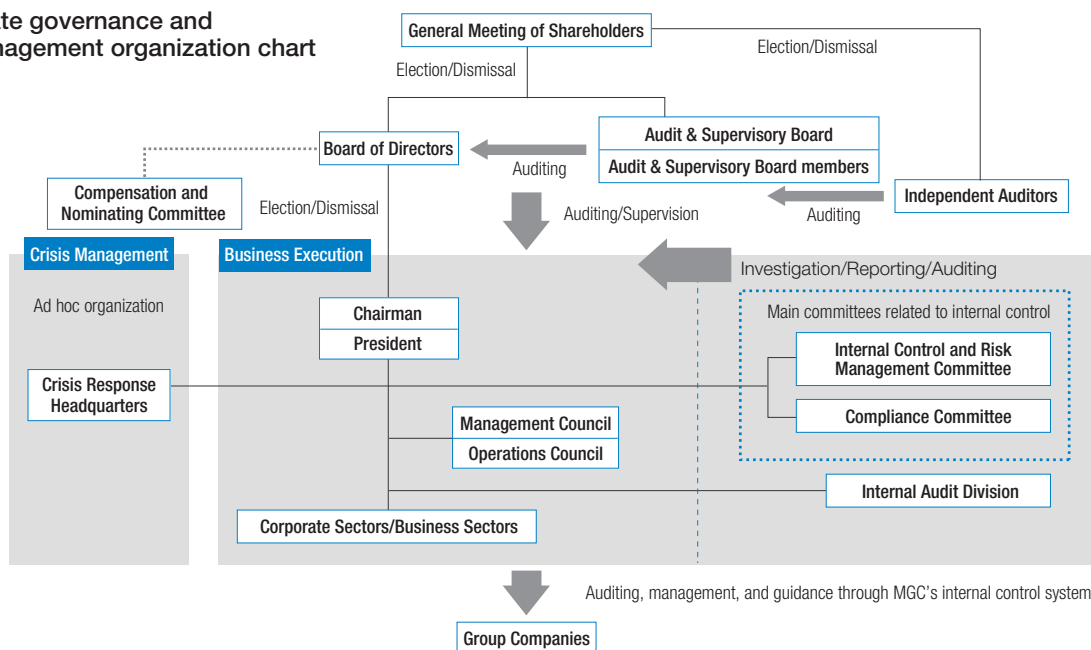
MGC has set the term of office for directors at one year to clarify the accountability of management. There is also a stipulation that MGC's directors may concurrently serve as an officer at a maximum of three companies other than MGC Group companies, to ensure that they can fully concentrate on MGC's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

### Audit & Supervisory Board Members

MGC's Audit & Supervisory Board is comprised of four audit & supervisory board members, 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.

Corporate governance and risk management organization chart



The members also monitor important decision-making processes and business execution in order to ensure reasonable decision making and compliance with the law and corporate norms.

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

MGC has newly appointed directors and audit & supervisory board members attend mandatory seminars outside the Company covering legal-related matters, particularly in connection with the Companies Act of Japan, in order to enhance their understanding of the roles, responsibilities, and duties of their respective positions. When deemed necessary, MGC gives directors, audit & supervisory board members, and other officers opportunities to attend external seminars covering various topics, including compliance, risk management, internal control, and legal issues, and provides them with relevant books and other 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, audit & supervisory board members, 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 Audit & Supervisory Board Members

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

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

Audit & supervisory board members also inspect important documents related to the execution of business and request explanations from directors and the office staff. Audit & supervisory board members 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 audit & supervisory board members are encouraged to share opinions and information regularly in an effort to promote cooperation between the outside directors and members of the Audit & Supervisory Board.

### Standards for Outside Directors and Outside Audit & Supervisory Board Members

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 audit & supervisory board members), in accordance with criteria set by the Tokyo Stock Exchange regarding independence. MGC appoints only candidates who have no conflict of interest with general shareholders.

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 manager<sup>\*1</sup> of the Group.<sup>\*2</sup>
- Is a major shareholder of MGC<sup>\*3</sup> 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.<sup>\*4</sup>
- 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.<sup>\*5</sup>

#### 2. If any of the following applies to a close relation<sup>\*6</sup> of the candidate:

- Is or has been an important business execution manager<sup>\*7</sup> of the Group within the previous five years.

- 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 pertain to the Group in the event the Group is the seller, or to the partner in the event the Group is the buyer.
- \*5 High compensation: in the case of an individual, an annual amount of 10 million yen or more, or in the case of a member of company or organization, compensation exceeding 2% of its consolidated net sales or total revenue
- \*6 Close relation: either a spouse, first- or second-degree relative, or financial dependent
- \*7 Important business execution manager: either a director overseeing business execution, an executive officer, or other officer involved in business execution

## Compensation of Directors and Audit & Supervisory Board Members

### ● Compensation to Directors

Compensation to directors (excluding outside directors) and executive officers consists of annual compensation, which is the total of a basic compensation amount decided in accordance with each director's position and duties and performance-based compensation in consideration of various indicators of the Company's business performance, and restricted stock compensation. Part of the annual compensation is put aside each fiscal year as a reserved retirement benefit and paid at the time of the director's retirement. Depending on the director's performance and other factors, the amount may be reduced.

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 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 Audit & Supervisory Board Members

Compensation to audit & supervisory board members, consists only of a basic compensation amount within a range stipulated by the general meeting of shareholders, which is determined through deliberations by the audit & supervisory board members.

## Hostile Takeover Defense Plan

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

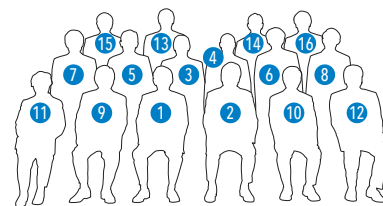
## Compensation (For Fiscal 2019)

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	Restricted stock	
Directors (excluding outside directors)	489	373	80	35	13
Audit & Supervisory Board Members (excluding outside audit & supervisory board members)	52	52	—	—	2
Outside directors and audit & supervisory board members	55	55	—	—	4
Total	597	481	80	35	19

Note: In the above reserved retirement benefits for directors, provision has been made for the current fiscal year with respect to reserved retirement benefits.

Note: The amount of restricted stock compensation for directors indicated above is the amount reported as an expense relating to restricted stock compensation for the current fiscal year.

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



- ① **Toshikiyo Kurai**  
Representative Director, Chairman
- ② **Masashi Fujii**  
Representative Director, President
- ③ **Masato Inari**  
Director, Managing Executive Officer
- ④ **Nobuhisa Ariyoshi**  
Director, Managing Executive Officer
- ⑤ **Tomohiko Okubo**  
Director, Managing Executive Officer
- ⑥ **Kenji Kato**  
Director, Managing Executive Officer

- ⑦ **Yasushi Kosaka**  
Director, Managing Executive Officer
- ⑧ **Naruyuki Nagaoka**  
Director, Managing Executive Officer
- ⑨ **Kazuo Tanigawa**  
Outside Director
- ⑩ **Tsugio Sato**  
Outside Director
- ⑪ **Haruko Hirose**  
Outside Director
- ⑫ **Toru Suzuki**  
Outside Director

- ⑬ **Takashi Kimura**  
Audit & Supervisory Board Member (Outside)
- ⑭ **Katsuhiko Sugita**  
Audit & Supervisory Board Member
- ⑮ **Masamichi Mizukami**  
Audit & Supervisory Board Member
- ⑯ **Yasuomi Matsuyama**  
Audit & Supervisory Board Member (Outside)

As of June 26, 2020

# 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

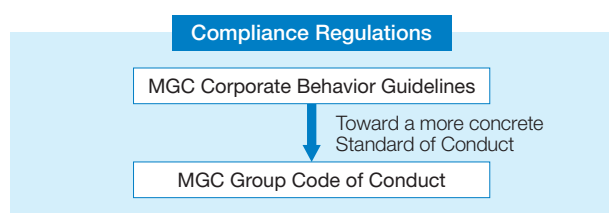
The MGC Group takes a broad view of compliance, one that involves not only abiding by laws and Company rules but upholding the fair, transparent, and flexible conduct of business in acknowledgment of its responsibilities to society. Based on this understanding, we have summarized the conduct expected of our executives and employees in the MGC Corporate Behavior Guidelines and the MGC Group 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 Group Code of Conduct to ensure our approach to compliance is instilled in those companies as well.



MGC Compliance Handbook

### MGC compliance concepts



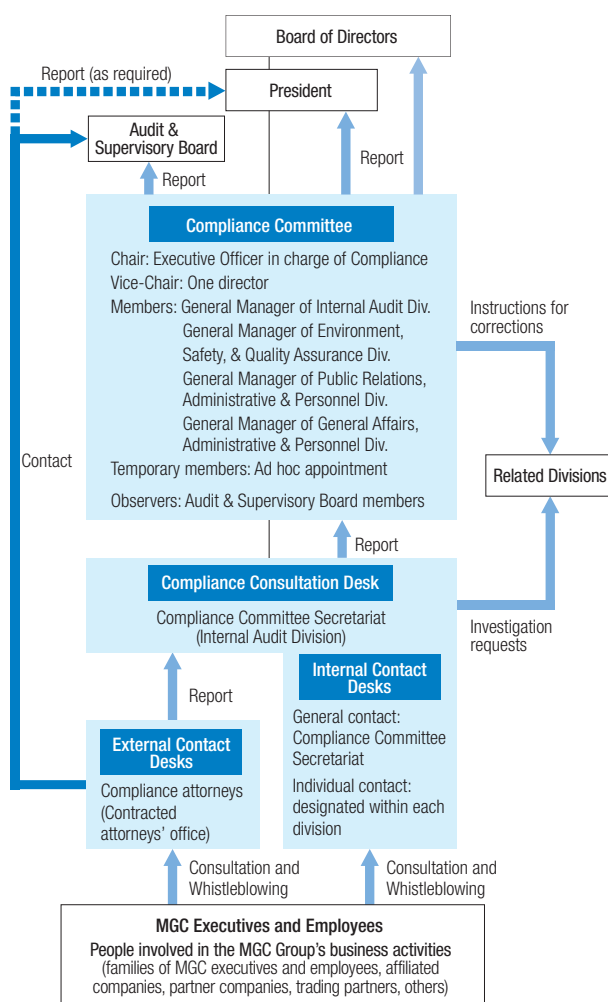
## Compliance System

The MGC Group decides policies, measures, and plans relating to the compliance system in the Internal Control and Risk Management Committee.

In addition, as an organization to deal with individual cases of compliance violation, the Compliance Committee has been set up as an independent body reporting directly to the President. The Compliance Committee comprises the executive officer in charge of compliance (who serves as the chair), a director (vice-chair), heads of compliance-related departments, and others.

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

### MGC compliance structure



with according to 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 Division, 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.

Consultations and whistleblowing 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 whistleblowing.

## Compliance Education

MGC designates every October as “Corporate Ethics Month,” during which we conduct compliance training for all employees using our intranet and the President sends out a notice to all business sites again calling for the promotion of compliance.

Compliance education is also included in grade-specific education, and training is provided using educational materials suited to each position.

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

## Security Export Control Initiatives

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

Export control subject to screening includes all products exported by MGC, regardless of whether the transaction involves direct, indirect, or brokered trade, as well as all technology related to the design, manufacturing, and use of those products.

Export screening involves multiple checks by business divisions in charge of products and an independent export control division, which screen all exports to determine if cargo and technology restrictions apply, checking also the final customer, destination, and use.

In addition, we endeavor to upkeep and enhance the export control setup by implementing internal audits and grade-specific education annually.



Grade-specific education on security and export control (left: for business division employees; below: for new recruits)

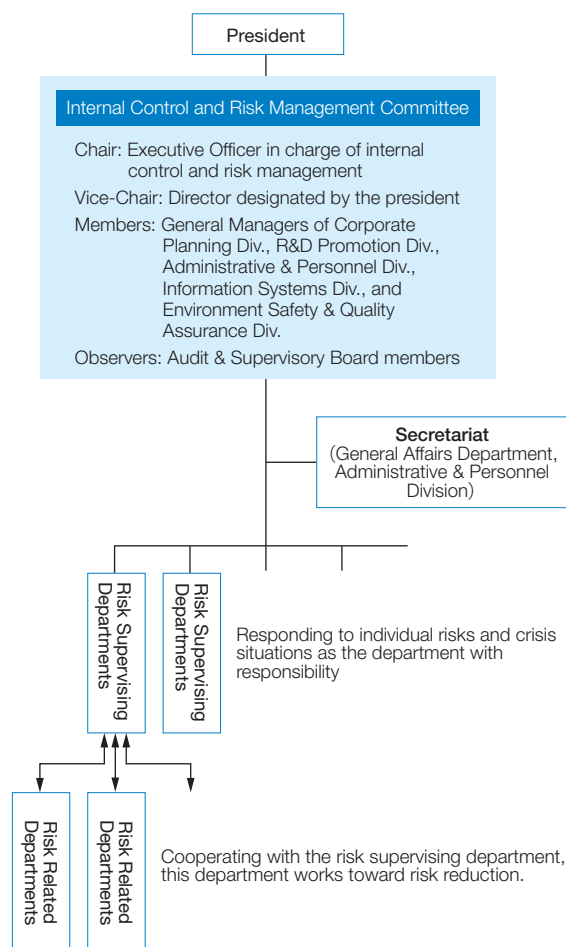


## Promoting Risk Management

At MGC, all business divisions actively assess and prioritize risk situations and devise risk reduction measures. The Internal Control and Risk Management Committee, chaired by the executive officer in charge of internal control and risk management, provides direction and supervision for each department and deliberates on problems that require a 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 (Crisis Response Headquarters) to address it according to internal rules.

### Risk management promotion system



## Compliance and Risk Management

### 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 are also reviewed by the Internal Control and Risk Management Committee.

### Formulating and Implementing the Business Continuity Plan

Business divisions responsible for important products and projects at MGC formulate the business continuity plan (BCP).

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 Risks

At MGC, among the various risks associated with business activities, such as leaks of chemical substances, fires, and explosions, the head office division in overall charge of the risk concerned offers guidance and supervision to sites concerning countermeasures against risks that might occur at these sites.

Furthermore, the Internal Control and Risk Management Committee engages in discussions on countermeasures against the following risks that could cause damage to multiple sites:

#### 1. Countermeasures 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 the Nankai Trough Earthquake or the Tokyo Inland Earthquake, 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,



Earthquake simulation chamber

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.

#### 2. Prevention of 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.

#### 3. Countermeasures Against the Spread of Infectious Diseases

MGC has formulated the business continuity plan relating to infectious disease countermeasures for offices and sites in Japan and overseas. In order to adopt uniform Group-wide measures in response to the novel coronavirus pandemic, MGC has established a Crisis Response Headquarters headed by the President. While grasping an overall view of the situation and taking steps to maintain production and distribution, the headquarters was quick off the mark to ensure the safety of employees by implementing at-home telecommuting.

### Donation of Polycarbonate Sheets for Face Shields

## TOPICS

In view of the shortage of medical face shields due to the spread of novel coronavirus infections, MGC Filsheet Co., Ltd., a consolidated subsidiary of MGC, processed lupilon™ film, a polycarbonate resin product made by the company, into shield shapes and donated 800 of them to the Citizens Medical Center in Tokorozawa, Saitama Prefecture. To continue such contributions to the local community, MGC Filsheet's Osaka Factory also donated 6,500 sheets to the city of Toyonaka in Osaka Prefecture, where it is located.

The company plans to continue adjusting its production setup and expanding its support to the front-line medical sector.



(From left) Director Azuma of the Medical Supplies Department of the Citizens Medical Center in Tokorozawa; MGC Filsheet President Tsuneaki Iwakiri; and Director Shigenaga of the Nursing Department of the Citizens Medical Center

# Financial Information

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# Consolidated Financial Summary

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries  
For the years ended March 31

2010 2011 2012 2013 2014

## Operating results (Millions of yen)

Net sales	¥384,528	451,033	452,217	467,979	534,443
Operating income	4,090	23,363	9,083	11,421	11,488
Ordinary income	7,365	36,394	26,116	27,651	30,804
Net income attributable to owners of the parent	5,827	18,950	12,327	(7,793)	14,921
Equity in earnings of affiliates	8,794	17,873	20,532	19,045	20,466

## Financial position (Millions of yen)

Current assets	¥218,082	244,522	254,037	261,397	287,642
Total assets	539,431	577,045	595,250	613,908	657,838
Current liabilities	160,297	182,527	193,464	195,438	178,897
Net assets	278,094	288,257	292,111	294,895	323,858
Interest-bearing debt	165,848	182,679	185,185	182,644	204,489

## Cash flows (Millions of yen)

Operating activity cash flow	¥ 31,326	39,773	37,348	31,169	27,182
Investing activity cash flow	(33,662)	(24,626)	(37,274)	(30,818)	(29,883)
Financing activity cash flow	(15,354)	(1,849)	(9,876)	(14,356)	7,124
Total cash and cash equivalents at end of year	36,048	46,768	35,701	26,907	37,310

## Per share data (Yen)

Earnings per share (EPS)* <sup>1</sup>	¥ 25.78	83.85	54.56	(34.50)	66.07
Net assets per share * <sup>1</sup>	1,191.13	1,230.50	1,246.92	1,256.81	1,382.52

## Ratios (%)

Operating income margin	1.1	5.2	2.0	2.4	2.1
Return on equity (ROE)	2.2	6.9	4.4	(2.8)	5.0
Return on assets (ROA)	1.4	6.5	4.5	4.6	4.8
Equity ratio	49.9	48.2	47.3	46.2	47.5

## Others (Millions of yen)

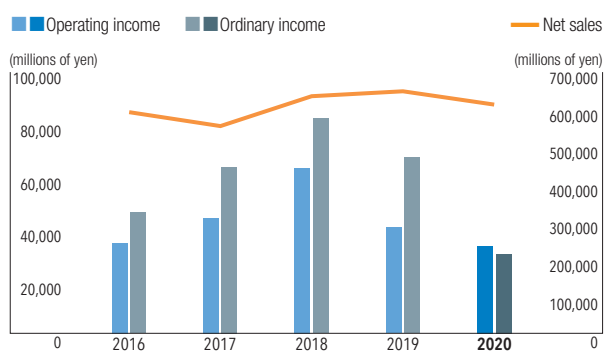
Capital expenditure	¥ 27,567	35,400	42,423	30,982	25,409
Depreciation and amortization	29,535	28,950	27,763	23,096	23,528
Research and Development cost	16,198	16,380	17,449	15,332	16,122
Number of employees	4,920	4,979	5,216	5,323	5,445

\*1 With an effective date of October 1, 2016, MGC conducted a reverse stock split for MGC's ordinary shares on a 2:1 basis.

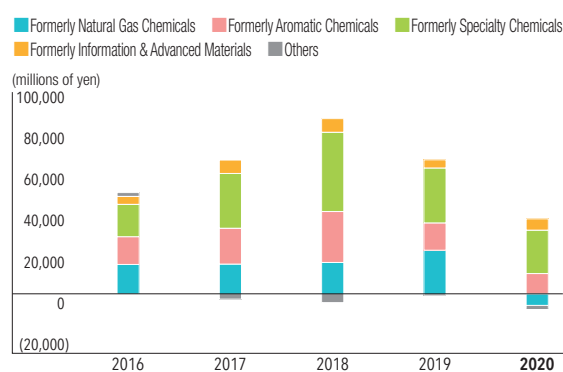
As a result, each amounts per share in the above table are calculated assuming that the reverse stock split had been conducted at the beginning of FY2009.

\*2 U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥108.83= US\$1 prevailing on March 31, 2020.

## Net sales / Operating income / Ordinary income



## Ordinary income by business segment



This graph shows 2019 business segments (before organizational reform).

2015

2016

2017

2018

2019

2020

2020

(Thousands of U.S. dollars)\*2

529,570	593,502	556,480	635,909	648,986	613,344	\$ 5,635,799
14,996	34,018	43,762	62,741	41,386	34,260	314,803
42,000	45,432	62,430	80,711	69,199	31,116	285,914
43,346	34,134	48,013	60,531	55,000	21,158	194,413
27,895	16,683	21,125	18,277	28,408	(1,282)	(11,780)

(Thousands of U.S. dollars)\*2

372,166	341,237	326,674	384,249	378,845	358,669	\$ 3,295,681
790,784	739,582	738,188	785,687	804,038	771,733	7,091,179
225,068	214,676	188,426	206,835	188,420	163,574	1,503,023
422,851	423,135	473,370	519,144	553,282	548,141	5,036,672
215,614	181,427	118,713	106,964	95,751	74,713	686,511

(Thousands of U.S. dollars)\*2

76,982	84,671	82,711	90,720	64,042	74,234	\$ 682,110
(23,531)	(31,922)	(31,119)	(33,614)	(42,761)	(33,922)	(311,697)
(25,005)	(47,335)	(60,217)	(33,038)	(31,396)	(49,563)	(455,417)
72,678	75,828	67,177	90,304	80,379	70,043	643,600

(U.S. dollars)\*2

191.94	153.85	221.83	281.39	257.46	100.50	\$ 0.92
1,672.25	1,707.01	1,967.94	2,187.99	2,354.25	2,368.11	21.76

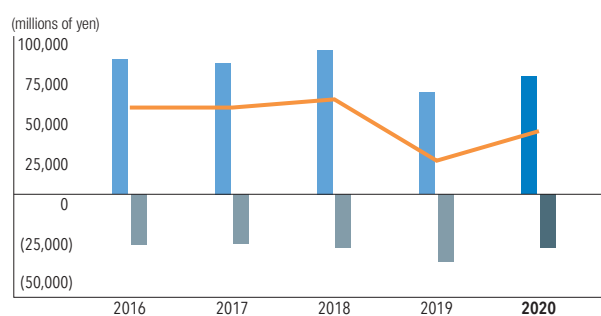
2.8	5.7	7.9	9.9	6.4	5.6	5.6
12.6	9.0	12.0	13.6	11.3	4.3	4.3
5.8	5.9	8.4	10.6	8.7	3.9	3.9
47.8	51.0	57.5	59.5	62.6	63.8	63.8

(Thousands of U.S. dollars)\*2

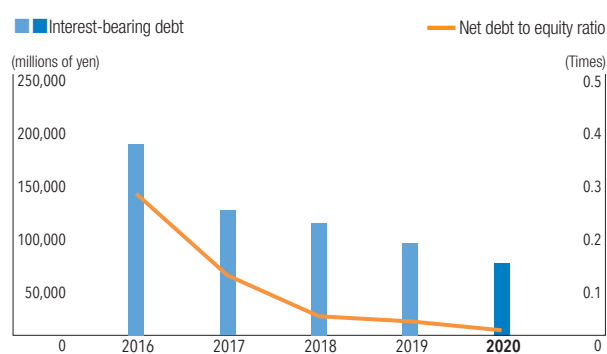
22,226	30,512	35,010	30,959	39,279	42,389	\$ 389,497
23,770	26,705	25,631	27,027	27,451	29,591	271,901
16,873	18,936	19,267	18,987	18,607	19,696	180,980
8,254	8,176	8,034	8,009	8,276	8,954	8,954

## Cash flows

■ Operating activity cash flow  
■ Investing activity cash flow  
— Free cash flow



## Interest-bearing debt / Net debt to equity ratio



# Consolidated Balance Sheet

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries

March 31, 2020

## Assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Current assets:</b>			
Cash	¥ 78,227	¥ 91,130	\$ 718,800
Trade notes and accounts receivable	141,279	155,507	1,298,162
Short-term investments	3,514	23	32,289
Inventories	114,797	119,252	1,054,829
Other current assets	21,975	13,965	201,920
Less allowance for doubtful receivables	1,124	1,033	10,328
Total current assets	358,669	378,845	3,295,681
<b>Property, plant and equipment:</b>			
Buildings and structures	220,252	207,981	2,023,817
Machinery, equipment and vehicles	484,798	457,159	4,454,636
Land	41,109	39,826	377,736
Leased assets	2,611	750	23,992
Construction in progress	23,113	20,522	212,377
Other	51,266	48,151	471,065
	823,151	774,392	7,563,641
Less accumulated depreciation	583,313	545,899	5,359,855
Net property, plant and equipment	239,838	228,492	2,203,786
<b>Intangible assets, net:</b>			
Goodwill	5,293	3,841	48,635
Leased assets	0	5	0
Software	2,251	2,187	20,684
Other	3,052	2,579	28,044
Net intangible assets	10,597	8,614	97,372
<b>Investments and other assets:</b>			
Investments in securities	149,158	177,011	1,370,560
Long-term loans receivable	3,153	2,831	28,972
Deferred income taxes	3,482	2,510	31,995
Net defined benefit asset	974	1,174	8,950
Other investments and other assets	6,500	5,101	59,726
Less allowance for doubtful receivables	640	543	5,881
Total investments and other assets	162,628	188,086	1,494,331
<b>Total assets</b>	<b>¥ 771,733</b>	<b>¥ 804,038</b>	<b>\$ 7,091,179</b>

## Liabilities and Net Assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Current liabilities:</b>			
Trade notes and accounts payable	¥ 70,776	¥ 80,089	\$ 650,335
Short-term debt and current installments of long-term debt	44,409	58,846	408,058
Accrued expenses	18,008	20,493	165,469
Accrued income taxes	5,539	3,439	50,896
Accrued bonuses	5,616	5,539	51,603
Other current liabilities	19,225	20,011	176,652
Total current liabilities	163,574	188,420	1,503,023
<b>Non-current liabilities:</b>			
Long-term debt	30,304	36,905	278,453
Net defined benefit liability	9,333	5,247	85,758
Provision for directors' retirement benefits	433	337	3,979
Deferred income taxes	9,200	9,521	84,536
Other non-current liabilities	10,745	10,323	98,732
Total non-current liabilities	60,016	62,336	551,466
Total liabilities	223,591	250,756	2,054,498
<b>Stockholders' equity:</b>			
Common stock :			
Authorized 492,428,000 shares; issued 225,739,199 and 231,739,199 shares in 2020 and 2019	41,970	41,970	385,647
Additional paid-in capital	34,234	34,298	314,564
Retained earnings	439,701	439,080	4,040,255
Treasury stock, at cost; 17,758,765 and 18,099,472 shares in 2020 and 2019	(21,600)	(19,930)	(198,475)
Total stockholders' equity	494,306	495,418	4,542,001
<b>Accumulated other comprehensive income:</b>			
Net unrealized gain on other securities	7,789	13,023	71,570
Deferred gains on hedges	4	1	37
Surplus on revaluation of land	—	222	—
Foreign currency translation adjustments	(6,701)	(6,327)	(61,573)
Remeasurements of defined benefit plans	(2,877)	623	(26,436)
Total accumulated other comprehensive income	(1,785)	7,542	(16,402)
<b>Non-controlling interests</b>	55,619	50,321	511,063
Total net assets	548,141	553,282	5,036,672
<b>Commitments and contingencies</b>			
Total liabilities and net assets	¥ 771,733	¥ 804,038	\$ 7,091,179

# Consolidated Statement of Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries  
For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Net sales</b>	<b>¥ 613,344</b>	<b>¥ 648,986</b>	<b>\$ 5,635,799</b>
<b>Cost of sales</b>	<b>481,950</b>	<b>512,857</b>	<b>4,428,466</b>
Gross profit	131,394	136,129	1,207,333
<b>Selling, general and administrative expenses</b>	<b>97,133</b>	<b>94,742</b>	<b>892,520</b>
Operating income	34,260	41,386	314,803
<b>Other income (expenses):</b>			
Interest income	565	642	5,192
Dividend income	2,226	2,200	20,454
Interest expenses	(968)	(1,018)	(8,895)
Share of profit (loss) of entities accounted for using equity method	(1,282)	28,408	(11,780)
Gain on sale of investments in securities	2,676	989	24,589
Rent expenses	(1,628)	(1,634)	(14,959)
Loss on valuation of investments in securities	(939)	(690)	(8,628)
Provision for loss on guarantees	—	(1,267)	—
Provision for loss on liquidation of subsidiaries and associates	(1,098)	—	(10,089)
Personnel expenses for seconded employees	(1,512)	(1,430)	(13,893)
Loss on tax purpose reduction entry of non-current assets	(5,652)	—	(51,934)
Loss on sale/disposal of property, plant and equipment	(943)	(920)	(8,665)
Impairment loss	(381)	—	(3,501)
Other, net	9,022	2,400	82,900
	82	27,679	753
Profit before income taxes	34,343	69,066	315,566
<b>Income taxes :</b>			
Current	8,373	8,333	76,937
Deferred	1,482	753	13,618
	9,855	9,087	90,554
Profit	¥ 24,487	¥ 59,979	\$ 225,002
<b>Profit attributable to non-controlling interests</b>	<b>3,329</b>	<b>4,979</b>	<b>30,589</b>
Profit attributable to owners of parent	¥ 21,158	¥ 55,000	\$ 194,413

# Consolidated Statement of Comprehensive Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries

For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Profit</b>	<b>¥ 24,487</b>	<b>¥ 59,979</b>	<b>\$ 225,002</b>
<b>Other comprehensive income arising during the year :</b>			
Net unrealized loss on other securities	(5,172)	(4,212)	(47,524)
Deferred gains on hedges	3	1	28
Foreign currency translation adjustments	(3,431)	(2,232)	(31,526)
Remeasurements of defined benefit plans	(3,386)	(1,812)	(31,113)
Shares of other comprehensive income of affiliates accounted for by the equity method	1,488	2,594	13,673
Total other comprehensive income arising during the year	(10,498)	(5,661)	(96,462)
<b>Comprehensive income</b>	<b>¥ 13,988</b>	<b>¥ 54,318</b>	<b>\$ 128,531</b>
<b>Comprehensive income attributable to:</b>			
Owners of the parent	¥ 11,884	¥ 50,795	\$ 109,198
Non-controlling interests	2,104	3,522	19,333

# Consolidated Statement of Changes in Net Assets

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries

For the year ended March 31, 2020

	Millions of yen												
	Stockholders' equity					Accumulated other comprehensive income							Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total	Net unrealized gain on other securities	Deferred gains on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total	Non-controlling interests	
<b>Balance as of April 1, 2018</b>	¥ 41,970	¥ 34,578	¥ 399,033	¥ (19,966)	¥ 455,616	¥ 17,261	¥ (0)	¥ 222	¥ (7,614)	¥ 1,878	¥ 11,747	¥ 51,780	¥ 519,144
Changes arising during year:													
Cash dividends			(14,953)		(14,953)								(14,953)
Profit attributable to owners of parent			55,000		55,000								55,000
Purchase of treasury stock				(6)	(6)								(6)
Disposition of treasury stock		53		42	95								95
Change in treasury stock of parent arising from transactions with non-controlling interests		(333)			(333)								(333)
Net changes other than stockholders' equity						(4,238)	1	—	1,287	(1,254)	(4,204)	(1,459)	(5,664)
Total changes during the year	—	(280)	40,046	35	39,802	(4,238)	1	—	1,287	(1,254)	(4,204)	(1,459)	34,138
<b>Balance as of March 31, 2019</b>	¥ 41,970	¥ 34,298	¥ 439,080	¥ (19,930)	¥ 495,418	¥ 13,023	¥ 1	¥ 222	¥ (6,327)	¥ 623	¥ 7,542	¥ 50,321	¥ 553,282
Changes arising during year:													
Cash dividends			(14,861)		(14,861)								(14,861)
Profit attributable to owners of parent			21,158		21,158								21,158
Purchase of treasury stock				(8,733)	(8,733)								(8,733)
Disposition of treasury stock		11		40	51								51
Retirement of treasury stock		(7,023)		7,023	—								—
Transfer to additional paid-in capital from retained earnings		6,959	(6,959)		—								—
Change in scope of consolidation			1,246		1,246								1,246
Change in treasury stock of parent arising from transactions with non-controlling interests		(10)			(10)								(10)
Reversal of revaluation reserve for land			37		37								37
Net changes other than stockholders' equity						(5,233)	3	(222)	(374)	(3,500)	(9,327)	5,298	(4,029)
Total changes during the year	—	(63)	621	(1,669)	(1,111)	(5,233)	3	(222)	(374)	(3,500)	(9,327)	5,298	(5,141)
<b>Balance as of March 31, 2020</b>	¥ 41,970	¥ 34,234	¥ 439,701	¥ (21,600)	¥ 494,306	¥ 7,789	¥ 4	¥ —	¥ (6,701)	¥ (2,877)	¥ (1,785)	¥ 55,619	¥ 548,141

Thousands of U.S. dollars

	Stockholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total	Net unrealized gain on other securities	Deferred gains on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total		
Balance as of April 1, 2018	\$ 385,647	\$ 317,725	\$ 3,666,572	\$ (183,460)	\$ 4,186,493	\$ 158,605	\$ (0)	\$ 2,040	\$ (69,962)	\$ 17,256	\$ 107,939	\$ 475,788	\$ 4,770,229
Changes arising during year:													
Cash dividends			(137,398)		(137,398)								(137,398)
Profit attributable to owners of parent			505,375		505,375								505,375
Purchase of treasury stock				(55)	(55)								(55)
Disposition of treasury stock		487		386	873								873
Change in treasury stock of parent arising from transactions with non-controlling shareholders		(3,060)			(3,060)								(3,060)
Net changes other than stockholders' equity						(38,941)	9	—	11,826	(11,523)	(38,629)	(13,406)	(52,044)
Total changes during the year	—	(2,573)	367,968	322	365,726	(38,941)	9	—	11,826	(11,523)	(38,629)	(13,406)	313,682
Balance as of March 31, 2019	\$ 385,647	\$ 315,152	\$ 4,034,549	\$ (183,130)	\$ 4,552,219	\$ 119,664	\$ 9	\$ 2,040	\$ (58,137)	\$ 5,725	\$ 69,301	\$ 462,382	\$ 5,083,911
Changes arising during year:													
Cash dividends			(136,552)		(136,552)								(136,552)
Profit attributable to owners of parent			194,413		194,413								194,413
Purchase of treasury stock				(80,244)	(80,244)								(80,244)
Disposition of treasury stock		101		368	469								469
Retirement of treasury stock		(64,532)		64,532	—								—
Transfer to additional paid-in capital from retained earnings		63,944	(63,944)		—								—
Change in scope of consolidation			11,449		11,449								11,449
Change in treasury stock of parent arising from transactions with non-controlling interests		(92)			(92)								(92)
Reversal of revaluation reserve for land			340		340								340
Net changes other than stockholders' equity						(48,084)	28	(2,040)	(3,437)	(32,160)	(85,702)	48,681	(37,021)
Total changes during the year	—	(579)	5,706	(15,336)	(10,209)	(48,084)	28	(2,040)	(3,437)	(32,160)	(85,702)	48,681	(47,239)
Balance as of March 31, 2020	\$ 385,647	\$ 314,564	\$ 4,040,255	\$ (198,475)	\$ 4,542,001	\$ 71,570	\$ 37	\$ —	\$ (61,573)	\$ (26,436)	\$ (16,402)	\$ 511,063	\$ 5,036,672

# Consolidated Statement of Cash Flows

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries

For the year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 34,343	¥ 69,066	\$ 315,566
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	29,591	27,451	271,901
Loss on sale/disposal of property, plant and equipment	778	870	7,149
Impairment loss	381	—	3,501
Loss on tax purpose reduction entry of non-current assets	5,652	—	51,934
Equity in losses (earnings) of affiliates	1,282	(28,408)	11,780
Increase (decrease) in allowance for doubtful receivables	187	(137)	1,718
Decrease in net defined benefit liability	(48)	(682)	(441)
(Decrease) increase in provision for directors' retirement benefits	(245)	68	(2,251)
Decrease in provision for loss on business withdrawal	(11)	(107)	(101)
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	592	(144)	5,440
(Decrease) increase in provision for loss on guarantees	(2,358)	1,270	(21,667)
Interest and dividend income	(2,791)	(2,842)	(25,646)
Interest expenses	968	1,018	8,895
Gain on sale of short-term investments and investments in securities	(2,682)	(1,041)	(24,644)
Loss on devaluation of short-term investments and investments in securities	762	837	7,002
Decrease in trade notes and accounts receivable	19,048	8,059	175,025
Decrease (increase) in inventories	5,694	(15,750)	52,320
Decrease in trade notes and accounts payable	(13,799)	(7,290)	(126,794)
Other, net	(8,929)	4,074	(82,045)
Sub total	68,416	56,313	628,650
Interest and dividend received	2,755	2,804	25,315
Dividend received from affiliates accounted for by the equity method	10,693	12,323	98,254
Interest paid	(1,030)	(1,020)	(9,464)
Income taxes paid	(7,173)	(6,552)	(65,910)
Other, net	572	173	5,256
Net cash provided by operating activities	74,234	64,042	682,110
<b>Cash flows from investing activities:</b>			
Capital expenditures	(43,453)	(37,409)	(399,274)
Proceeds from sale of property, plant and equipment	1,144	891	10,512
Purchase of investments in securities and subsidiaries	(1,544)	(5,039)	(14,187)
Increase in long-term loans receivable	(333)	(48)	(3,060)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	5,810	—	53,386
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	939	—
Other, net	4,454	(2,094)	40,926
Net cash used in investing activities	(33,922)	(42,761)	(311,697)
<b>Cash flows from financing activities:</b>			
Decrease in short-term debt	(14,927)	(10,599)	(137,159)
Proceeds from long-term debt	8,697	16,773	79,914
Payments on long-term debt	(15,768)	(17,893)	(144,887)
Purchase of treasury stock	(8,733)	(6)	(80,244)
Dividends paid to stockholders	(14,861)	(14,953)	(136,552)
Dividends paid to non-controlling interests	(1,890)	(1,751)	(17,367)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,208)	(2,859)	(11,100)
Other, net	(870)	(105)	(7,994)
Net cash used in financing activities	(49,563)	(31,396)	(455,417)
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(1,342)</b>	<b>190</b>	<b>(12,331)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(10,594)</b>	<b>(9,925)</b>	<b>(97,344)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>80,379</b>	<b>90,304</b>	<b>738,574</b>
<b>Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation</b>	<b>258</b>	<b>—</b>	<b>2,371</b>
<b>Cash and cash equivalents at end of year</b>	<b>¥ 70,043</b>	<b>¥ 80,379</b>	<b>\$ 643,600</b>

# Shareholder Information

Information for Shareholders (As of March 31, 2020)

## Listing

First Section of the Tokyo Stock Exchange

## Ticker symbol

4182

## Total number of authorized shares

492,428,000

## Number of outstanding shares

225,739,199

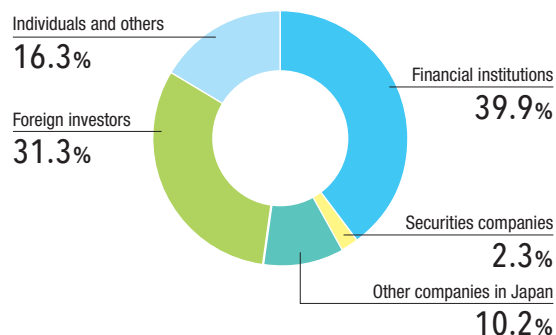
## Stock transaction units

100 - shares

## Number of shareholders

24,777

## Composition of shareholders



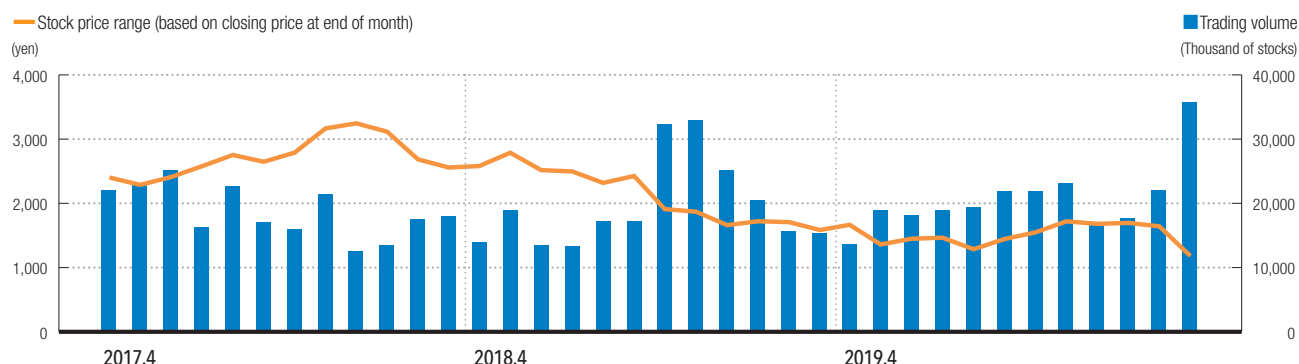
## Major shareholders

Name of shareholder	Number of shares held (thousands)	Percentage of total outstanding shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,260	7.3%
Japan Trustee Services Bank, Ltd. (Trust Account)	9,346	4.5%
Meiji Yasuda Life Insurance Company	8,797	4.2%
Nippon Life Insurance Company	8,795	4.2%
The Norinchukin Bank	5,026	2.4%
AGC Inc.	4,835	2.3%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	3,711	1.8%
JP MORGAN CHASE BANK 385151	3,183	1.5%
The Bank of Yokohama, Ltd.	3,085	1.5%
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	2,794	1.3%

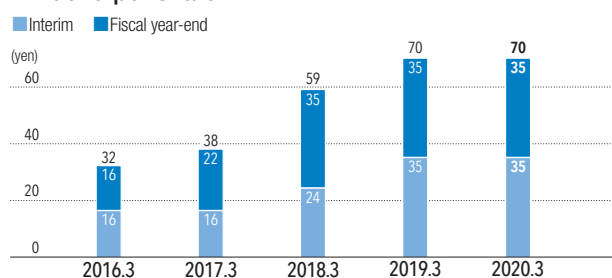
1. MGC holds 17,758 thousand shares of treasury stock, which is not included in the above list of major shareholders.

2. Percentage of total outstanding shares does not include treasury stock.

## Monthly stock price range and trading volume



## Dividend per share



Note: With an effective date of October 1, 2016, MGC conducted a reverse stock split for MGC's ordinary shares on a 2:1 basis. As a result, the share price, market trading volume and dividend per share in the graphs are calculated assuming that the reverse stock split had been conducted at the beginning of April, 2015.

# Corporate Data (as of March 31, 2020)

## Corporate Information

### Company Name

MITSUBISHI GAS CHEMICAL COMPANY, INC.

### Address

Mitsubishi Building  
5-2 Marunouchi 2-chome, Chiyoda-ku,  
Tokyo 100-8324, Japan

### Originally founded

January 15, 1918

### Incorporated

April 21, 1951

### Capital

41.97 billion yen

### Fiscal Year

Accounts closed in March

### Number of consolidated subsidiaries/ equity-method subsidiaries

72 (consolidated subsidiaries)

14 (equity-method subsidiaries)

### Number of employees

2,391 (non-consolidated)

8,954 (consolidated)

### Main Banks

MUFG Bank, Ltd.

Japan Bank for International Cooperation

Mizuho Bank, Ltd.

Development Bank of Japan Inc.

The Norinchukin Bank

The Bank of Yokohama, Ltd.

### Net sales

613.3 billion yen

## Business Locations

### Representative Offices

Shanghai Office

Taiwan Office

### Research Institutes

Tokyo Research Laboratory

Niigata Research Laboratory

Hiratsuka Research Laboratory

### Plants

Niigata Plant

Mizushima Plant

Yokkaichi Plant

- Naniwa Plant

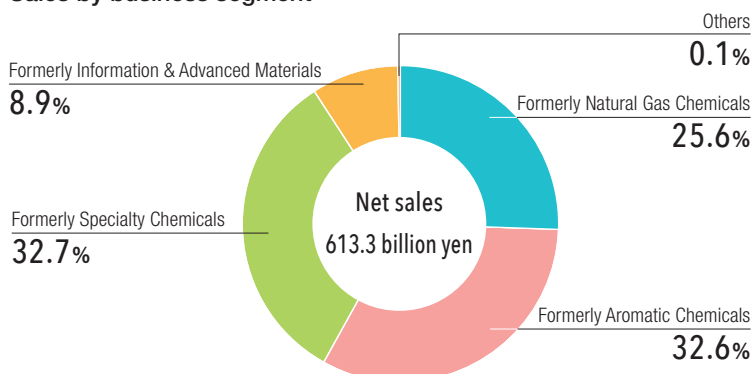
- Saga Plant

Yamakita Plant

Kashima Plant

QOL Innovation Center Shirakawa

### Sales by business segment



\*This graph shows 2019 business segments (before organizational reform).

## Major Group Companies

### Domestic

EIWA CHEMICAL IND. CO., LTD. [C]  
 FUDOW COMPANY LTD. [C]  
 GRANOPT CO., LTD. [E]  
 JAPAN FINECHEM COMPANY, INC. [C]  
 Japan Saudi Arabia Methanol Company, Inc. [E]  
 Japan U-PICA Company, Ltd. [C]  
 JSP CORPORATION [C]  
 KYOUDOU KASANKASUIISO CORP. [C]  
 MGC Advanced Chemical Inc. [C]  
 MGC Electrotechno Co., Ltd. [C]  
 MGC Filsheet Co., Ltd. [C]  
 MGC Terminal Company, Inc. [C]  
 MGC TRADING LTD. [C]  
 (Changed name to Mitsubishi Gas Chemical Trading, Inc. on October 1, 2020.)  
 Mitsubishi Engineering-Plastics Corporation [E]  
 Polyols Asia Company, Inc. [C]  
 RYODEN KASEI CO., LTD [E]  
 Ryoko Chemical Co., Ltd [C]  
 Ryowa Enterprise Co., Ltd. [C]  
 RYOYO TRADING CO., LTD. [C]  
 TOHO EARTHTECH, INC. [C]  
 Tokyo Shokai, Ltd. [C]  
 Toyo Kagaku Co., Ltd. [C]  
 Yonezawa Dia Electronics Co., Inc. [C]

[C] Consolidated subsidiary

[E] Equity-method subsidiary

### Overseas

BRUNEI METHANOL COMPANY SDN. BHD [E]  
 JSP International Group LTD. [C]  
 KOREA ENGINEERING PLASTICS CO., LTD. [E]  
 METANOL DE ORIENTE, METOR, S.A [E]  
 MGC ADVANCED POLYMERS, INC. [C]  
 MGC ELECTROTECHNO (THAILAND) CO., LTD. [C]  
 MGC MONTNEY HOLDINGS LTD. [C]  
 MGC PURE CHEMICALS AMERICA, INC. [C]  
 MGC PURE CHEMICALS SINGAPORE PTE. LTD. [C]  
 MGC PURE CHEMICALS TAIWAN, INC. [C]  
 MGC TRADING (THAILAND) LTD.  
 MITSUBISHI GAS CHEMICAL AMERICA, INC. [C]  
 MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS  
 (SHANGHAI) CO., LTD. [C]  
 MITSUBISHI GAS CHEMICAL EUROPE GMBH  
 MITSUBISHI GAS CHEMICAL SHANGHAI COMMERCE LTD.  
 MITSUBISHI GAS CHEMICAL SINGAPORE PTE. LTD. [C]  
 PT PEROKSIDA INDONESIA PRATAMA [C]  
 SAMYOUNG PURE CHEMICALS CO., LTD. [C]  
 SUZHOU MGC SUHUA PEROXIDE CO., LTD. [C]  
 TAI HONG CIRCUIT INDUSTRIAL CO., LTD. [E]  
 Taixing Lingsu Specialty Materials Co., Ltd. [C]  
 THAI POLYACETAL CO., LTD. [C]  
 THAI POLYCARBONATE CO., LTD. [E]

### Guide to our website

As well as introducing our business in an  
 easy-to-understand manner, we have made it  
 easier to search for product information, etc.  
 The website can also be viewed by  
 smartphone.



URL: <https://www.mgc.co.jp/eng/>



### Disclaimer

Plans, goals, and other forward-looking statements included in this report are determined based on information available to MGC as of the end of the consolidated fiscal year under review, and on certain assumptions MGC has judged to be reasonable, and may include uncertainties. Actual results may differ significantly from these forward-looking statements due to a variety of factors.

## MITSUBISHI GAS CHEMICAL COMPANY, INC.

Mitsubishi Building 5-2, Marunouchi 2-chome Chiyoda-ku, Tokyo 100-8324  
Investor Relations Department CSR&IR Division  
Tel: +81-3-3283-5041 Fax: +81-3-3287-0833  
<https://www.mgc.co.jp/eng/>

