



Corporate Report

2021

To be an excellent company that creates value to share with society and leads social change



We are pleased to
announce that we
have celebrated our
50th anniversary.

Mitsubishi Gas Chemical is an R&D-oriented chemical manufacturer with diverse operations, producing everything from basic chemicals that sustain industries to specialty chemicals that directly connect with user needs. For five decades we have contributed to positive change in industry and society by responding to customer needs and social issues arising with the changing times, combining our unique technologies and production-floor creativity to continuously deliver new value.

2021 is a milestone year for MGC, marking our 50th anniversary. We would like to express our sincere gratitude to all our stakeholders, from shareholders to loyal customers, business partners who have supported us in various ways, members of our local communities, and all Group employees, who consistently strive to do more.

We predict that our next 50 years will be both more complex and more uncertain. Consequently, we must continue to pursue new value that can help address social issues worldwide with prospects for a greater future. We hope to continue growing as a strong corporate group that can flexibly respond to environmental change.

Maintain your high expectations of us as an excellent company with uniqueness and presence, as we pursue our mission to create value to share with society.

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Editorial Policy

Corporate Report 2021 is structured around our medium- and long-term growth strategies under the basic policy of presenting initiatives for continuously increasing corporate value, from a comprehensive perspective. In producing this report we established a company-wide system under the leadership of the CSR & IR Division to compile and share information, and worked to provide a broad variety of quality content that we hope will help our diverse stakeholders deepen their understanding of the MGC Group.

Reporting Period

April 1, 2020–March 31, 2021 (fiscal 2020)

Note: Some activities taking place before or immediately after the fiscal year are also noted.

Report Scope

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

In Charge of Publishing

Motoyasu Kitagawa
Director, Managing Executive Officer
in charge of CSR & IR Division

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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, as well as 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.

Information Disclosure

	Financial	Non-Financial
This report	<p>Corporate Report 2021 Offers a straightforward description of the management strategies designed to achieve the MGC Group Mission of creating value to share with society, with the perspective of a comprehensive report bringing together information on MGC's Medium-Term Management Plan, medium- and long-term growth strategies, and CSR/ESG information, as well as financial information and other data. https://www.mgc.co.jp/eng/corporate/report.html</p>	
Website Details (latest)	<p>Investor Information Contains releases of the latest financial information and stock and shareholder information. https://www.mgc.co.jp/eng/ir/</p>	<p>CSR Information Introduces the MGC-Group's thinking, initiatives, and detailed data relating to CSR/ESG. https://www.mgc.co.jp/eng/csr/</p>

MISSION

Creating value to share with society

Our Purpose

Advanced electronic devices, communication systems, fossil-alternative energy, advanced medicine, and food management. To these industries, which hold the keys to achieving our sustainable development goals (SDGs), the evolution of materials and technologies to process ingredients is essential. Through chemical ingredients and materials, MGC Group products are deeply involved in both industrial and social innovation. Always bearing in mind our mission to create value to share with society, we will pursue new materials, ingredients, and related technologies that can transform society.

Value Created by the MGC Group

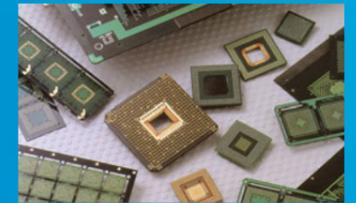
Contributing to the Development of an ICT/Mobility Society

We are assisting with progress in ICT by developing and supplying BT materials for IC plastic packaging, super-pure hydrogen peroxide (used in cleaning electronics), and optical polymers used for smartphone lenses. In the mobility business, we offer lines of products that facilitate CASE^{*1} progress, such as engineering plastics and foamed plastics that help make vehicles lighter. By creating new businesses and products, we offer value essential to digital innovation and the mobility revolution.

^{*1} Connected, Autonomous, Shared & Services, and Electric

Main Products

- BT materials for IC plastic packaging
- Super-pure hydrogen peroxide
- Optical polymers (Lupizeta™ EP)
- Polycarbonates
- Polyacetals
- Foamed plastics



Solving Energy and Climate Change Problems

Taking advantage of our many years of experience developing natural-gas fields and producing methanol, we are working to commercialize our carbon-negative^{*2} technology. We are concentrating effort on R&D related to methanol synthesis from CO₂ as well as on CO₂ capture, utilization and storage (CCUS). We plan to contribute to addressing issues related to energy and climate change by means only possible for a chemicals company, such as using methanol and ammonia as a hydrogen carrier, geothermal energy generation, which no other company in the chemicals industry is doing, and materials development to help extend the life of wind energy-generation equipment.

^{*2} State in which greenhouse-gas absorption is greater than emissions of same in business operations

Main Products

- Methanol
- Ammonia
- Geothermal energy
- Direct methanol fuel cells (DMFC)
- Meta-xylenediamine (MXDA)
- 1,3-Bis (Aminomethyl) cyclohexane (1,3-BAC)



Solving Medical and Food Problems

In response to global population growth and the accelerating aging of populations, the MGC Group develops and supplies lines of products that help advance preventive and predictive medicine as well as enhance medical productivity. To address food-related challenges, in 1977 we began marketing an oxygen absorber that extends the storage life of foods, and have been improving it for over 40 years. Taking full advantage of the management resources of the Group, we will continue to develop advanced technologies to help extend healthy life expectancy and support sustainable food management.

Main Products

- AGELESS™ (oxygen absorber for food)
- PharmaKeep™ (oxygen absorber for medical use)
- OXYCAPT™ (plastic syringes and vials)
- Antibody drugs
- Pyrroloquinoline quinone (PQQ)
- MX nylon



VISION

An excellent company with uniqueness and presence built on chemistry

Pursue Distinction

Often called the staple of all industries, chemistry has limitless potential for application to human life, environmental preservation and social infrastructure. In our modern world of accelerating social change, the MGC Group offers global niche lines of products while honing its unique strengths. The Group rises to the challenges of society and our customers, applying unrivaled technologies. The vision of “an excellent company with uniqueness and presence built on chemistry” is nothing less than the ideal future we are working to build.

MGC Group Strengths

Over **90%**

Products based on technologies developed in-house
(by product category)

The MGC Group has been growing as a manufacturer by putting effort into developing and improving original technologies. The creation of unrivaled technologies that give us a competitive edge over others was passed down to us from our two predecessors. Embedded in our corporate DNA, it is our greatest strength. We are still developing over 90% of our products on our own. We have built our own technological platform that can be used for researcher-initiated R&D and other ventures. Our potential derives from a cornucopia of core technologies that can be combined, expanding without limit.

About **110**

Number of product lines

We offer a broad array of products, from basic chemicals to finished products that are familiar in our daily lives. They are arranged in roughly 110 lines, and many enjoy market leadership worldwide, including meta-xylenediamine, used for synthetic resins and hardeners. A highly efficient product chain, from natural resources to materials and then to derivatives, is one of our sources of competitive advantage. We continually metabolize our business portfolio to quickly respond to market trends and changes in customer needs.

59%

Overseas net sales ratio

We are also consistent in our policy of pursuing originality in our operations abroad. As early as the 1980s we took note of the procurement advantages of natural resources abroad and entered into Saudi Arabia, a leading natural-gas producer. Since then, we have accelerated our methanol and hydrogen peroxide operations abroad, among others. We have also expanded production sites where the resources are, globally enhancing our sales power. In 2014 our overseas net sales exceeded 50% of total sales.

About **100**

Number of research themes

MGC selects its R&D themes from its priority fields, specifically the target domains of the Medium-Term Management Plan and those of our CSR challenges, taking into consideration their growth potential and compatibility with our corporate characteristics. Today, we decide the priority order for roughly 100 research titles using objective assessment indices and focus R&D resources on them accordingly. We work for long-term growth with systems designed to sharpen our alertness to market changes and help commercialize R&D results in a timely manner.

8,998
(147)

Number of Group employees
(number of Group companies)

Autonomous individuals are our most important management resource. We share this philosophy across the Group, which is why we succeed in creating new value, applying viewpoints and ideas that no others in the industry have. We create “chemical reactions” among our people by respecting the originality of each employee and giving them broad discretion, leading to the development of innovative technologies and products. We work to be a strong and flexible corporate group, striking a balance between the personal value of each employee and overall optimization.



MGC Way

MISSION

VISION

VALUE

- Mission** — Creating value to share with society
- Vision** — An excellent company with uniqueness and presence built on chemistry
- Value** — 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
 MGC Corporate Behavior Guidelines, CSR Basic Policy

Pursuing the MGC Way

In drawing up our vision for MGC in 2050, we reviewed who we are, where we come from, where we are headed and why we are here. Through that process, we reconfirmed our purpose and what we want to be, which we summarized into a simple new philosophy we call the MGC Way. We announced it both within and outside the company in 2021 as we celebrated our 50th anniversary, along with our new Medium-Term Management Plan.

MGC's History

1971~

Founding of MGC

In 1971, Japan Gas Chemical Co., Inc. and Mitsubishi Edogawa Chemical Co., Ltd. merged on equal terms to become Mitsubishi Gas Chemical Company, Inc. The main purpose of the merger was to build a system combining the strengths of the two companies and promote R&D investment and capital expenditures to maintain competitive advantage for the long term.

1980~

Response to change

Responding to changes in industrial structure, such as developments in information and communication technology, we began promoting internationalization and enhancement of the earnings foundation of our businesses. While conducting a program of large-scale investment to meet the growth in demand for our products, we put effort into reinforcing our financial health following a dip in earnings as a result of stronger competition with foreign companies.

2000~

Introduction of internal-company system and enhancement of global production

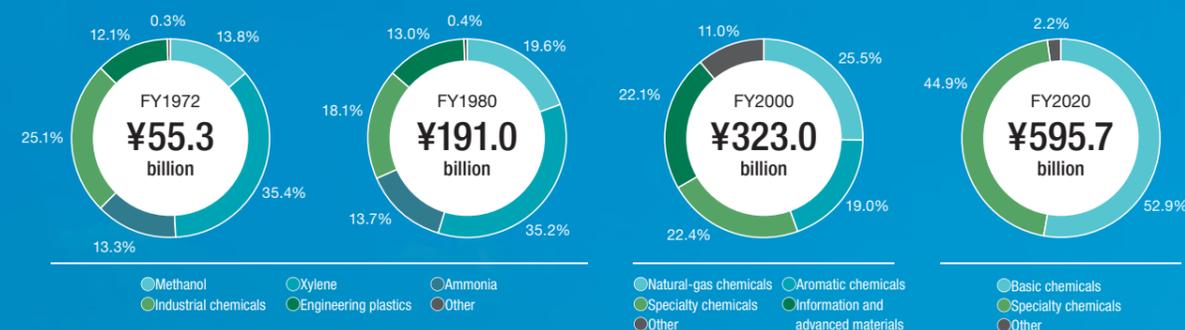
We introduced the internal-company system in response to intensifying global competition. We established a system to allow each internal company to make investment decisions quickly at its own discretion within its investment limits. This improved Group financial soundness and accelerated our business. While withdrawing from nonperforming businesses, we proceeded further with globalization.

2020~

Shift to overall optimization and promotion of CSR management

In 2020 we ended our internal-company system and began organizational reforms aimed at overall optimization. In May 2021, we announced our new Medium-Term Management Plan. We will implement groupwide initiatives to achieve the two objectives we announced: to shift to a profit structure that is resilient to changes in the business environment, and to balance social and economic value.

Net sales trends / Net sales Breakdown



Note: Business segments and details may change for each fiscal year.

Global Operations

In a corporate culture that encourages the challenger spirit, we conduct overseas business under an original strategy, applying the production and operation technologies that we develop. In 1980, MGC began entering emerging countries ahead of other Japanese corporations, and subsequently established one joint venture after another with local partners. We contribute to the growth of local economies through technology transfers and operator training to maintain stable production.

1980	1987	1995	2006	2020
Saudi Arabia (Methanol)	Indonesia (Hydrogen peroxide)	Thailand (Engineering plastics)	Brunei (Methanol)	Trinidad and Tobago (Methanol)
Japan's first large-scale project in the Middle East	Responding to intensifying international competition, MGC is the first Japanese chemicals company to enter Indonesia	Joint ventures with local companies for polycarbonate and polyacetal	Established a methanol manufacturing hub for the rapidly growing Asian market	One of the biggest investments made by a Japanese company in the country



On the 50th Anniversary of Our Founding

In passing down and evolving our distinctive technologies and ability to anticipate social change for half a century, we have grown to become a unique corporate group that does not fit the conventional mold of a chemical manufacturer.

2021 is a landmark year for MGC, celebrating our 50th anniversary. Looking back, I remember the company's tenth anniversary. I had just joined the company, and the year was 1981. In those days, innovative new products were coming out one after another, such as the eight-bit personal computer and the portable music player. I wondered what made such products so small. My thoughts led me to the chemical industry. I felt even then that chemical companies were key players driving innovation in industrial technology and positive social change, and that their potential, moreover, was enormous. Forty years later, I still feel the same way.

As a new recruit, I was first assigned to the Personnel Department of the Niigata Plant. At the plant, a few dozen trainees from Saudi Arabia were learning about production equipment. MGC was much smaller then, making annual sales of around ¥200 billion, but it had a grand plan underway to invest nearly ¥100 billion in a joint venture in Saudi Arabia, rich in natural gas resources, in order to build a methanol production plant that would also export methanol to Japan. That was the first joint venture between Saudi and Japanese companies there.

From then onward MGC has taken risks and achieved success in making and carrying forward business plans in fields that were completely new, because it possesses

the insight for social change and distinctive technologies. A case in point is a project that began in 1981 to prospect geothermal resources in Akita Prefecture, applying our technologies for prospecting and developing natural gas. It took us more than a decade to start the commercial operation, but it has been running stably ever since. In the present, when geothermal energy has been increasingly attracting attention as a domestic renewable energy source, we are already involved in developing this energy in four locations in Japan. Similarly, in the early 1960s, ahead of our competitors, we took note of the potential of polycarbonate, which has a glass-like transparency and shock resistance that makes it unbreakable in falls, and established technologies to mass-produce it in Japan. Polycarbonate is now established as a versatile product and used in a broad range of products, from aircraft windows to smartphones. As these examples show, our management team has read ahead over the decades, sown the seeds for the future, and built one success atop another. This is how our corporate culture today has come to be. As our businesses, built on their technological strengths, have expanded into many fields, MGC has grown to become a unique corporate group that refuses to fit the conventional mold of a chemical manufacturer.

Path to the Future – Revamping Our Corporate Philosophy

In clearly defining our corporate mission, vision and path to the future, we become an “excellent company with uniqueness and presence built on chemistry.”

We have taken our 50th anniversary as an opportunity to cast our gaze forward to 2050, reviewing the purpose of MGC Group and what we want it to be, as well as discussing the path we will take to create value over the long term. Based on that discussion, we revamped our corporate philosophy by reducing it to its fundamentals and imbuing it with a global viewpoint. We have just recently announced it to the world. First, we have redefined our old Group vision, creating value to share with society, as the new Group mission. Simply put, this mission means contributing to society through business, leading to the

spirit of the three Mitsubishi Group principles.*¹ To carry out this mission, we will continue expanding across the many areas of chemistry, with their limitless potential, and work to be an entity that helps sustain the happiness of people through innovation. By creating value, we will fully achieve our ideal, an excellent company with uniqueness and presence built on chemistry. We bring together our mission, our vision (what we want to be) and our values (Principles of Conduct and Corporate Behavior Guidelines) as the MGC Way, and situate it in the center of our corporate philosophy.

*1. Shoki Hoko (Corporate Responsibility to Society), Shoji Komei (Integrity and Fairness), and Ritsugyo Boeki (Global Understanding through Business)

Looking toward the next 50 years as a unique chemical company, we endeavor to be a major player driving positive social change.

After reviewing its purpose and clarifying its path to value creation, the MGC Group has drawn up a new Medium-Term Management Plan. We are working to achieve our record-high operating income target while creating social value that will help address climate change and other issues.

Masashi Fujii
President and Representative Director

Direction of Medium- and Long-Term Strategy

We take a backcasting approach to identify social issues and needs for the near future, and target five priority areas. We have created business strategies that lead to sustainable growth.

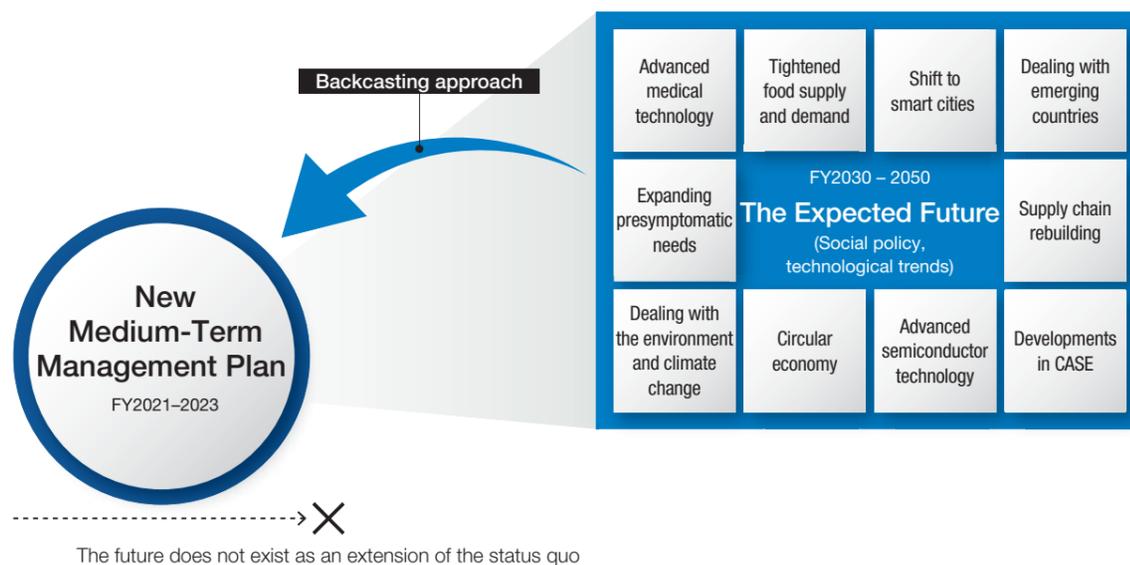
Since the pandemic, it is harder than ever to predict our society and economy. Going forward, kinds of change that we have never imagined will be continuously occurring. We work to be as accurate as possible in predicting the future from the signs of change we can see now, as well as trends in technologies and legal systems, and build strategies leading to sustainable growth. Most of the businesses and products that are propelling our earnings today were started more than a decade ago, based on market prospects we identified at the time.

In operating business over the medium and longer terms, we place importance on changes in popular awareness and values. We see examples in the grocery shopping habits of “SDG-native” Gen-Z consumers. Highly conscious of the food waste issue, they tend to pick products that are closest to their sell-by dates, often found at the front of the shelves. I believe the time will soon come when people see value in products with easily recycled packaging, even if its life is relatively short. From this kind of viewpoint we work to be a Group creating new value in a broad range of industries.

Drawing up the new Medium-Term Management

Plan, which starts with fiscal 2021, in the same way that we rebuilt our corporate philosophy, we took a backcasting approach from around 2050 in order to visualize our desired future. Working toward this ideal, we set policies and priority initiatives for each business based on a thorough understanding of social issues and needs. We have targeted five areas in which new business can contribute to society by around 2050: medical and food, information and communication, mobility, energy, and infrastructure. In the area of information and communication, for example, we project the widespread application of 6G technology, electric vehicles and the expansion of “smart cities,” and are working to create business opportunities where our Group will be uniquely situated to take best advantage, without much competition from others. To reinforce our footing in these areas, it will be essential that we bolster our capacity for technology development. To that end, we plan to increase research personnel. By increasing the number of younger engineers and scientists in our workforce, we also intend to adjust our organization to the changing values of society.

Positioning the New Medium-Term Management Plan
(Long-Term View and Strategic Moves toward Our Vision)



New Medium-Term Management Plan

We will shift to a stronger earnings structure unaffected by economic fluctuations, and balance economic and social value.

In May 2021, we announced our new Medium-Term Management Plan, covering the three years from FY2021 to FY2023. As our earnings goal we have set an all-time high of ¥70 billion in operating income for fiscal 2023. Over the ten years from that point forward we are looking to achieve ¥1 trillion in annual net sales and over ¥100 billion in operating income. We have designated the period of the Medium-Term Management Plan as “three years to set the pace.”

We then set our priority goal: shifting to a profit structure resilient to changes in the business environment. Over the three-year period we will change our business portfolio to more flexibly respond to economic fluctuations. As specific initiatives, we will increase our sales ratio of high-performance, high-added-value products while reducing that of businesses that are highly volatile under external change. At the same time, we will relentlessly introduce new and next-generation businesses to improve the “metabolism” of our portfolio. We will also review our management methods to focus more on selected businesses, specifically to reidentify and redefine “strong” and “distinctive” businesses, with capital efficiency in mind. The Medium-Term Management Plan puts our strategy into practice according to four stages for each type of business. First, we work on differentiating businesses, which are those for which we can apply unique competitive advantages, followed by new and next-generation businesses, where we can project growth tracking with social progress and market expansion. After that come foundation businesses, which generate certain levels of earnings despite modest market growth potential, or finally

unprofitable businesses and those needing rebuilding, as such businesses possess neither distinct competitive advantages nor market growth potential.

With this new business portfolio as a precondition, we already began implementing large-scale organizational reforms in April 2020, include abolishing the internal-company system and unifying several research divisions for synergistic effect. In the Basic Chemicals Business we made additional organizational reforms in April 2021 and established a system that allows us to respond to the needs of our customers and markets more rapidly and accurately. In the process of the portfolio shift, which enters the full-implementation stage this fiscal year, we will promptly invest funds and human resources in businesses representing primary targets, while taking overall optimization into consideration.

Another priority goal is to balance social and economic value. Always keeping in mind the purpose of the MGC Group, we will work to establish a good balance between these two kinds of value and contribute to a more sustainable society. In the area of environmental protection, in particular, chemical manufacturers have often been seen in a negative light. To the contrary, we believe that as a chemical manufacturer we are all the more suited to be a reformer bringing about positive effects on our environment. Commercial application of the technologies that allow chemical production from carbon dioxide, for instance, may be a mission chemical manufacturers should take on. MGC Group is already promoting research to produce materials like methanol and polycarbonate resins from carbon dioxide. In the industrial vegetable production

business, we maximize our knowledge and experience with chemistry in building a CO₂-use model as an extension of experiments with artificial photosynthesis. We are also making groupwide efforts to enhance materiality management. We will build a system that allows us to meet social needs, for instance for carbon neutrality by 2050. It goes without saying that human resources are the most important key to our success in achieving all these goals. I believe that when the high-caliber employees working within our Group companies take action based on the shared mission and vision defined by our new corporate philosophy, the MGC Way, they will achieve the right

balance between social and economic value.

Under the Medium-Term Management Plan, we intend to invest a total of ¥240 billion over the three-year period, placing importance on initiatives to strengthen differentiating businesses and nurture new and next-generation businesses. While balancing our internal reserves and shareholder returns, we hope to raise our caliber as a chemical maker incrementally, making and implementing capital policy that benefits all our stakeholders.

 Please refer to our New Medium-Term Management Plan on page 21 for more details.

Shareholder Return Policy

- Our top management priority is maximizing our corporate value
- While taking into account operating performance and other factors, we aim to maintain a stable level of dividend distribution
- With the level of internal reserves and shareholder returns in mind, we will continue to flexibly buy back our own shares for higher capital efficiency and better shareholder return
- Starting with the new Medium-Term Management Plan we are defining our shareholder return policy more clearly, aiming for a total payout ratio*² of 40% as the medium-term target

*² Total payout ratio against net income attributable to owners of parent, including purchases of treasury stock

 Please refer to "Performance Highlights" on page 15 for the trend in shareholder returns.

Future Prospects

To be a strong corporate group capable of responding to social change, we aim to be "Green-MGC," creating unique value and helping reduce environmental impact.

As a corporate group we have been involved in many businesses that can help address social issues since before the United Nations adopted its Sustainable Development Goals. I recognize that, with the aforementioned technology to employ CO₂ as a resource, for example, we have the potential to be one of the major players leading the global decarbonization trend.

The organizations in our Group are working to establish competitive advantages while reducing environmental impact, applying digital technologies to automate work processes and raise efficiency. We have identified a series of initiatives taken by production and back-office divisions working together as what we call "Smart-MGC." "Smart" here also means "strong," and with this name we express our determination to build a strong corporation that can reliably respond to social change. By optimizing our supply chains for sales, production and distribution, we hope to realize our vision of Green-MGC, which will achieve carbon

neutrality sooner than planned and eventually be able to create value with the lowest possible environmental impact.

Finally, to commemorate our 50th anniversary we are going to build the MGC Commons innovation center in Tokyo, scheduled for completion by the end of 2022. Through this facility we will promote the exchange of information and people among Group companies, universities and companies in other industries to create cross-value innovation. Looking into the next 50 years, we will strive to realize the mission and vision of the Group and secure our path for sustainable growth as a unique chemical manufacturer.



Image of the future MGC Commons

Management Strategy

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Performance Highlights

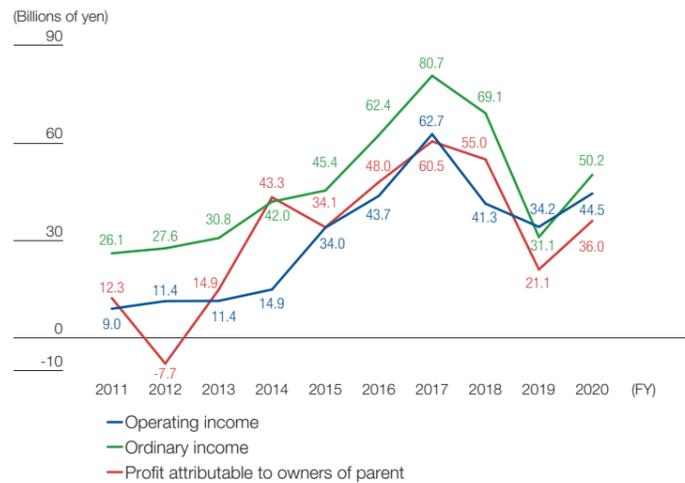
Net Sales, Overseas Net Sales Ratio



Factor Analysis

- **Net sales:** In fiscal 2020, a decrease in sales volume of general-purpose aromatic chemicals and foamed plastic, among other factors, led to a decline in net sales.
- **Overseas net sales ratio:** Global expansion progressed, with sites in Asia, as well as in the Middle East, Europe and the U.S.

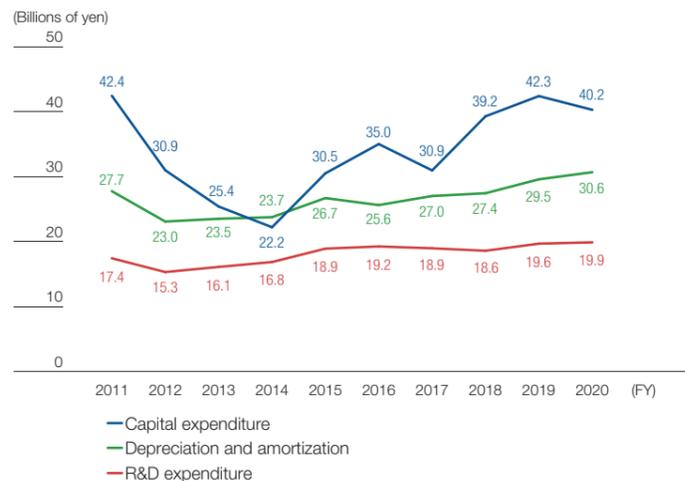
Operating Income, Ordinary Income, Profit Attributable to Owners of Parent



Factor Analysis

- **Operating income:** While fixed costs such as repair expenses increased in fiscal 2020, income rose due to an increase in sales of semiconductor products and optical polymers, lower raw material and fuel prices, and other factors.
- **Ordinary income:** In addition to an increase in operating income in fiscal 2020, ordinary income rose on an improvement in equity in earnings of affiliates related to overseas methanol companies due to the elimination of one-time costs (¥7.8 billion) in a joint venture in Saudi Arabia recorded in the previous fiscal year.
- **Profit attributable to owners of parent:** Despite such factors as an increase in impairment losses and a decline in gain on sale of investment securities, profit attributable to owners of parent rose in fiscal 2020 on an increase in ordinary income and other factors.

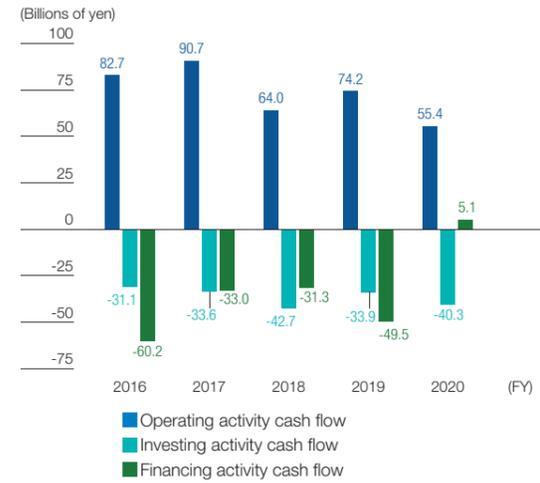
Capital Expenditure, Depreciation and Amortization, R&D Expenditure



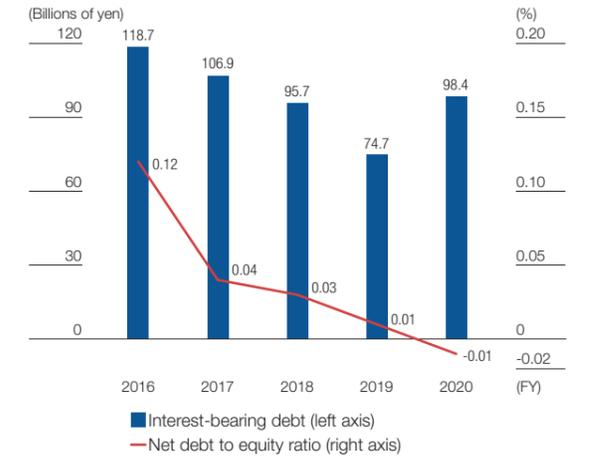
Factor Analysis

- **Capital expenditure:** In fiscal 2020, capital expenditures focused primarily on hydrogen peroxide-related investments in Taiwan and China, and on boosting production capacity for existing products as well as maintaining and upgrading equipment. By segment, ¥19.4 billion in Basic Chemicals, ¥18.6 billion in Specialty Chemicals.
- **R&D expenditure:** Active R&D investments pursued to strengthen profitability of existing businesses and generate new ones.

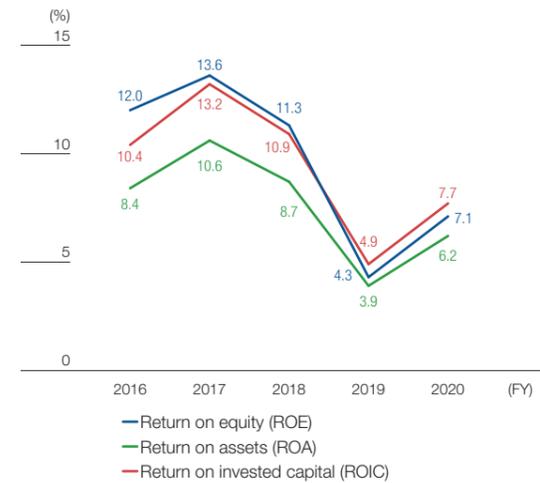
Cash Flows



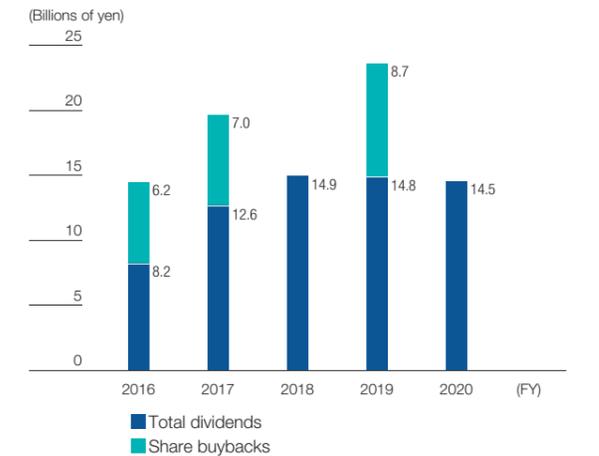
Interest-bearing Debt, Net Debt to Equity Ratio



ROE, ROA, ROIC



Total Dividends, Share Buybacks



Performance Analysis by Segment (fiscal 2020)

Specialty Chemicals	
Net sales:	¥267.8 billion
Operating income:	¥34.8 billion

- In inorganic chemicals, earnings increased compared with the previous fiscal year due mainly to increased sales volume in chemicals for use in semiconductor manufacturing.
- In engineering plastics, despite declining demand in the automotive and other fields in the first half, demand recovered in the second half and income was on par with the previous fiscal year.
- In optical materials, a stagnation in sales volume was seen in the fourth quarter due to the impact of semiconductor shortages and customer inventory adjustments, but net sales and earnings rose on growth in demand for smartphones equipped with multiple camera lenses, and on a boost in production capacity in October 2019, which also contributed to increased sales volume.
- Electronic materials saw net sales and earnings increase on growing demand for products used in data centers and other ICT-related fields, and with the introduction of a new product for use in antenna-in-package substrates to be installed in 5G-compatible smartphones.
- Despite a decline in demand for offerings used in souvenirs and other tourism-related products, exports of oxygen absorbers were strong, and earnings exceeded the previous fiscal year.

Basic Chemicals	
Net sales:	¥322.8 billion
Operating income:	¥9.6 billion

- The methanol business saw an improvement in earnings thanks mainly to an upturn in market prices in the second half.
- Profits declined in methanol and ammonia chemical products on soaring raw material prices and an increase in repair expenditures.
- In specialty aromatic chemicals, income was on par with the previous fiscal year as sales of aromatic aldehydes remained strong and sales volume in meta-xylenediamine (MXDA), demand for which had declined in the first half, recovered significantly in the second half.
- Sales and profits declined in general-purpose aromatic chemicals despite lower raw fuel prices, due in part to sluggish sales volumes in meta-xylene and purified isophthalic acid (PIA) and a decline in sales prices.
- In the foamed plastic business, earnings were virtually unchanged from the previous fiscal year, as the automotive industry recovered in the second half after the drop in demand seen in the first half, and as demand also increased in food packaging and civil engineering.

Specialty Chemicals

Inorganic Chemicals
Primarily focused on cleaning agents for electronics industry

Global market share
#1 Super-pure hydrogen peroxide

Global production capability ensures a stable supply of high-quality products to meet the needs of the most technologically advanced customers
Primary applications: cleaning agents for electronics industry, etching agents, resist stripping agents

Engineering Plastics
Develops engineering plastics

Supply capacity*1
#3 Polycarbonate resin (PC)

Also developing high-value-added products that are lightweight, highly transparent and high-strength
Primary applications: interior and exterior materials (automotive), electronic components, office automation equipment

*1 As the Mitsubishi Group

Optical Materials
Based on solutions for controlling light

Refractive index*2
#1 Optical polymer

Features that balance high refractive index with low birefringence contribute to enhanced camera functionality
Primary applications: smartphone and other compact camera lens materials

*2 As compact camera lens materials

Electronic Materials
Top manufacturer of IC plastic package substrate materials

Global market share
#1 BT products

Proprietary material meeting the need for more compact, extremely thin IC plastic packaging
Primary applications: IC plastic package substrates

Oxygen Absorbers
Wide range of solutions in daily food, electronic component and pharmaceutical markets

Global market share
#1 AGELESS™

Maintain extensive customer base as pioneer of food freshness agents
Primary applications: food products (confectionary, processed meat products, etc.)

Basic Chemicals

Energy Resources and Environment
Applies domestic natural gas exploration and development technology, and develops other energy businesses

Chemicals company
Only 1 Geothermal power generation Since 1981, 40 years of experience and results

*3 Only the Niigata Plant's methanol pilot is currently operational *4 Joint venture

Methanol, Basic Chemicals I, Life Science
First in Japan to produce methanol using natural gas as raw material

Production capacity*5
#2 Methanol

World's only comprehensive manufacturer with proprietary catalyst technology and a complete methanol value chain for derivatives, from manufacture to sales
Primary applications: raw material for formalin, acetic acid, etc., intermediate materials

*5 Total for all affiliates using MGC technology

High-Performance Products, Basic Chemicals II
Manufacture of products and derivatives using proprietary technology

Global market share
#1 Meta-xylenediamine (MXDA) Superior rapid curing and chemical resistance
Primary applications: epoxy resin curing agent, MX-Nylon (MXD6)

Global market share
#1 MX-Nylon (MXD6) Superior gas barrier properties, also contributes to reducing weight of PET bottles
Primary applications: food product packaging, PET bottles, engineering plastics

Global market share
#1 Aromatic aldehydes Proprietary production methods that are efficient and have low environmental impact
Primary applications: fragrances, resin additives

JSP
Global market share*6
#1 Foamed plastic

Superior weight saving, flexibility and durability
Primary applications: automotive components, precision equipment packaging

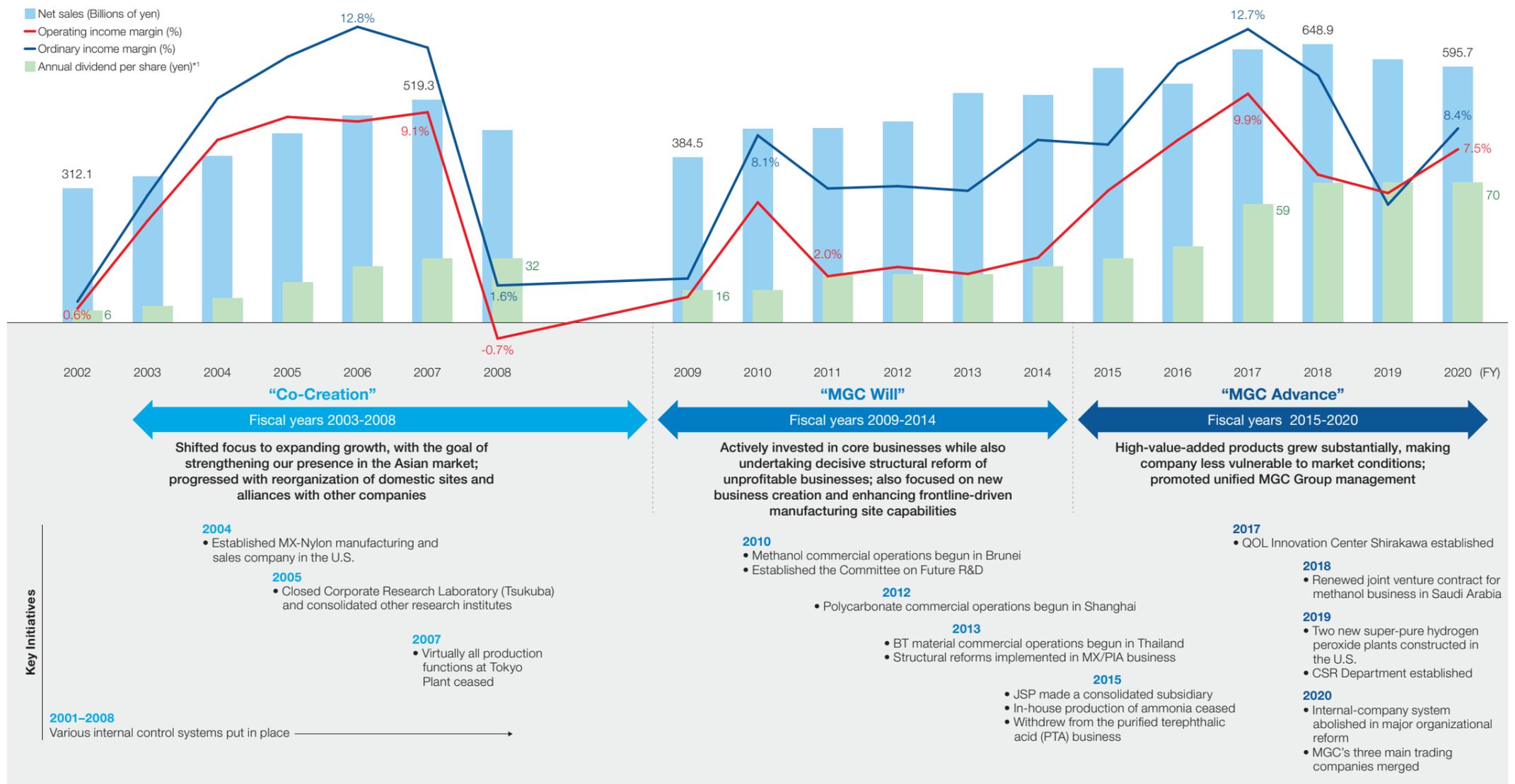
*6 For automotive use

Evolution of Management Strategy

Past Medium-Term Management Plans and Operating Performance

In its medium-term management plans, MGC has set forth themes such as “globalization” and “business development based on proprietary technology,” and over the past 18 years, sales have largely remained on a growth track. Operating income fell significantly with the global financial crisis that occurred in fiscal 2008, but has subsequently recovered. In the near term, products less vulnerable to market conditions have seen steady growth even in the midst of the COVID-19 pandemic, ensuring a certain level of income. That said, volatility remains high, and issues include reducing dependence on the external environment, such as market conditions; accelerating expansion of high value-added products; and developing new businesses.

In the new Medium-Term Management Plan starting in fiscal 2021, we are working to resolve these issues by firmly pushing ahead with business portfolio reforms in an effort to achieve sustained growth.



*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, annual dividend amounts per share above are calculated assuming that the reverse stock split had been conducted at the beginning of FY2002.

Review of MGC Advance 2020 (Fiscal years 2018-2020), the Previous Medium-Term Management Plan

The MGC Group fell short of the management indicators set as targets for the final year of MGC Advance 2020, the previous Medium-Term Management plan.

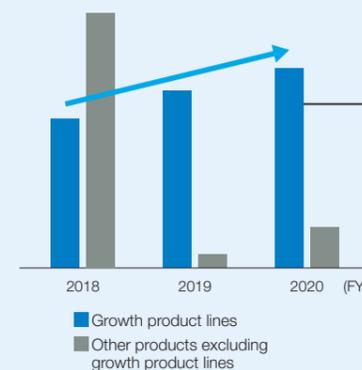
This was the result of external factors, such as oversupply due to the rise of emerging countries and a downturn in commodity product markets associated with US/China trade friction, as well as a decline in demand for some products due to the impact of the COVID-19 pandemic. Internal factors, including the maturation of existing business structures and delays in creating and developing new businesses, also played a role.

Meanwhile in core and semi-core businesses, there was steady growth in products unaffected by market conditions, which have maintained their competitive advantage and led to solving social issues, while markets have also continued to grow.

Consolidated Performance	Fiscal 2018 Results	Fiscal 2019 Results	Fiscal 2020 Results	Fiscal 2020 Targets
Net sales (billions of yen)	648.9	613.3	595.7	750.0
Operating income (billions of yen)	41.3	34.2	44.5	65.0
Ordinary income (billions of yen)	69.1	31.1	50.2	80.0*2
ROE (Return on equity)	11.3%	4.3%	7.1%	12% or higher

*2 Initial target was ¥90 billion. Revised to ¥80 billion due to change in framework for methanol joint venture on May 13, 2019

Change in Ordinary Income in Growth Product Lines and Other Products



Key Initiatives

- Expansion of optical polymers manufacturing plant
- Expansion of super-pure hydrogen peroxide manufacturing plants in North America and South Korea
- Pursuit of leading-edge technology development, including next-generation low-loss BT materials and others
- Capturing of new markets through development of aromatic aldehyde applications

Typical Growth Products

- Meta-xylenediamine (MXDA)
- Aromatic aldehydes
- MX-Nylon
- Electronic chemicals
- Polyacetal
- Optical polymers
- IC plastic packaging BT materials

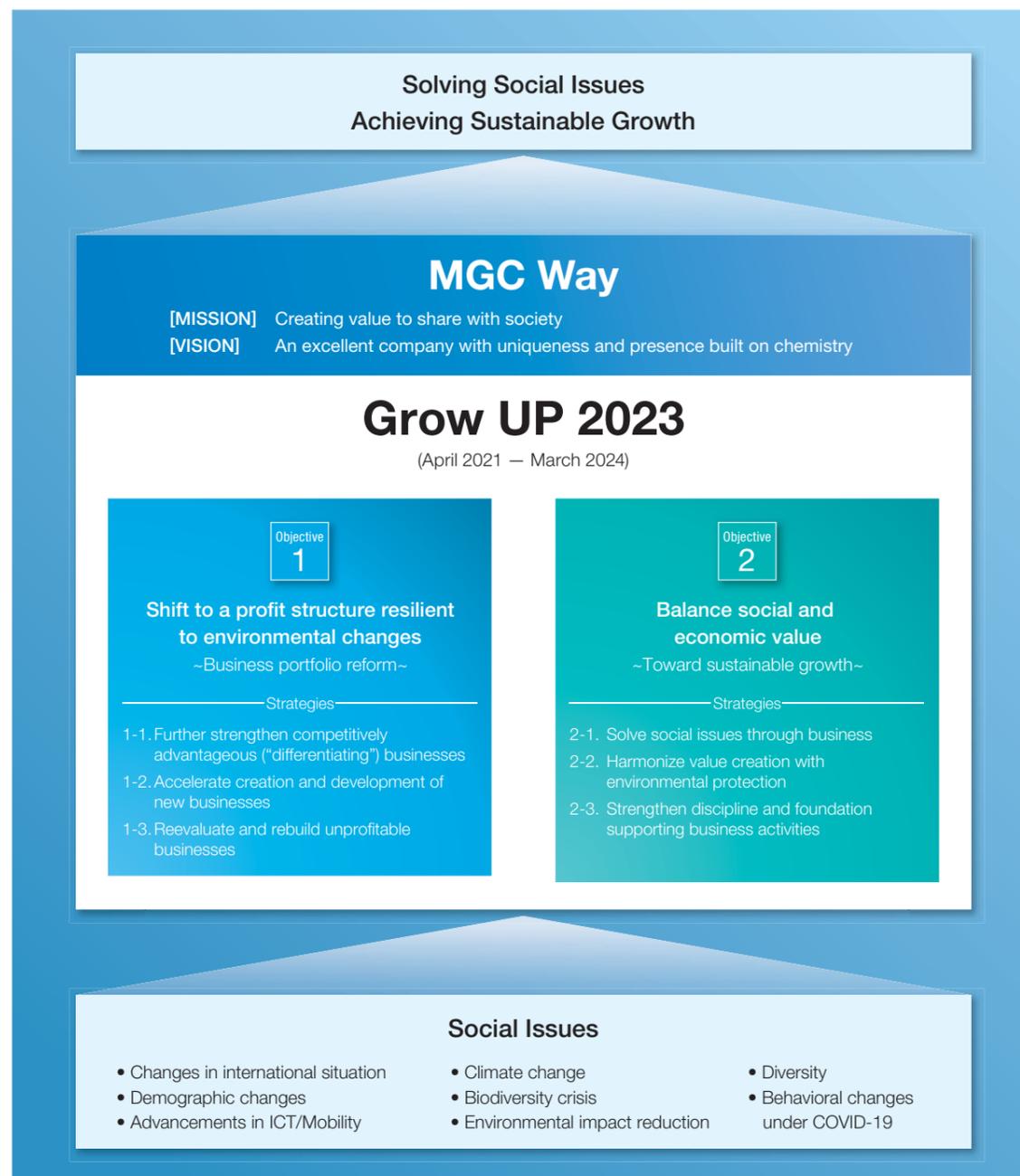
New Medium-Term Management Plan

Overview of the New Medium-Term Management Plan

For MGC to achieve sustained growth, it is essential that we create a structure capable of responding to rapid changes in the business environment and rising uncertainty, while further strengthening our competitiveness. In the new Medium-Term Management Plan beginning in fiscal 2021, we have established two management objectives and a number of strategies based on the backcasting approach, with a long-term vision for the future. The future is not merely an extension of the status quo, and will require rapid, organization-wide adaptation to a "new normal" as well as advanced technology based on achieving

discontinuous evolution. Over the next three years, we will accomplish a shift to a profit structure resilient to changes in the business environment.

Note that the name "Grow UP 2023" not only incorporates the immutable concept of growth for both the MGC Group and its employees, but the added meanings of "Uniqueness" and "Presence," from where we derive "UP." Our goal is to become an excellent corporate group as we nurture our uniqueness and presence within the chemical industry.



Why We Established a New Corporate Philosophy

Uncertainty in society is rising rapidly as a series of global-scale issues come to the fore. We believed that in times such as these, the MGC Group must take a longer-term view in envisioning the future of our business, redefining for ourselves the reason for our existence. In the process of envisioning the future around the year 2050 as a frame of reference for formulating strategy, we reexamined our existing corporate philosophy from a global perspective, and created a new one defining our purpose and our vision for the future which we call the "MGC Way." At the highest level, "Creating value to share with society" represents our

social mission and our reason for being. As we work to fulfill this mission, we defined the vision we wish to achieve in the near future, namely "An excellent company with uniqueness and presence built on chemistry." As we put our Principles of Conduct (values) into practice in our day-to-day work, our goal is to develop business around social issues in areas where we can demonstrate our uniqueness and strength in order to solve those issues and thus be recognized by, and become the favored choice for, society for our uniqueness.

Numerical Targets

We will attempt to reach record-high levels of operating income in fiscal 2023, the final year of the new Medium-Term Management Plan. By the mid-2020s, our goal is to go on to set a new record high for operating income margin as well. We also have in sight achieving sales of

¥1 trillion or higher and operating income of ¥100 billion (operating income margin of 10%) or higher in 10 years, i.e. by fiscal 2030. To promote management with an awareness of capital efficiency, we have also introduced return on invested capital (ROIC) as a new KPI.

Consolidated Performance	Fiscal 2020 Results	Fiscal 2023 Targets	Medium to Long-term Objectives Fiscal 2030	
Net sales (billions of yen)	595.7	730.0		Net sales: ¥1 trillion
Operating income (billions of yen)	44.5	70.0		Operating income: ¥100 billion or higher
Ordinary income (billions of yen)	50.2	80.0		
Return on invested capital (ROIC ^{*1})	7.7%	10% or higher		
Return on earnings (ROE ^{*2})	7.1%	9% or higher		

(Assumptions) Exchange rate: 105 JPY/USD; Crude oil price (Dubai): 60 USD/BBL
*1 ROIC = Ordinary income/invested capital
*2 ROE = Net income/equity

Financial, Capital and Shareholder Return Policies

Based on the belief that improving corporate value benefits all stakeholders, the MGC Group seeks to maintain an optimal balance between shareholder returns and internal reserves from a comprehensive perspective encompassing investment plans, financial soundness, and the outlook for future business performance.

Total capital expenditures and investments are expected to reach ¥240 billion under the new Medium-Term Management Plan, in excess of planned three-year

cumulative operating cash flow. We will make strategic investments that lead to growth while actively utilizing external funds.

Our basic policy regarding dividends is to continue to provide stable returns while flexibly purchasing treasury stock, with a total payout ratio^{*3} of 40% as a target for medium-term shareholder returns.

*3 Total payout ratio against net income attributable to owners of parent, including purchases of treasury stock



Objective
1

Shift to a Profit Structure Resilient to Environmental Changes

~Business Portfolio Reform~

1-1. Further strengthen competitively advantageous (“differentiating”) businesses

- Prioritize allocation of management resources to high-value-added products defined as differentiating businesses
- Shift foundation businesses to differentiating businesses by making them high-added-value and high-efficiency

1-2. Accelerate creation and development of new businesses

- Revise R&D organization and put in place an environment that encourages market expansion
- Proactive R&D investment, increase in research personnel

1-3. Reevaluate and rebuild unprofitable businesses

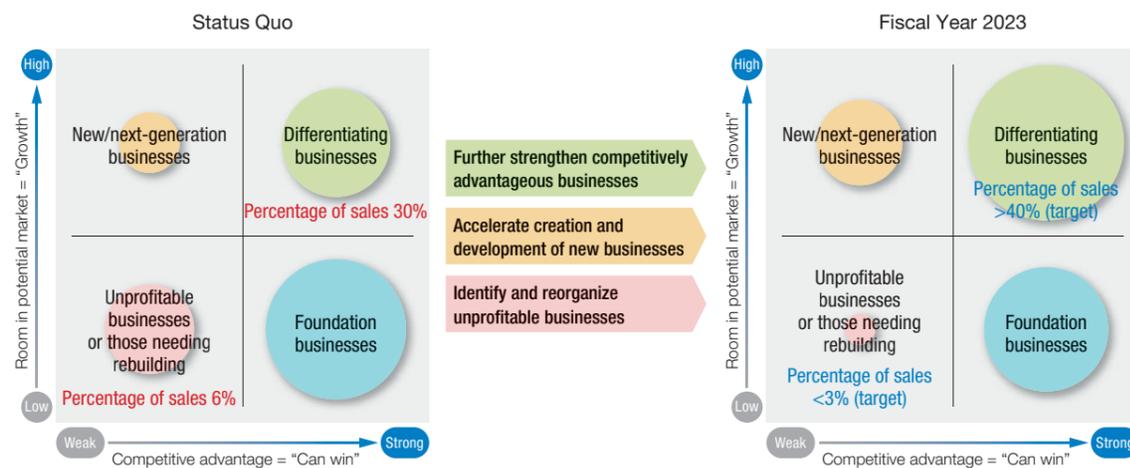
- Improve business profitability by identifying and reorganizing unprofitable businesses

One objective set out in Grow UP 2023, our new Medium-Term Management Plan, is to shift to a profit structure resilient to changes in the business environment. In advancing that objective, we first classified the MGC Group’s businesses based on growth potential, contribution to profit and capital efficiency. Those with particularly high competitiveness and growth potential are defined as “differentiating businesses.” Products in these businesses include MXDA, MX Nylon, Aromatic aldehydes, Polyacetal and other chemical products and materials. Further, functional products such as electronic chemicals, BT materials, optical polymers and ultra-high refractive lens monomers are also included in this differentiating businesses category. We will focus on investing management resources on developing markets and boosting production capacity for these products, strengthening profitability.

In addition to the above strategies, we will accelerate business portfolio reform by focusing on creating and developing new businesses. Specifically, we will promote investment in research and development and increase research personnel; reorganize based on market needs; and promote a more advanced, efficient research process utilizing the latest AI and MI⁴, leading to the ongoing introduction of new products. In addition, we will begin working on identifying and reorganizing unprofitable businesses while shifting to a profit structure resilient to changes in the environment. Note that in terms of quantitative targets, we aim to grow net sales from differentiating businesses to more than 40% of overall sales in fiscal 2023, while reducing net sales from unprofitable businesses and those needing rebuilding to less than 3%.

⁴ Materials informatics: a method for efficiently exploring new and alternative materials utilizing information processing technology, including machine learning and deep learning

Business Portfolio Structure (Image)

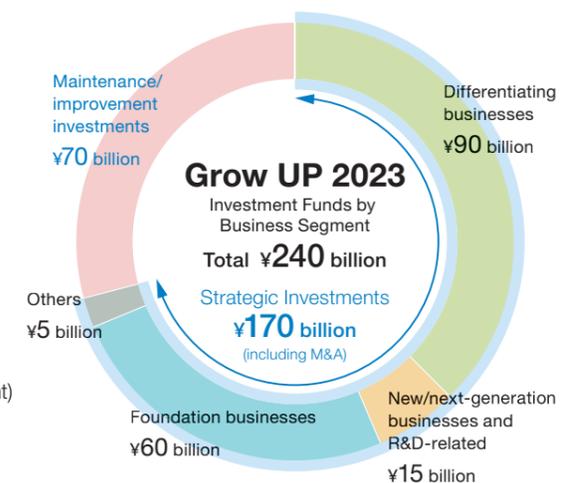


Classification of Product Lines under New Medium-Term Management Plan

Differentiating businesses	MXDA, aromatic aldehydes, MX-Nylon, electronic chemicals, polyacetal, optical polymers, ultra-high refractive lens monomer, IC plastic packaging BT material, and others
New/next-generation businesses (including products in development stage)	Medical/Food: OXYCAPT™, bio-products, contract manufacturing of antibody drugs, factory-produced vegetables, and others ICT/Mobility: Solid electrolytes, cellulose fiber composite materials, Neopulim transparent polyimide resin, semiconductor-related materials, and others Environment/Energy: CO ₂ -derived methanol, CO ₂ -derived polycarbonate, methanol fuel cells, and others
Foundation businesses	Methanol, ammonia and amines, MMA products, energy resources and environmental businesses (geothermal and other types of power generation, water-soluble natural gas, iodine), foamed plastic (JSP), hydrogen peroxide, polycarbonate/sheet film, oxygen absorbers, and others
Unprofitable businesses or those needing rebuilding	Formalin and polyol products, and xylene separators and derivatives

Investment Plan

Planned investments going forward total ¥240 billion over three years, with a particular focus on strengthening differentiating businesses and developing new/next-generation businesses. Active investments will also be made in R&D, ESG and DX-related strategies, leading to business portfolio reform.

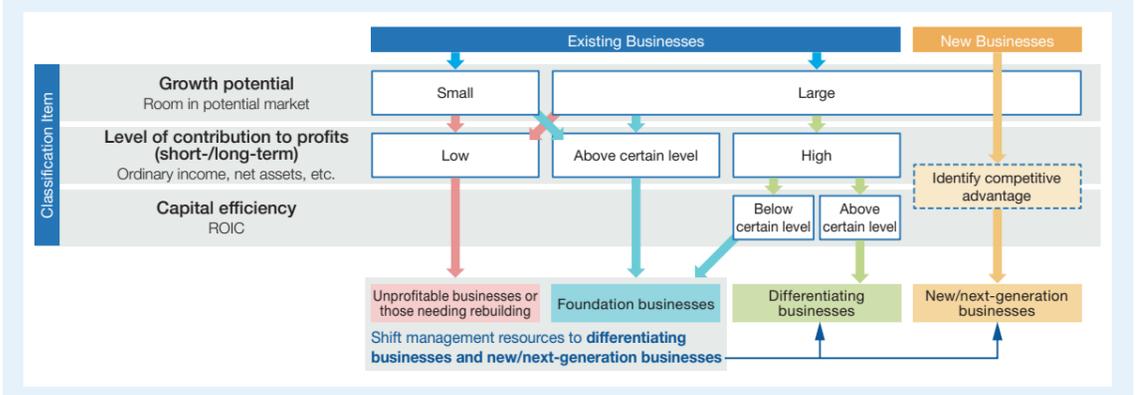


Key Investment Projects

- Aromatic aldehydes: boosting production capacity (Mizushima Plant)
- Electronic chemicals: new raw material hydrogen peroxide plant (Taiwan) and new super-pure hydrogen peroxide plant (China)
- Optical polymers: boosting production capacity (Kashima Plant) and new raw material monomer plant (Niigata Plant)
- IC plastic packaging BT materials: boosting production capacity (Thailand Plant), etc.

Classification Criteria for Business Portfolio Reform

To build a profit structure resilient to changes in the business environment, the MGC Group is reviewing the positioning and classification of all of its businesses. Each business has been classified in one of four newly-established categories: differentiating businesses; new/next-generation businesses; foundation businesses; and unprofitable businesses or those needing rebuilding. Classification is made after setting qualitative and quantitative criteria from the perspective of growth potential, level of contribution to profit, and capital efficiency. Under the new Medium-Term Management Plan, management resources will be shifted to differentiating businesses, which have both competitive advantages and the potential for growth, and new/next-generation businesses, which can be expected to grow as markets expand going forward, and which can lead to solving social issues.



Accelerating New Product Development and Cultivation

Accelerating the creation and development of new businesses is an action plan essential to carrying out business portfolio reform. That effort will be based on an emergent organization where the seeds of new business can easily grow, driven by interactions between research personnel with a wealth of knowledge and ideas. Since April 2021, MGC has worked to optimize its research promotion system through revisions to its R&D organization, and to achieve a more strategic IP landscape with the establishment of a new Intellectual Infrastructure Center.

We are also actively moving forward with R&D investments, which in the three years of the new Medium-

Term Management Plan are expected to total about ¥73 billion, a level representing a 20% increase from the previous medium-term plan. At the same time, we plan to increase research personnel to over 600* in fiscal 2023. These strategies and this allocation of management resources will enhance organizational empowerment, allowing for the ongoing introduction of new products to growth markets. Note that our quantitative target is to aim for sales of new products within five years of market launch to exceed 20% versus fiscal 2020.

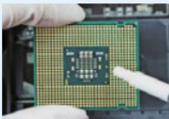
* On MGC stand-alone basis

New Product Development Topics

Solve medical and food problems

Products in Development	Status of Progress	Policies Going Forward
 Allergy Test Chips	Developing allergy test chip that can predict severity of pediatric milk allergy	Efforts continue with validation by various organizations and preparation for future construction of mass-production system
 Antibacterial Non-Woven Fabric	Developed antibacterial non-woven fabric coated with special antibacterial ingredient	Advancing market development in sectors including hygiene and disaster preparedness as well as food packaging by leveraging persistent antibacterial effect and durability of non-woven fabric
 Antibody Drug Contract Manufacturing Business	Manufacturing equipment deployed at Cultivex Inc. in preparation for contract manufacturing of antibody drugs Succeeded in mass cultivation of biosimilar producing cells for Denosumab, antibody drug	Continue to secure commercial projects in order to expand contracting manufacturing of antibody drugs
 OXYCAPT™	In 2019, began production of OXYCAPT™, plastic syringes and vials for use as alternative to glass containers for parenteral pharmaceuticals	Working to further expand product line-up and advance market development

Contribute to Development of ICT/Mobility Society

Products in Development	Status of Progress	Policies Going Forward
 Solid Electrolytes	Development continues as samples are provided to customers for review and through collaboration with public research institutions	Research system expanding in anticipation of future market launch
 Carbon Fiber Composite Material	Developing carbon fiber composite materials that can contribute to metal substitutes and weight savings, utilizing seeds of research from Group companies as well	Moving forward with market development through joint research with universities and through customer sample reviews
 Cellulose Fiber Composite Material	Began development of manufacturing process for high-strength cellulose fibers and fiber-reinforced resin	Introducing prototyping equipment for fiber and resin development, and moving forward with customer sample reviews and market development
 New BT Materials	Capturing 5G smartphone needs through sheet products that contribute to lower dielectric constants and thinner film	Proposing sheet products without glass fiber cloth, with improved electrical properties

Objective
2

Balance Social and Economic Value

~Toward Sustainable Growth~

2-1. Solve social issues through business

- Contribute to development of ICT/mobility society
- Solve energy and climate change problems
- Solve medical and food problems

2-2. Harmonize value creation with environmental protection

- Air quality control, water conservation and biodiversity conservation
- Reduction of industrial waste

2-3. Strengthen discipline and foundation supporting business activities

- Cultivating a corporate culture of job satisfaction
- Occupational safety and health, process safety and disaster prevention
- Highly energy- and resource-efficient production
- Promotion of innovative R&D

 Please refer to "MGC's Roadmap for Achieving Carbon Neutrality by 2050" on page 46 for details on environmental targets.

The MGC Group has positioned improving corporate value as an important management issue, and we believe that improving corporate value will benefit shareholders and all stakeholders. At the same time, we also believe that corporate value can be improved through efforts that address issues of the natural environment and society, including our response to climate change problems and the cultivation of a corporate culture of job satisfaction. Thus, the MGC Group set balancing social and economic value as the second objective under the new Medium-

Term Management Plan. This objective also aligns with our Group mission of "Creating value to share with society."

To make this a more concrete, effective objective, we will promote materiality management centered on three strategies, achieving long-term growth for the MGC Group while at the same time contributing to the formation of a sustainable society. In solving social issues through business, we are particularly focused on developing technologies and methods for solving issues that are uniquely within our capabilities as a chemical manufacturer.

Establishing KPIs for Materiality

The MGC Group identified priority issues (materiality) to be addressed by management in fiscal 2020. In May 2021, we went on to set KPIs for fiscal 2030 targets and fiscal 2023 targets for achieving those goals, as we worked to ensure steady progress in materiality management in line with the formulation of the new Medium-Term Management Plan. Specifically, KPIs have been defined for reducing greenhouse gas (GHG) emissions for air quality control, and for the amount of investments and R&D expenditures, etc. aimed at solving energy and climate change problems.

In narrowing down our KPI candidates, we referred to the six types of capital recognized by the International Integrated Reporting Council (IIRC) to ensure that we keep in mind medium- to long-term value creation.

To meet these KPIs, we will explore the best possible approaches to each issue, including creating innovation through development of new technologies, correcting the trajectory of existing businesses, and building partnerships, while also implementing effective materiality management.

IIRC Six Categories of Capital	KPI	Target Capital Image
 Financial Capital	<ul style="list-style-type: none"> • Sales from ICT and mobility applications • Investment in solving energy and environmental problems • Sales from medical and food applications 	Improve corporate value by creating businesses that balance social and economic value
 Manufactured Capital	<ul style="list-style-type: none"> • GHG emissions intensity compared to FY2013 	Production via highly-efficient equipment that harmonizes with environmental protection
 Intellectual Capital	<ul style="list-style-type: none"> • R&D investments devoted to solving climate change problems 	Fusion of diverse knowledge and technology that generates cross-value innovations
 Human Capital	<ul style="list-style-type: none"> • Percentage taking fewer than 10 days of annual paid leave 	Nurturing a culture of collaboration among diverse values that generates innovation, and developing human resources
 Social and Relationship Capital	<ul style="list-style-type: none"> • Serious occupational injuries • Serious accidents 	Achieve a safe, harmonious society by achieving zero accidents and zero occupational injuries
 Natural Capital	<ul style="list-style-type: none"> • GHG emissions compared to FY2013 • Renewable energy as a percentage of electric power purchased • Zero waste emission rate 	Harmonization of creation of wide-ranging value through chemistry and environmental protection

Materiality KPI

Only materiality for which a KPI has been established is listed here. Please refer to "Materiality Risks and Opportunities" on page 41 for an overview of materiality.

Materiality		Key MGC Initiatives	KPIs			IIRC Capitals (International Integrated Reporting Council)	Relationship to SDGs (Targets)	
Category	Elements		KPIs	Fiscal 2020 Results	Fiscal 2023 Targets			Fiscal 2030 Targets
Creating Shared Value  CSV	Contribution through business operations <ul style="list-style-type: none"> Contribute to development of ICT/mobility society Solve energy and climate change problems Solve medical and food problems 	Pursuit of the potential of chemistry and advancing a balance between social and economic value, achieving even greater corporate value.	Sales from ICT and mobility applications	234.2 bil. JPY	320.0 bil. JPY	Create new businesses that accelerate digital innovation	 3.6  9.4	
			Investments aimed at solving energy and climate change problems	Investment: 8.6 bil. JPY (Consolidated: 2018-2020 cumulative) Investment: Acquisition; Financing: Approval basis	Investment: 12.0 bil. JPY (3-year cumulative) Investment: Acquisition; Financing: Approval basis	Commercialize carbon-negative technology	 9.4	
			Sales from medical and food applications	39.4 bil. JPY	50.0 bil. JPY	<ul style="list-style-type: none"> Advance preventative/predictive medicine; enhance healthy longevity Further advance food preservation technology 	 3.8  12.3	
Foundation for shared-value creation  S	Cultivating a corporate culture of job satisfaction Occupational safety and health / Process safety and disaster prevention Highly energy- and resource-efficient production Promotion of innovative R&D	Promoting work-life balance; offering generous child/family care systems, creating dynamic workplace environments Continuing to conduct occupational safety and health risk assessments, daily safety activities and safety education/training in the aim of zero occupational injuries Minimizing environmental impacts in sourcing resources; efficiently using resources (energy, raw materials, water, etc.) Developing/adopting new processes that maximally leverage core technologies cultivated over many years; founding and developing new businesses	Percentage taking fewer than 10 days of annual paid leave*1,2	7.8% (Fiscal 2018 results)	0%	0%	Human Capital Individuals' capabilities, experience and drive for innovation  8.5 8.8	
			Serious occupational accidents*1,3	0	0	0	Social and Relationship Capital Social license allowing an organization to engage in business  3.9	
			Serious accidents*1,4	1	0	0	Manufactured Capital Manufactured goods that can be used by the organization in the production of products or in service provision  7.3	
			GHG emissions intensity vs. Fiscal 2013*1	14.6% reduction	19.9% reduction	28.0% reduction	Intellectual Capital Organizational, knowledge-based intangible assets  9.5	
Harmonization of shared-value creation with environmental protection  E	Proactive response to environmental problems <ul style="list-style-type: none"> Air quality control Water and biodiversity conservation Reduction of industrial waste 	<ul style="list-style-type: none"> Formulating medium-term and annual Responsible Care(RC) plans and endeavoring to achieve their targets Reducing GHG emissions while supporting the Task Force on Climate-related Financial Disclosures 	GHG emissions vs. Fiscal 2013*1	23% reduction	28% reduction	36% reduction	Natural Capital All renewable and non-renewable environmental resources and processes that form the foundation of an organization's success	
			Renewable energy as a percentage of electric power purchased*1	0%	10%	50%		 13.2  7.2
			Zero waste emission rate*1,6	0.8%	0.3% or less	0.15% or less		 12.5

*1 On a non-consolidated basis

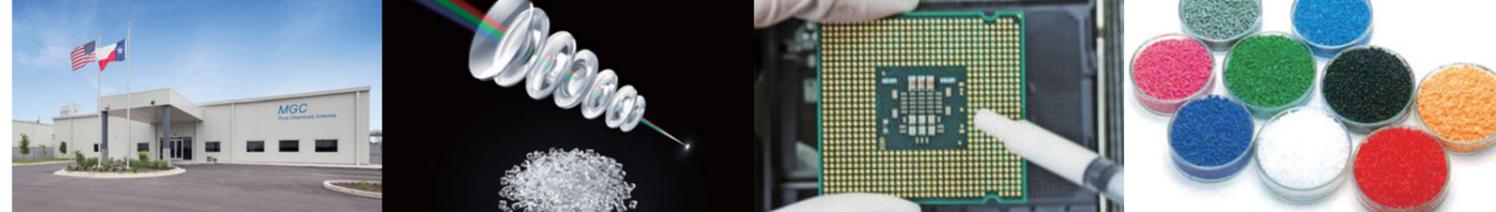
*2 For employees granted 20 days of annual leave

*3 Accidents resulting in lost work days eligible for disability compensation, including death and permanent disability, or potential disability, with four or more lost work days

*4 Accidents that threaten third parties, including those resulting in environmental pollution involving the community or that cause damage to local residents, and other accidents involving serious damage

*5 R&D investments including basic research, pilot plants, technical testing, etc.

*6 Amount of final disposal/total amount of waste generated



Explanation of Strategy by Executive Officer in Charge

Matching needs with seeds to create highly functional differentiated products

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

Yasushi Kosaka



Business Lines: inorganic chemicals, engineering plastics, optical materials, electronics materials, oxygen absorbers

Major Group Companies: Taixing Lingsu Specialty Materials Co., Ltd., SAMYOUNG PURE CHEMICALS CO., LTD., MGC PURE CHEMICALS AMERICA, INC., MGC PURE CHEMICALS SINGAPORE PTE. LTD., MGC PURE CHEMICALS TAIWAN, INC., MGC Filsheet Co., Ltd., THAI POLYACETAL CO., LTD., MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS (SHANGHAI) CO., LTD., Mitsubishi Engineering-Plastics Corporation, MGC Electrotechno Co., Ltd., MGC AGELESS Co., Ltd.

Number of Employees: 3,533



Obtaining information in a position close to the end user, leading to the development of advanced products

The Specialty Chemicals Business Sector handles many products close to end users, and operates a business directly connected to market needs. We take pride in the fact that we have contributed to people's lives while resolving customer issues through the development and sale of advanced products that follow changes in the market.

In order to provide products that resolve social issues and match the potential needs of users, it is necessary to secure a position where it is easy to obtain high-quality information related to changes in the market. The optimal means for achieving this is obtaining and maintaining the top market share. For example, thanks to holding the leading global share in BT materials and super-pure hydrogen peroxide, we are able to utilize the wealth of information obtained from there in development of new products, expanding the range of our offerings.

Furthermore, this business sector places emphasis on technical service. For example, optical components for smartphone camera lenses have become thinner in recent years, and the difficulty of forming materials has become increasingly difficult. To address this, MGC's planning and development personnel and researchers visit customers' production sites to provide thorough service after products have been delivered. Such activities not only ensure the trust of customers, but also provide numerous hints for the development of the next generation of products. Our strength is that we are able to create ideas from multifaceted perspectives as long as we are able to accurately determine the issues faced by customers. Seeing things with our own eyes is vital for remaining competitive.

The MGC Group gives members much discretion in respect for autonomous action and proposals, and

has established a culture that is tolerant of failure. We believe this culture is a vital element for fostering technical innovation not constrained by existing frameworks.

Increasing the ratio of differentiated products to become the one and only supplier

The centerpiece of the medium- to long-term strategy drawn up by the Specialty Chemicals Business Sector is to utilize the characteristics of the aforementioned business model to match the requirements of the market (needs) with our unique technology and resources (seeds) in order to create differentiated products with higher functionality. We aspire to become the industry's top supplier while increasing the ratio of differentiated products utilizing our unique technology and corporate culture by following the measures set forth in the new Medium-Term Management Plan. In addition, we aim to be a business sector boasting high profitability and growth, high ROIC, and the ability to generate stable cash flow. We also aim to be a "global company" in the true sense by accelerating overseas operations aimed at business expansion. We will establish a globally competitive foundation while further expanding our local production capacity and strengthening partnerships with local companies.

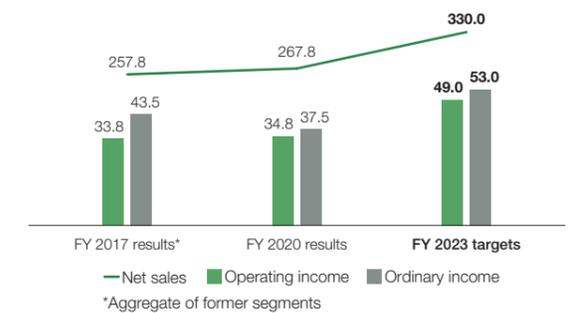
Looking ahead, the most important theme will be how to ensure the advanced products we work on can contribute to society while working to minimize the environmental impact of production activities. Over a year has passed since the organizational reform implemented in 2020, and we are proceeding to consciously exchange information across businesses. Having a broader perspective, including gaining deeper insight into other areas and working to resolve shared social issues, has great significance. We would like to demonstrate to the world our reason for existence as a chemical manufacturer while constantly verifying that our everyday activities lead to "creating value to share with society."

Medium-Term Management Plan

Overall Policy

- Increase ratio of high-added-value products, strengthen cost competitiveness
- Continue capital investments in growth markets

Numerical Targets (Billions of yen)



Key Points of Strategy

Further strengthen differentiating business

Electronic Chemicals

Strengthen global expansion in super-pure hydrogen peroxide

- Establishment of new sites: [China] Establish raw materials plant (scheduled to go on line in 2022), super-pure hydrogen peroxide plant (by fiscal 2023)
- Strengthening existing sites: [Taiwan] Establish raw materials plant (scheduled to go on line in 2023), [Japan] Increase production by eliminating bottlenecks (by fiscal 2023)

Optical Polymer

Ensure a solid response to strong demand

- Boost production capacity at Kashima Plant (commercial operation scheduled to start in July 2022)

Build a strong supply chain

- Ensure smooth launch of raw material monomer plant, a joint venture with Taoka Chemical Co., Ltd. (commercial operation scheduled for January 2023)

Promote recycling

- Reduce environmental impact by collecting and recycling residual materials generated by customers

BT Materials for IC Plastic Packaging

Capture new demand as 5G progresses

- Promote sales expansion strategies, such as by introducing new BT materials to the expanding Antenna in Package (AiP) market

Ensure solid response to strong demand

- Boost production capacity at Thailand Plant (commercial operation scheduled for April 2022)

New product and market development

- Joint development of IC substrate materials compatible with requirements of the semiconductor market, through joint venture with ITEQ of Taiwan

Polyacetal

Enhance market presence through business restructuring

- Make Korea Engineering Plastics Co., Ltd. (KEP) manufacturing company and establish new company in Korea to handle sales of KEP products

Develop new grades and expand sales

- Continuous improvement of low-VOC grade and expand product line-up to extend sales into mobility field

Bring higher added value and higher efficiency to foundation businesses

Polycarbonate, Sheet Film

- Build technology for efficient mass production of environmentally friendly polycarbonate using CO₂ as raw material
- Increase ratio of sales of high-added-value polycarbonate

Hydrogen Peroxide

- Relocation and start of commercial operation of hydrogen peroxide plant in China

- Further development of environmental chemicals such as peracetic acid and water treatment agents

Oxygen Absorbers

- Increase ratio of sales overseas and expand adoption in non-food fields
- Reduce environmental impact through more compact products and through adoption of environmentally compatible raw materials



Explanation of Strategy by Executive Officer in Charge

Focusing on specific areas of business through organizational reform, with the aim of building a more competitive position

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

Naruyuki Nagaoka



Business Lines: natural gas chemicals, xylene chemicals, energy resources and the environment, life science

Major Group Companies: JAPAN FINECHEM COMPANY, INC., JSP CORPORATION, JSP International Group LTD., MGC Terminal Company, Inc., TOHO EARTHTECH, INC., Japan Saudi Arabia Methanol Company, Inc., METANOL DE ORIENTE, METOR, S.A., BRUNEI METHANOL COMPANY SDN. BHD., Japan Trinidad Methanol Company, Inc.

Number of Employees: 5,016



Operating a wide-ranging business from methanol to specialty products

The Basic Chemicals Business Sector operates downstream starting with natural gas and mixed xylene.

In the natural gas chain, we manufacture products supporting the base of a wide range of industries, such as methanol, ammonia and their derivative organic chemicals. Securing raw materials at low cost and having production sites in proximity to markets are key sources of competitiveness. In particular, the methanol business has established a competitive position through active overseas expansion and a total business model encompassing the manufacturing process, catalyst technology and a global sales network. Furthermore, in Japan we operate diverse businesses, such as the life science business, which applies technology developed in research on microbial protein using methanol as a raw material, and the geothermal business, which leverages our experience in gas field development. Moreover, since its expansion into Saudi Arabia in 1980, MGC has expanded its production sites in countries with natural gas reserves, such as Venezuela and Brunei. In December 2020, methanol production commenced in Trinidad and Tobago, strengthening the global supply structure.

Meanwhile, in the mixed xylene chain, we are focusing on the provision of products as the only company able to industrially utilize the superacid HF-BF₃. In the specialty chemicals centered on meta-xylene derivatives, we have a lineup of differentiated products able to address a variety of issues in the industry. For example, meta-xylenediamine (MXDA) is used as heavy-duty anticorrosive paint on bridges, etc. exposed to harsh natural environments, contributing to prolonging the lifespan of social infrastructure.

The business sector's business model may tend to reinforce seeds-oriented ideas. We are strengthening our ties with Mitsubishi Gas Chemical Trading, Inc., which was formed through the merger of three trading companies in 2020, and working to build a structure that is fully aware of market needs.

Implementing organizational reform for the purpose of becoming more competitive and contributing to decarbonization

In April 2021, the business sector implemented organizational reform to develop characteristic products and increase the speed of structural reform. The High-performance Products Division was established to handle highly unique products such as MXDA and aromatic aldehydes, and active investment is being made into new applications and the expansion into new areas. We operate a unified business with Group companies, such as Japan U-PICA and FUDOW for the Neopulim™ transparent polyimide resin and high-performance thermoplastic and thermoset CFRP products that we have developed, in an effort to seek synergies and differentiation, as well as to increase development efficiency. Although not included in the category of "differentiation" positioned in the Medium-Term Management Plan at this time, we intend to continue investment into products that make a large contribution to profit to maintain and increase competitiveness.

This organizational reform positioned businesses such as the geothermal power business that have been handled by the Energy & Resources Division as "environmental businesses" aimed at becoming carbon neutral, and strengthens the system for promoting such initiatives. Furthermore, we will focus more on resolving social issues through utilizing the Group's strengths, such as the circular carbon methanol concept converting CO₂ and waste plastic into methanol, thereby recycling them for use as chemicals, fuel and power generation.

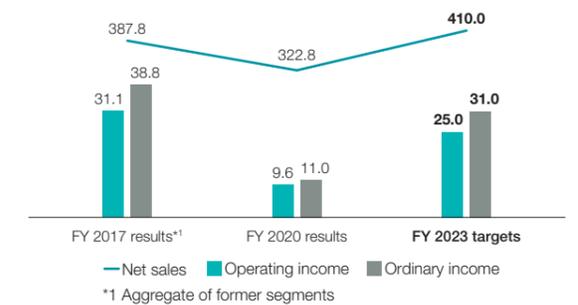
The series of measures linked to organizational reform are aimed at increasing the ratio of sales of high-value-added products by focusing on specific areas of the Basic Chemicals Business. We will conduct detailed monitoring of changes in management indicators conscious of capital efficiency such as ROIC, including structural reform such as withdrawing from businesses not expected to be profitable in future, and suspending development of advanced technology that is mismatched with the needs of the time. We will forge the path of "an excellent company with uniqueness and presence" while increasing the speed of executing measures.

Medium-Term Management Plan

Overall Policy

- Turn products and businesses that respond to societal demands into "Business"
- Reduce volatility through portfolio reforms and rebuilding of unprofitable businesses

Numerical Targets (Billions of yen)



Key Points of Strategy

Further strengthen differentiating business

MXDA

Advance expansion of sales strategy in anticipation of future new construction of production facility (Europe)

- Accelerate sales expansion in emerging markets: promote expansion of MXDA sales targeting in emerging countries in South America and elsewhere
- Development aimed at environmentally friendly products: focus on R&D and expanding sales in environmentally-friendly products including wind power generator blades, water-based paints, etc.

Aromatic Aldehydes

Respond to future increases in demand

- Demand for aromatic aldehydes is growing at an annual rate of 4-5%; respond to future increases in demand

Boost production capacity at Mizushima Plant

- Plan to boost production capacity in 2022 through debottlenecking; consider constructing new production facilities to respond to mid- to long-term increases in demand

MX-Nylon

Expand sales in priority regions

- Extend existing applications to priority regions, including Europe, the U.S., China, Southeast and South Asia, the Middle East and Central and South America

Efforts to reduce environmental impact

- Improve recyclability, develop materials derived from biomass, contribute weight saving through metal substitutes

Reevaluate and rebuild unprofitable businesses

Formalin and Polyol Products

- Build integrated production system extending from formalin to downstream (adhesives)
- Progress with business portfolio reforms to create base for stable earnings

Bring higher added value and higher efficiency to foundation businesses

Methanol

- Define methanol produced from diverse raw materials including CO₂ as a circular carbon product, and promote development of manufacturing technology
- Strengthen competitiveness in terms of logistics

Energy Resources and Environmental Businesses

- Achieve stable operation of low CO₂-emitting geothermal power plants and investigate new promising regions
- New development of water-soluble natural gas and iodine

Ammonia and Amines/MMA Products

- Work with overseas joint venture companies to cooperate in investigations on CCUS*2 aimed at use of CO₂-free ammonia, and consider preparing infrastructure in Japan to accommodate this
- Strengthen sales of MMA-based derivatives and expand offering of new derivatives

*2 Technology for capturing and storing emitted CO₂ and technology using the stored CO₂ in chemical raw materials, etc.

Foamed Plastic (JSP)

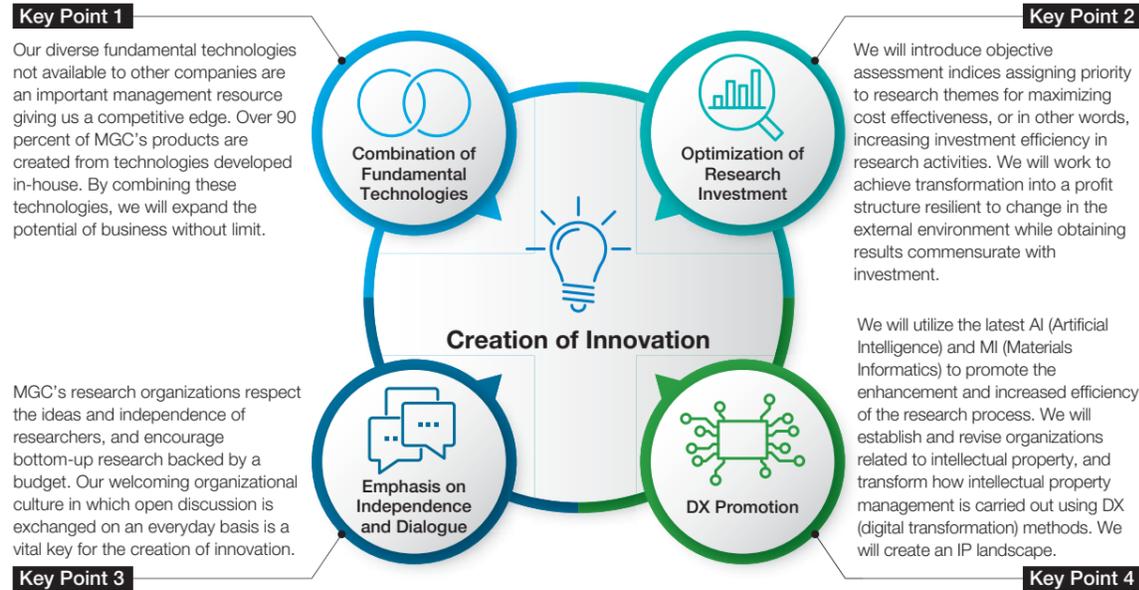
- Increase sales of differentiating environmental products focused around the SDGs
- Position new materials and new applications as priority objectives in developing new markets in the mobility sector

Xylene Separators and Derivatives

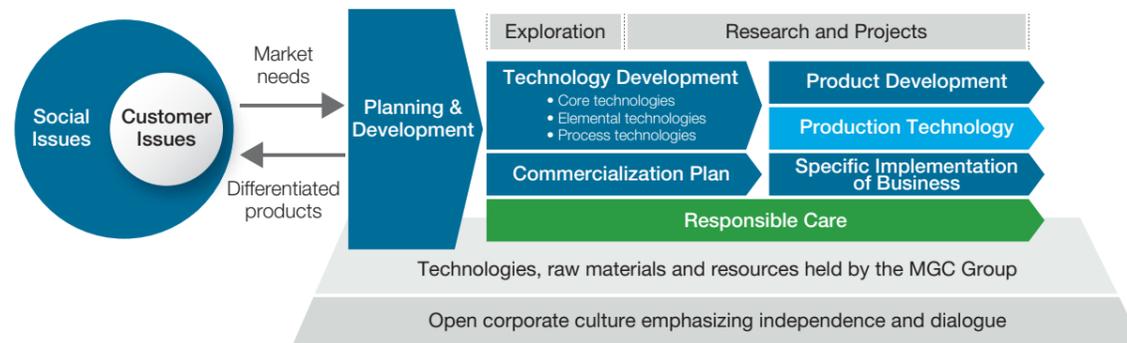
- Plan to rebuild business structure with goal of stabilizing earnings from high-volatility product lines

Feature: MGC Group Research Strategy

Characteristics of Research and Development



Characteristics of the Research and Development Process



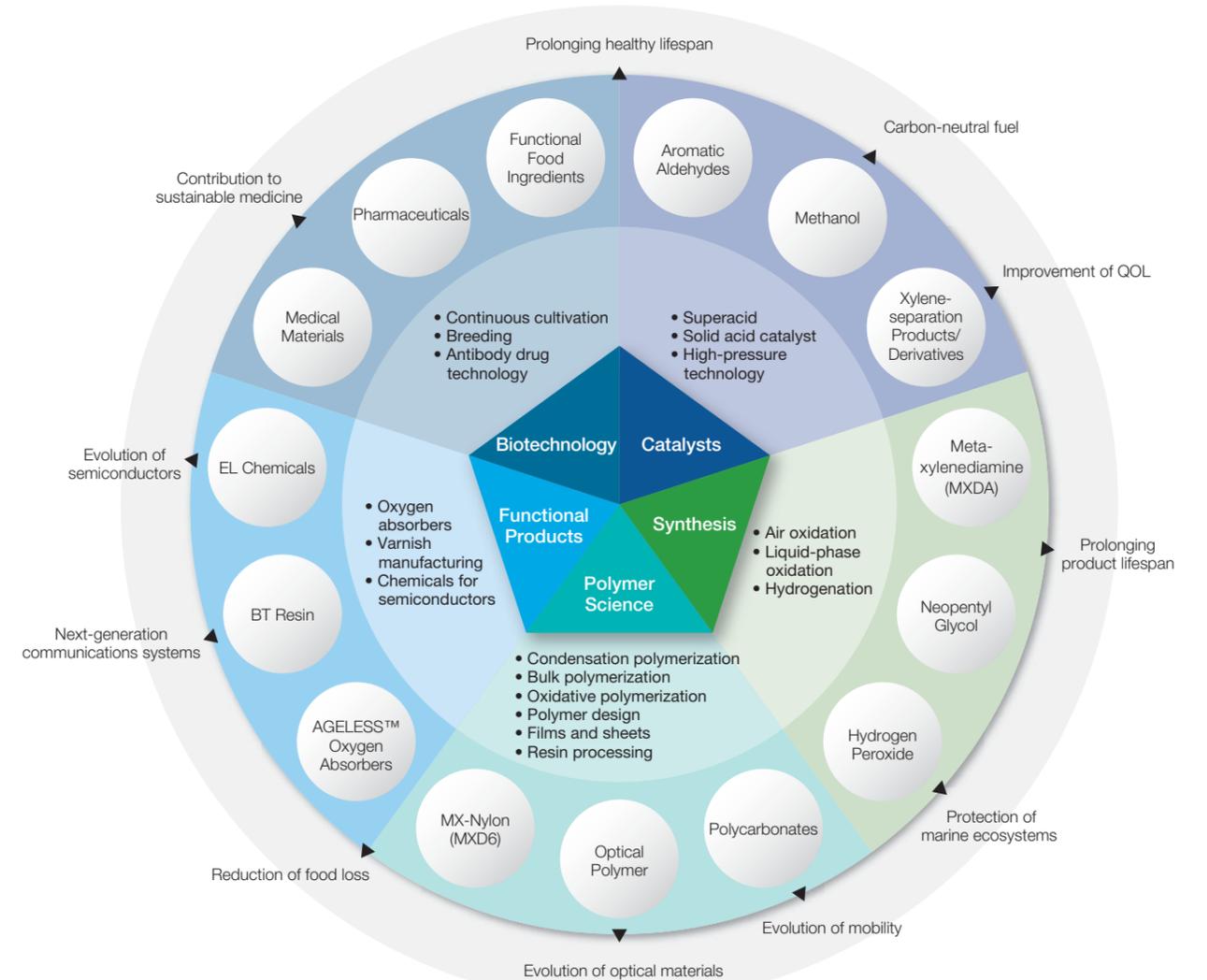
When implementing research strategy, we believe it is important to first strive to accurately ascertain social issues and customer issues, and then create differentiated products by matching the market's requirements (needs) with the Group's unique technologies and resources (seeds).

The research and development processes can be broadly categorized into "discovery" and "research and projects" aimed at commercialization and market entry as research themes. Planning & Development Divisions of business sectors will improve elemental technologies in existing business and develop new products and new grades. The Research & Development Division will explore areas such as new business and the long-term theme of climate change. Each organization encourages knowledge collaboration and free exploration within a corporate culture emphasizing independence of researchers and dialogue.

Among the mobility, medical and food, information and communication, energy, and infrastructure target areas specified in the newly-established Medium-Term Management Plan, in addition to CSR we established priority research areas by considering compatibility with the Company and growth. In each research area, we concentrate management resources on priority themes and confirm market value shortly after the launch of each project. We also aim for timely commercialization by strengthening ties with the Production Technology Division aimed at increasing development speed. At the same time, we are continuing to make improvements by applying the "Q-MGC" companywide quality assurance system to our research and development process as well, to ensure the safety and reliability of our products.

Please refer to "Production Management and Socially Responsible Sourcing" on page 51 for details on production technology.

Fundamental Technologies Supporting a Wide Range of Products



The Group has five core technologies: catalysts, synthesis, polymer science, functional products, and biotechnology. Catalyst technology began for the development of catalysts used in methanol synthesis, developing into synthesis technology based on this technology, which in turn produces numerous unique products. Meanwhile, we have also obtained polymerization technology for synthetic resin looking to downstream deployment. We develop the functional design of mechanical characteristics and optical

properties using applications from evaluation and molding technologies of plastics. In addition, we also develop functional products adding new functions through the use of technologies for combining multiple raw materials. The beginnings of our biotechnology are in microbial culture research using methanol as a source of nutrients. As described here, the MGC Group is characterized by having a wide range of technologies from upstream to downstream in the value chain.

[Glossary]

Catalyst:	A substance that promotes a chemical reaction without changing itself
Synthesis:	Creating a chemical compound using a chemical reaction
Polymer science:	Chemical reactions and processing technologies creating a type of macromolecules (polymers) by bonding many smaller repeating molecule units together
Functional products:	Products that employ added new functions through the use of technologies for combining multiple raw materials
Biotechnology:	Technology using biological functions to transform substances

Key Point 3

Emphasis on Independence and Dialogue

Open corporate culture emphasizing bottom-up research and dialogue

MGC's research organizations respect individual ideas and independence, and promote bottom-up research not constrained by stereotypes, in parallel with R&D conducted according to management measures. Research institutes have open exchanges of discussion on an everyday basis to find new angles such as forecasting unexposed needs and testing/evaluation methods. We consider this organizational culture to be a vital key for the creation of innovation.

One example of these bottom-up initiatives is the "Kompass Activity" run by the Tokyo Research Laboratory. This is a free-participation exploration activity in which researchers use 10% of their work hours to share research ideas in order to draw upon their knowledge as a group. All themes are published on the Intranet, and a system has been established to enable comments and voting, with some being promoted to official research themes. At present, this activity has also expanded to other research institutes. In addition, we have established numerous opportunities for stimulating researchers, such

as exchanges of opinions with other companies and collaboration with universities. While we have inherited the corporate DNA of the culture of a company founded on technology, we will aim for sustained growth as a research and development corporate group by incorporating new knowledge from outside.



Companywide poster presentation presenting each other's research results

Key Point 4

Promotion of DX (Digital Transformation)

Using AI and MI to enhance and increase efficiency of the research process

The use of computational chemistry has been taking root in the research organization of MGC in the past ten years, and has produced outstanding results such as the prediction of molecular structure and the analysis of synthesis reactions. Over the three-year span of the new Medium-Term Management Plan, we will use the latest AI and MI (materials informatics) to promote DX, and assist the enhancement and increased efficiency of the research process. For example, we will accelerate research speed while eliminating unnecessary processes by applying digital technology to molecular design and materials development, where an enormous volume of trial and error had previously been necessary, in order to predict test

results with a high level of accuracy.

In April 2021, we established a dedicated AI and MI promotion team within the Research & Development Division to strengthen the system for promoting DX. Eventually, we will establish a working environment in which all researchers are able to utilize the latest digital tools as needed. Furthermore, we will proceed to utilize strategic intellectual property based on the approach of exporting data processing knowledge that has been cultivated in the research division. We aim to transform from conventional basic-patent administration operations to data-driven intellectual property operations.

Intellectual Property Strategy

The importance of intellectual property (patents, technologies, knowledge and general know-how) is increasing as chemical manufacturers pursue sustained growth. In April 2021, MGC established a new organization called the Intellectual Infrastructure Center to utilize DX to strategically accumulate and establish rights for intellectual property, and moreover to deploy it throughout the Group. The Intellectual Property Department (new), which formulates and implements strategy on intellectual property, the Technical Intelligence Department (new), which handles the utilization of digital technology and technical studies pertaining to intellectual property, and the Chemical Analysis Department (relocated from the R&D Promotion Division) were established within the Center. The aims of these organizational reforms are to use DX to transform how intellectual property is managed and realize an IP landscape*2. In particular, operations collecting and analyzing vast quantities of intellectual property data such as patent, literature and public releases of rival companies, are characterized by high compatibility with AI. We will combine existing tools and the analytical skills of researchers with AI to perform the transformation to data driven intellectual property operations. In the near future, we believe that AI will be able to provide powerful support for the formulation of research strategies by quantitatively indicating the suitability of our research fields and themes.

*2 Management strategy emphasizing intellectual property. It indicates an overview of current conditions and future prospects concerning the company's market position in light of research and development trends within the industry and technical information on individual patents.

CSR Management (ESG)

Contents

Table listing contents: CSR Management (39), Materiality Risks and Opportunities (41), Responsible Care Management (43), Environmental Management (45), Production Management and Socially Responsible Sourcing (51), Human Resources and Organizational Management (55), Communication with Stakeholders (60), Corporate Governance (61), Members of the Board of Directors and Audit & Supervisory Board (65), Risk Management (66), Compliance (69).





Director, Managing Executive Officer
In charge of Compliance, Responsible
for Corporate Planning Division
In charge of Internal Audit Division and
CSR & IR Division

Motoyasu Kitagawa

Explanation of Strategy by Executive Officer in Charge

We will promote socially responsible management from a medium- to long-term perspective, contributing to achieving carbon neutrality

Executing an offensive approach to CSR that enables us to demonstrate the value of our presence in growth areas

Our new medium-term management plan, which started from April 2021, sets forth two targets: The urgent issue of shifting to a profit structure resilient to environmental changes, and a medium- to long-term effort to balance social and economic value. While the timelines to achieving these two goals differ, there is a clear correlation between them. This is because, going forward, it will be essential that we reassess or rebuild those businesses that are either not in harmony with society, or that are deemed by society to be of no value. Meanwhile, there are growing opportunities for new business in areas where social and economic value overlap. With this understanding of today's social conditions and our individual businesses, we are focusing on laying the groundwork to promote socially responsible management on a sustained basis.

As climate change problems come to the fore, and with the "new normal" brought about by the coronavirus pandemic, chemical manufacturers are being pressed to make a major shift. For the MGC Group, adapting to these changing times while fulfilling our social responsibilities in the areas of the environment and safety and working to stabilize our profit structure are constant challenges. Addressing these issues and continuing our pursuit of what makes MGC unique are not contradictory goals, but rather goals that we believe can be balanced. We will boldly execute an offensive approach to CSR over the next three years, bringing a unique perspective to social issues while demonstrating the value of our presence in growth areas such as carbon neutrality, next-generation telecommunications and the mobility revolution.

Taking management risks into account as we create new businesses that lead to solving social issues

We define socially responsible management as aligning MGC's activities with society's path forward, while pursuing business profits based on our Group Mission of "creating

values to share with society" and a keen awareness of our responsibilities vis-à-vis the environment, society and corporate governance. Several risk factors are apparent as we take an overhead view of conditions in and outside the Company along the lines of this definition. Examples include the appearance of low-cost alternative materials of unprecedented competitiveness; regulatory changes aimed at decarbonization and the increased cost of responding to those changes; and the broad impact of a decline in the working population. To control these risks, we are striving to create technology from a broader, more long-term perspective and maximize new business opportunities.

One promising business that can leverage the MGC Group's unique technologies and experience, while also controlling management risks, is in solutions that boost achievement of carbon neutrality. Specifically, this applies to areas such as technology for manufacturing methanol and polycarbonates from CO₂; new businesses in methanol and ammonia, which are gaining increased attention as hydrogen carriers; and the geothermal power generation business. By further developing and applying MGC's unique, proprietary technologies, and refining our solutions to a level at which they can be implemented in society, we will embody our goal of "creating values to share with society."

CSR takes on a role like that of an orchestral conductor

These are uncertain times in which unprecedented disruption is taking place in a wide range of industries. To adapt to this business environment, it is essential that we return to our philosophy for being, maintain a firm hold on our core competencies, and craft a sustainable growth strategy. The CSR Department is the leader in this effort, in a sense the section responsible for "conducting the orchestra." Our goal is to look at the Group as a whole while remaining aware of the long-term timeline, encouraging change at the departmental and individual levels as we strive to become an excellent company with uniqueness and a strong presence.

CSR Promotion System

The MGC Group pursues sustainable growth balancing the social and economic value of the Group as "CSR management," based on the Group Mission of "creating value to share with society."

The Company has established the CSR Council, chaired by the President and made up of Directors as members. As an advisory body to the CSR Council, the CSR Committee is convened by the General Manager of the CSR & IR Division and made up of General Managers of the head office's corporate sectors. Through these organizations, the Company has established a system for promoting ongoing advancement of CSR management by applying a companywide PDCA cycle ranging from the identification of materiality to the establishment of KPIs, confirmation of progress and reviews.

The CSR Council deliberates and determines policies and measures that form the basis for CSR management such as identification and management of materiality, and receives reports on the implementation of thereof.

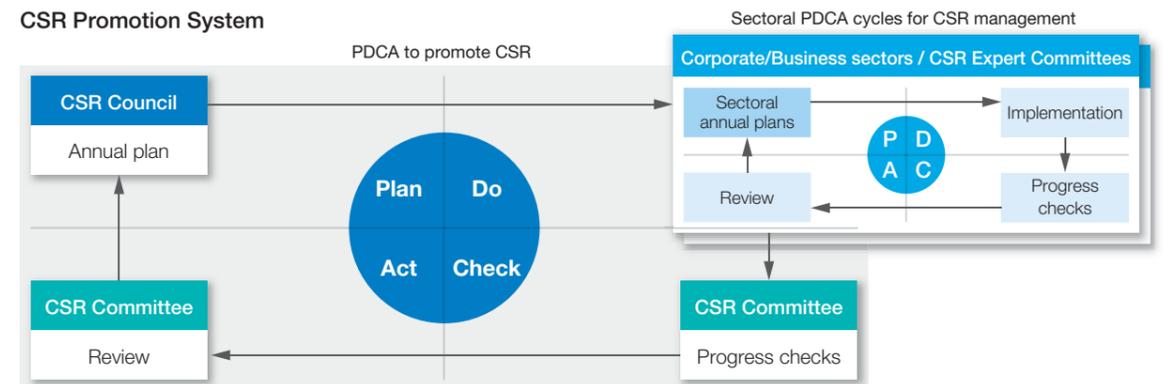
The CSR Committee checks the state of

implementation of various activities pertaining to CSR management in each division, and promotes CSR activities such as consulting with the CSR Council on necessary measures through periodic reviews. The CSR Committee also establishes various CSR Expert Committees as needed to consider specialized and important matters in CSR activities.

The CSR Department of the CSR & IR Division has been established to serve as the secretariat for the CSR Council and the CSR Committee. The CSR Department is responsible for administrative tasks such as overseeing non-financial information within the Company, considering policies and strategies on CSR management, and engagement within and outside the Company.

We aim to obtain the trust and congruity of a variety of stakeholders and realize ever greater corporate value by contributing to the resolution of issues for the realization of a sustainable society through our business more than ever before.

CSR Promotion System



Materiality and Evaluation Indicators (KPIs)

The MGC Group identified priority issues (materiality) to be addressed by management in April 2020 with the aim of conducting CSR management. Evaluation indicators (KPIs) for materiality were specified in the Medium-Term Management Plan announced in April 2021, and the PDCA cycle for improvement will be applied through their management.

The materiality of the MGC Group is composed of four categories: creating shared value (CSV), foundation for shared-value creation (S), harmonization of shared-value creation with environmental protection (E), and value-creative discipline (G). These are also associated with the 17 goals and 169 targets set forth in the SDGs, with the aim of achieving the SDGs and contributing to the realization of a sustainable society.

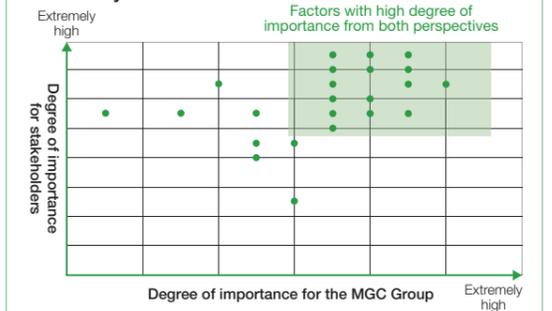
Furthermore, materiality is revised around every three years in conjunction with the Medium-Term Management Plan.

For further details, please refer to "Materiality KPI" on page 27.

Materiality Identification Process

A list of over 600 terms related to social issues/ changes was compiled from various sources, including requirements in GRI and SASB standards, ISO26000 and SDGs, and trends among other companies. These were classified by theme and narrowed down to 39 materiality elements. Priority was assessed from the standpoint of both stakeholders and the MGC Group. Finally, materiality and priority were considered in the CSR Committee, and deliberated and approved in the CSR Council.

Materiality Matrix



Materiality Risks and Opportunities

Materiality		Why it is material	Risks		Opportunities	Main Initiatives	Related SDGs (targets)
Category	Elements						
Creating Shared Value  CSV	Contribution through business operations <ul style="list-style-type: none"> Contribute to development of ICT/mobility society Solve energy and climate change problems Solve medical and food problems 	Pursuing creation of value to share with society leads to improvement in corporate value from economic, social and environmental standpoints.	<ul style="list-style-type: none"> Increasing difficulty of development with intensifying competition; lengthening lead times Shift in share of low-cost alternative materials Existing product obsolescence 		<ul style="list-style-type: none"> Strong in-house development technology capabilities Customer credibility backed by multiple industry standards Portfolio of distinctive, differentiated products 	<ul style="list-style-type: none"> Transform business portfolio Commercialize products that balance social value with economic value Engage in new businesses that contribute to solving social issues 	
Foundation for shared-value creation  S	Cultivating a corporate culture of job satisfaction	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.	<ul style="list-style-type: none"> Declining labor productivity and outflow of personnel Declining quality of stakeholder engagement 		<ul style="list-style-type: none"> Strengthened foundation for creating innovation Improved employee engagement in their work 	<ul style="list-style-type: none"> Respect for human rights, achieving work-life balance Enhancement of support system in skills development 	
	Promotion of diversity and inclusion	A culture of collaboration among individuals with diverse values is conducive to new ideas and technological innovation.	<ul style="list-style-type: none"> Uniform thinking and loss of new business opportunities due to imbalance in personnel attributes and skills 		<ul style="list-style-type: none"> Nurturing a culture of collaboration among diverse values that is conducive to new ideas and technological innovation 	<ul style="list-style-type: none"> Strengthen diversity promotion system Diversity management that leads to results 	
	Stakeholder engagement	Corporate value creation is a result of stakeholders' contributions, including the resources they provide.	<ul style="list-style-type: none"> Loss of credibility among stakeholders, damage to corporate value due to inappropriate responses 		<ul style="list-style-type: none"> Forming a fair market valuation Improved management transparency 	<ul style="list-style-type: none"> Voluntary, timely and appropriate information disclosure Ongoing stakeholder communications 	
	Promotion of socially responsible sourcing	Companies have a societal responsibility to upgrade CSR compliance throughout their supply chains with respect to the environment, working conditions, human rights, etc.	<ul style="list-style-type: none"> Negative impacts on business activity due to illegal actions and compliance violations by suppliers 		<ul style="list-style-type: none"> Improved sustainability of society and long-term competitiveness 	<ul style="list-style-type: none"> Encourage understanding among suppliers, strengthen collaboration Internal communication and education 	
	Occupational safety and health / Process safety and disaster prevention	Safety is the foundation of business activities. Companies have a societal duty to ensure safety.	<ul style="list-style-type: none"> Risk of disasters or other problems due to insufficient education and training Loss of societal trust due to accidents or scandals 		<ul style="list-style-type: none"> Nurturing a culture of safety Accumulating expertise in preventive maintenance 	<ul style="list-style-type: none"> Ensure thorough education and training; verify and observe safety rules Conduct occupational safety and health risk assessment Promote LINK activities across plants Promote Company- and Group-wide environmental safety activities 	
	Highly energy- and resource-efficient production	Companies have a duty to harmonize their operations with global environmental protection in accord with the principle of sustainable development.	<ul style="list-style-type: none"> Cost of responding to regulations and societal demands Cost of deploying high-efficiency equipment 		<ul style="list-style-type: none"> Optimization of production conditions through deployment of AI/IoT; improving productivity by predicting and preventing problems 	<ul style="list-style-type: none"> Ultra-stable operation of production equipment Improve outputs through use of high-efficiency equipment Introduction of remote monitoring and diagnostic technology using smart technology 	
	Chemical/product quality and safety assurance	Quality assurance is the basis of stakeholders' trust. Companies have a duty to provide highly safe and reliable products and services.	<ul style="list-style-type: none"> Loss of societal trust due to inaccurate data handling and shipping of inappropriate products Strengthened chemical substance regulations in each country 		<ul style="list-style-type: none"> Facilitating continuous improvement and ensuring customer satisfaction through Company- and Group-wide quality assurance activities (Q-MGC) Sharing and centralization of information to enhance customer satisfaction and societal trust 	<ul style="list-style-type: none"> Promote Q-MGC Company- and Group-wide Work to improve data management through DX Ensure thorough safety assessments and provision of product information Respond to chemical substance regulations in each country 	
Promotion of innovative R&D	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.	<ul style="list-style-type: none"> Discontinuous change in social and industrial structures Securing and developing personnel competent in cutting-edge technology fields 		<ul style="list-style-type: none"> Strengthened technology platform and creation of innovation built on collaboration among Group's own technologies 	<ul style="list-style-type: none"> Centralize R&D structure; pursue Group synergies Focus corporate resources on high-priority themes Collaboration between MGC's creativity and open innovation Create a communicative research environment 		
Harmonization of shared-value creation with environmental protection  E	Proactive response to environmental problems <ul style="list-style-type: none"> Air quality control Water and biodiversity conservation Reduction of industrial waste 	Addressing environmental problems is imperative for all of humanity. Companies must proactively do so as a prerequisite for their existence and activities.	<ul style="list-style-type: none"> Increased cost of responding to stronger environmental regulations Decline in competitive advantage due to delays in technological response to resource and energy conservation needs Reputational risks regarding environmental protection 		<ul style="list-style-type: none"> Participation in Fukushima gas power station and geothermal project Commercial development of methanol and ammonia as hydrogen carriers and CO₂-free fuels Participation in CCUS proof of concept testing 	<ul style="list-style-type: none"> Create businesses that balance environmental and economic value Promote Company-wide responsible care activities Continuous improvement activities through ISO, RC-MS PDCA cycles Contribute to environmental protection through business Promote biodiversity preservation in alignment with stakeholders 	
Value-creative discipline  G	Strengthen systems <ul style="list-style-type: none"> Corporate governance Compliance Internal controls Risk management 	Developing disciplined ways steadily execute strategies to bring business models to fruition and to sustainably grow corporate value.	<ul style="list-style-type: none"> Slumping business activity, loss of societal trust and damage to corporate value due to compliance violations 		<ul style="list-style-type: none"> Establish a stable management foundation by improving decision-making transparency and responding appropriately to change Gain stakeholder trust 	<ul style="list-style-type: none"> Strengthen risk management in internal controls Strengthen corporate governance structure 	



Director, Managing Executive Officer
Responsible for Production Technology
In charge of Environment Safety & Quality
Assurance Division, Purchasing &
Logistics Division

Masato Inari

Explanation of Strategy by Executive Officer in Charge

Working to address the rising demand for transparency and earn society's understanding and trust

Aim to achieve carbon neutrality by 2050

With no signs of an end to the spread of COVID-19, society as a whole is beset with a sense of anxiety about the future. The one thing we can continue to trust in these circumstances and that gives us hope for the future is technology. We recognize that for a company like ours, which has built its business on a foundation of technology, reducing this social anxiety and turning the future toward the better will be an important mission going forward.

In March 2021, MGC announced a long-term goal of achieving carbon neutrality by 2050. As a chemical manufacturer we are susceptible to environmental changes, and this is why it is even more important that we take action with an eye to our stakeholders 30 years hence. The goal we have set is no mere fantasy. This is a long-term objective, based on careful consideration of viable means of reducing CO₂, that leverages the carbon capture and recycling technology we have accumulated to date, along with hydrogen utilization and renewable energy technology. Another important theme going forward will be the ability of manufacturing regions to coexist with the natural environment, including issues such as forming a recycling-oriented society and preserving biodiversity that are gaining renewed and greater attention. Note that we do not consider the capital and human resources we invest in environmental management as simply costs. While they may not contribute to performance in the short term, we position them as investments that will lead to the medium- to long-term enhancement of corporate value.

Promoting RC using employees' ability to recognize issues and generate ideas

The MGC Group creates value for society by developing and providing new technologies and products. That said, we must also be aware of the social responsibilities associated with our business. Responsible Care (RC)^{*1} is a means of fulfilling those responsibilities. RC comprises six codes—Occupational Health and Safety, Process Safety and Disaster Prevention, Environmental Protection, Chemicals and Product Safety, Distribution Safety, and

Communication with Society—and plays an important part in MGC's materiality. Over the past two years, we have also made progress in establishing the Q-MGC^{*2} company-wide quality control system, begun in 2019, in each sector, and are expanding its use to Group companies as well. As the relative importance of Group management increases, ensuring transparency is a key issue: demands for transparency, along with accountability, are only expected to grow. Our aim is to further earn the trust of our stakeholders while solidly applying a PDCA cycle.

One of the strengths of MGC's production sector is strong work sites that act autonomously. This is because frontline employees are the ones who have the ability to quickly recognize and creatively address work site issues, and we believe that by respecting those ideas generated in the field, we can continue to operate with both strength and flexibility. With that understanding, we recognize that the mission of the back-office divisions at headquarters is to back the production divisions by overseeing and supporting them. We are working to design a system in which important management strategies lead to autonomous frontline action, and are then reflected in practice.

Under the new Medium-Term Management Plan starting in fiscal 2021, we have launched a project called SMART-MGC that will use digital technology to pursue improvements in operational efficiency and supply chain optimization. Activities occurring in production as part of this strategy will be known as SMART-FACTORY. Human sensing and decision-making abilities will be augmented with digital technology to, among other things, prevent accidents and other problems and to encourage automation of rote operations. Going forward, we will fulfill our Mission of "creating value to share with society" as we continue our efforts to gain the empathy and trust of society.

^{*1} Responsible Care refers to voluntary activities conducted by chemical industry firms to align business activities with global environmental preservation by ensuring environmental care, safety, and health in all stages of chemical substance life cycles from development, manufacture, distribution, and use through to final consumption and disposal.

^{*2} A system for positioning quality assurance as an activity for all MGC Group companies and sectors while working toward continuous improvement.

For details, please refer to "Quality Assurance" on page 53.

MGC Group Policies on Environment and Safety

MGC recognizes that it is a contributing member of society and accordingly seeks to continue earning the trust 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 impact and contribute to the sustainable development of communities
- Ensure safe handling, usage, and disposal of chemical products
- Ensure safe transport and storage of chemicals and related products
- Build trust of stakeholders
- Implement MGC group-wide environmental and safety initiatives
- Improve environmental and safety management systems on an ongoing basis

Basic Approach

MGC has set sustainable development, building a recycling-oriented society, and conducting safe operations as important management issues that determine how we conduct our business. Based on its environmental and safety policies, MGC promotes Responsible Care (RC) in all of its activities.

RC activities are comprised of Occupational Health and Safety, Process Safety and Disaster Prevention, Environmental Protection, Chemicals and Product Safety, Distribution Safety, and Communication with Society, and play an important part in MGC's key management issues (materiality). RC activities in each workplace are managed primarily by the Environmental Safety & Quality

Assurance Division, which is working to improve each employee's awareness of the importance of RC. Once a year, MGC holds environment and safety meetings, 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. This effort is aimed at making continuous improvements in the PDCA cycle based on the goals of the three-year RC medium-term plan and annual activity targets.

Please refer to the Sustainability website for details on RC activity plans and results.
https://www.mgc.co.jp/eng/csr/environment/rc_plan.html

The Plan-Do-Check-Act (PDCA) Cycle in Responsible Care



RC Audits in 2020

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 2020, audits were conducted regarding (1) status of risk assessment (HAZOP) implementation; (2) efforts to prevent recurrence of falls, crashes and leaks; (3) compliance with MGC Group process safety and disaster prevention guidelines; (4) status of efforts to prevent work-related accidents due to human error; and (5) status of efforts to prepare for natural disasters.

RC Auditees

5 plants, 3 laboratories, Basic Chemicals Business Sector, Specialty Chemicals Business Sector, Advanced Business Development Division, and Purchasing & Logistics Division

RC Audit Findings

Full conformity (26 cases), non-conformity (zero cases), opportunity for improvement (5 cases), comments (41 cases)

Note: Above organization names are the previous names used in fiscal 2020.

Environmental Management

Basic Approach

MGC recognizes that curbing, and adapting to, climate change and other environmental problems are important issues that have a significant impact on business operations. At the same time, we realize they also represent business opportunities, and so here too we are engaged in a variety

of activities aimed at “creating value to share with society.” In an effort to reduce environmental impact associated with business activity, in April 2018 we established the MGC Group Declaration on Environmental Sustainability, and are currently at work putting it into practice.

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, 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.

Research into Environmental Impact Reduction Technologies

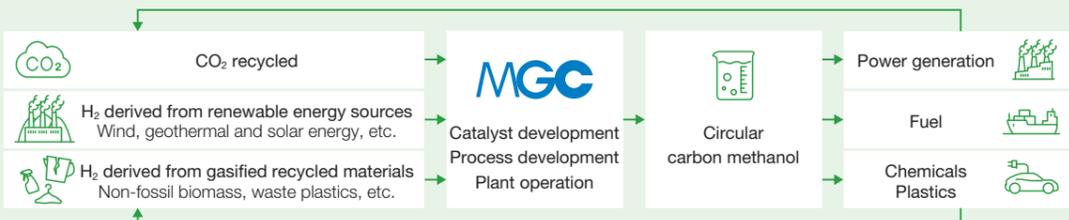
MGC is advancing research into carbon recycling, which makes effective use of CO₂ as a chemical raw material, as a viable technology for reducing environmental impact.

MGC was quick to begin working on development of methanol production technology using CO₂ and hydrogen as raw materials. Going forward, we will be launching methanol production using the methanol pilot facility at the Niigata Plant. At the same time, we will advance our efforts aimed at achieving a decarbonized society through Circular Carbon Methanol (CCM) Production, in which CO₂ emissions, waste plastics, etc. are converted into methanol, recycling them for use as chemicals or fuel and in power generation.

Leveraging our knowledge regarding polycarbonate resin research and manufacturing, in which we are developing a business, we are working with Tohoku University, Nippon Steel Corporation and Nippon Steel Engineering to develop technology for synthesizing polycarbonate resin intermediates using CO₂. In fiscal 2020, we worked on the New Energy and Industrial Technology Development Organization (NEDO) Leading Research Program to develop technology for directly synthesizing dialkyl carbonate, a polycarbonate resin intermediate, from CO₂, and found that it has the potential to reduce CO₂ emissions compared to existing processes. In 2021, we plan to consider scaling up the process in preparation for implementing the technology.

Initiatives Under CCM Production

MGC has set forth CCM Production, which enables environmental recycling through the reuse of CO₂ emissions from power plants, waste plastic and other materials in the form of methanol. By encouraging cross-industry cooperation, we will contribute to achieving a decarbonized and recycling-oriented society. Specifically, in addition to granting licenses for technology to synthesize methanol from CO₂ emissions and various gases, we offer comprehensive proposals covering operation and maintenance technical support services and methanol-related product transactions. As we advance these efforts at cross-industry cooperation and public-private collaboration based on reducing CO₂ emissions and recycling resources, MGC aims to bring innovation to established industrial structures and economic society that will promote new growth.



Response to Climate Change (Disclosure Based on TCFD Recommendations)

Tackling climate change is a major challenge that calls for initiatives on a global scale if we are to achieve a sustainable society. MGC recognizes that solving energy and climate change problems is an important challenge, and is working to solve these issues from the perspective of both climate change mitigation and climate change adaptation.

Specifically, MGC has formulated targets for reducing Scope 1 and 2^{*1} GHG emissions and is working toward their steady reduction. At the same time, MGC is proactively disclosing information on Scope 3^{**2} GHG emissions and is taking action to reduce them in collaboration with its suppliers. MGC is also working to improve energy efficiency and the carbon cycle of raw materials, and to promote energy transition toward the goal of achieving a zero-carbon society by 2050. MGC will also contribute to solving energy and climate change challenges through business operations by deploying innovative process technologies and factoring whole-lifecycle GHG emissions into its design and development processes.

In May 2019, MGC also declared its support for the Task Force on Climate-related Financial Disclosures (TCFD). MGC has assessed the risks and opportunities climate change represents for the Group, and we are working to strengthen resilience through scenario analysis while also engaging in sound dialogue with our stakeholders.

In March 2021, MGC announced a new objective for achieving carbon neutrality by 2050 with the goal of limiting the increase in average temperature to below 2°C. MGC encourages the development of energy systems to achieve carbon neutrality, and aims to expand the range of products conducive to carbon neutrality.

^{*1} Scope 1 emissions are GHG emissions directly generated by MGC. Scope 2 emissions are indirect GHG emissions associated with the 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.

MGC's Roadmap toward Its Ultimate Goal of Carbon Neutrality by 2050

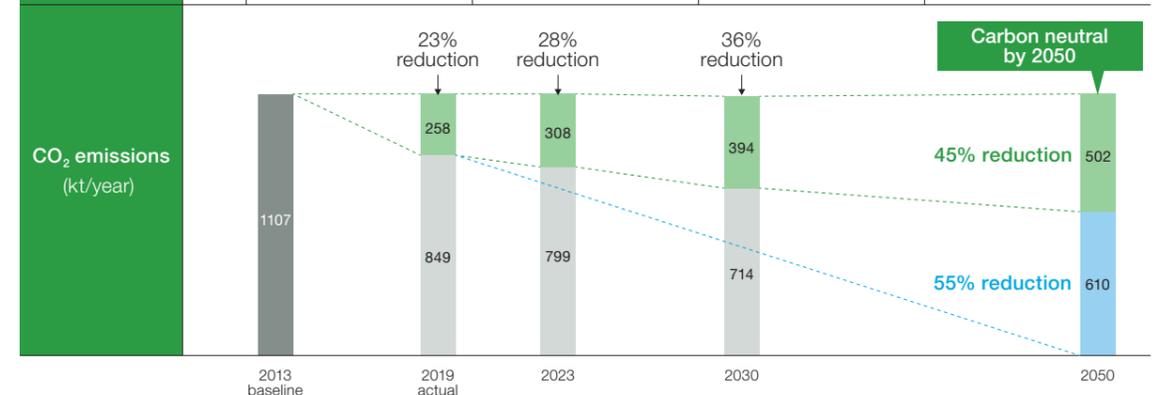
MGC has established long-term objectives for reducing GHG emissions as it works toward achieving carbon neutrality by 2050. To achieve these objectives, MGC has established key performance indicators (KPIs) for GHG emissions and GHG emissions intensity. We are moving

forward with short-, medium- and long-term emissions reduction strategies that include promoting energy-saving activities, deployment of renewable energy, and the circular carbon methanol concept.

Long-Term GHG Emission Reduction Objectives

2023 Reduce 28% compared to FY2013	2030 Reduce 36% compared to FY2013	2050 Achieve carbon neutrality
---------------------------------------	---------------------------------------	-----------------------------------

	Scope	2013–2019	2020–2023	2024–2030	2031–2050
Main initiatives (CO ₂ reduction)	1	<ul style="list-style-type: none"> Improve energy efficiency Reconfigure business portfolio 258kt in total	<ul style="list-style-type: none"> Improve energy efficiency 16kt Stop using heavy oil 13kt Reconfigure business portfolio Deploy new energy systems/CCUS, switch feedstocks (R&D/collaboration) 610kt in total 	<ul style="list-style-type: none"> Improve energy efficiency 28kt 	<ul style="list-style-type: none"> Improve energy efficiency 40kt
	2	—	<ul style="list-style-type: none"> Source 10% of energy from renewables 14kt Use transitional energy 10kt 	<ul style="list-style-type: none"> Source 50% of energy from renewables 55kt 	<ul style="list-style-type: none"> Source 100% of energy from renewables 69kt



Risks and Opportunities behind Strategy Formulation

Assumptions behind Scenario Analysis for Fiscal 2020

- Target: 2030
- Scenario: Temperature rise (4C°: Continuation of current oil and coal-dependent economic activity; 2C°: Advance climate change countermeasures)
- Analysis subjects: Hydrogen peroxide (Kashima Plant, Yokkaichi Plant*3, Yamakita Plant) and MX-Nylon (Niigata Plant) businesses
- Conduct quantitative assessment of financial impact of risks and opportunities in existing business portfolio and draft response strategy

*3 Including the Saga Plant

Climate Change Risks and Opportunities

	□ Risks	○ Opportunities
Transition Risks and Opportunities (2°C scenario)	<ul style="list-style-type: none"> □ Soaring raw fuel prices □ Deployment of environmentally-friendly equipment □ Introduction of carbon tax 	<ul style="list-style-type: none"> ○ Growing market for eco-friendly products ○ Increasing demand for non-edible plant-derived chemicals ○ Reduced costs for renewable energy
Physical Risks (4°C scenario)	<ul style="list-style-type: none"> □ Impact of increasingly severe natural disasters on plant operations □ Fragmented supply chains 	<ul style="list-style-type: none"> • Strengthening BCP

- [Primary Responses]
- Further improve energy use efficiency and develop decarbonization processes
 - Expand deployment of renewable energy
 - Decarbonize raw fuels
 - Develop decarbonized products

Risk Management (Introduction of Internal Carbon Pricing System)

MGC has identified key issues (materiality) related to the environment, society and corporate governance, and manages risk through cross-company materiality management. One material issue that has been identified as extremely important from the perspective of stakeholders and MGC itself is a proactive response to environmental problems. MGC intends to take the initiative on this issue, a requirement for the Company's survival

and ongoing activity.

To gain a quantitative understanding of climate change risks, in April 2021 MGC introduced an internal carbon pricing system. In capital investment plans involving an increase or decrease in CO₂ emissions, the cost or effect of applying and converting the internal carbon price (10,000 yen/MT-CO₂ equivalent) will be used to help make investment decisions, and encourage the creation of technologies and products that promote CO₂ emission reductions and contribute to building a low-carbon society.

Monitoring by CSR Council

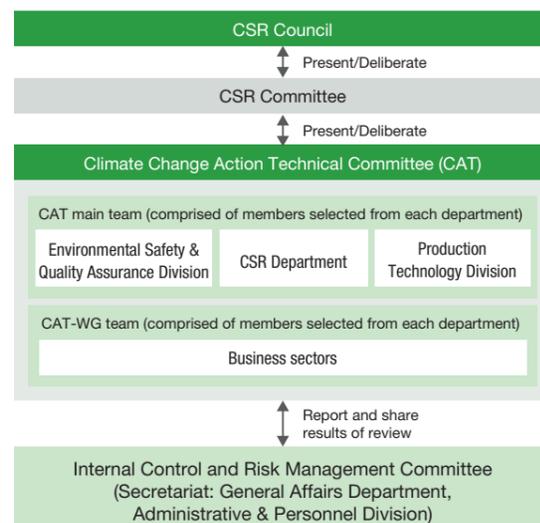
The CSR Council, composed of Directors and chaired by the President, deliberates and makes decisions on addressing climate change risk and other CSR key issues. The participation of corporate sector heads on the CSR Committee, an advisory body to the CSR Council, ensures CSR key issues are adequately deliberated.

To develop a response to climate change, MGC has established the Climate Change Action Technical Committee (CAT), a CSR Expert Committee, as an advisory body to the CSR Committee. As the administrative office for dealing with TCFD and CDP disclosures, the CAT promotes cross-business initiatives.

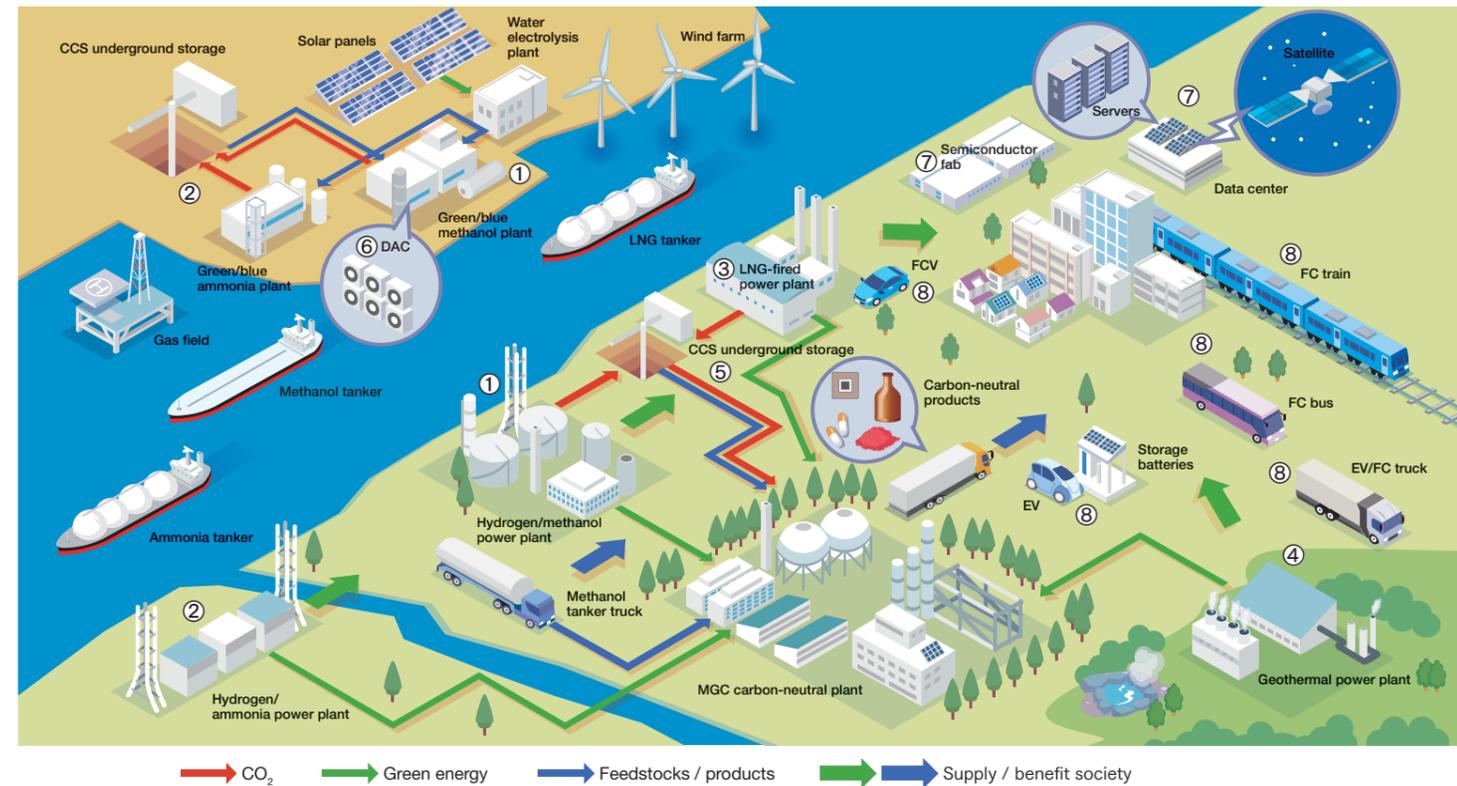
Long-term objectives for reducing GHG emissions have been incorporated in the Medium-Term Management Plan, with management taking a leading role in their implementation.

For details on the CSR promotion system, please refer to page 40.

Climate Change Governance Structure



MGC's Vision of Carbon-Neutral World Circa 2050



Carbon-Neutral Energy Systems, CO₂ Usage

① Methanol energy system

Methanol produced from captured CO₂ and renewable energy hydrogen (Hydrogen carrier/CO₂-free fuel)



Methanol pilot facility (Niigata Plant)

② Ammonia energy system

Ammonia produced from renewable energy hydrogen, etc. (Hydrogen carrier/CO₂-free fuel)

③ LNG-fired power plant + CCS

Carbon-free power plant combining high-efficiency, low-CO₂ emitting power plant and CC(U)S

④ Geothermal power plant

Renewable energy power plant



Wasabizawa Geothermal Power Station

⑤ e.g. Production of polycarbonate feedstock from CO₂ (CCUS)

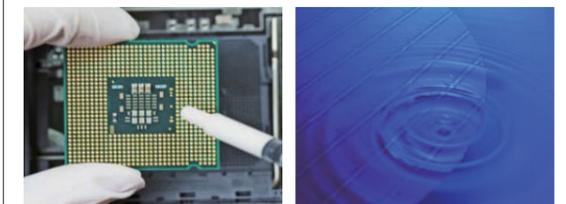
Technology for CO₂ capture and storage, and for using CO₂ as a raw material in polycarbonate resin production. Contribute through CO₂ consumption technology in the form of green plastics

⑥ Specialty amines (DAC absorbents)

CO₂ absorbents for DAC (direct capture and storage of CO₂ from the air)

Products Conducive to Carbon Neutrality

⑦ BT materials, electronic chemicals (energy control systems)



BT materials

Super-pure hydrogen peroxide

⑧ Solid-state batteries (EVs), fuel cells (FCVs), polycarbonates/polyacetals (lighter-weight auto bodies), optical materials (more efficient driving with automated-driving sensing devices)



Optical materials

Fuel cells

Addressing Water Resource Risks

MGC uses large quantities of water, both as a raw material for 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 its withdrawal, discharge, usage and recycling. In drawing from water sources, MGC restricts its intake to permitted quantities in accordance 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 these forms of water-related environmental impact are presented in detail on 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, and has formulated business continuity plans (BCPs) that address this risk while implementing measures to mitigate it. None of the areas in which MGC's plants are located has experienced either adverse impact on production activities due to water stress or conflicts with stakeholders regarding use of water resources. Going forward, MGC will evaluate water-related risks and opportunities based on its scenario for temperature increases due to climate change.

Meanwhile, MGC sees opportunities in businesses that provide solutions for issues surrounding coolant water used in its 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 conserve water resources.

Reduction of Industrial Waste

MGC Group companies are working to reduce industrial waste by encouraging the 3Rs (reduce, reuse and recycle), and by ensuring proper waste treatment in compliance with laws and regulations.

Participation in the Plastic Recycling Business

In November 2020, MGC gained a stake in R Plus Japan, a joint venture funded by companies comprising the plastics value chain, marking the start of our efforts in the business of recycling used plastics.

Working with U.S.-based biochemical venture Anellotech, R Plus Japan is developing a low environmental impact, efficient technology for recycling used plastics. Aiming to implement the technology by 2027, the company is building a cross-industry alliance encompassing sorting and processing of collected plastics, monomer production, polymer production, packaging and container manufacturing, trading companies, food and beverage manufacturers, and others.

Biodiversity Conservation



MGC works to ensure proper management of its chemical products based on Responsible Care, and to mitigate climate change by improving energy efficiency and reducing greenhouse gas emissions. In so

doing, we strive to maintain a rich natural environment amenable to living things, and to conserve biodiversity. We also contribute to sustainable development by developing technology and promoting the use of products known to be eco-friendly.

Each of our workplaces engages in practices that contribute to greater biodiversity in everyday life. These include helping to maintain forest reserves around our plants, a movement to bring flowers into the workplace, and addressing the marine plastic problem by participating in clean-up of rivers and harbors adjacent to our sites.

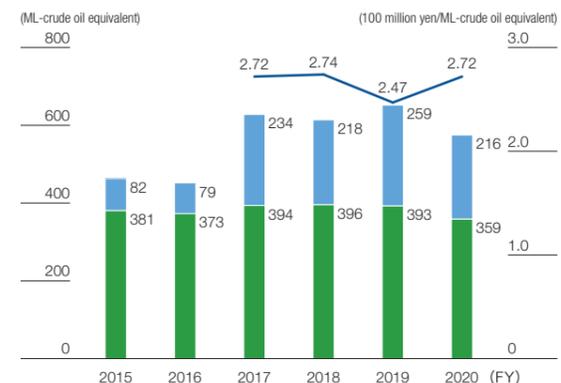
MGC also supports the objectives of the Declaration of Biodiversity by Keidanren, and in 2009 we signed on to join its Promotion Partners. In 2014, we joined the Keidanren Committee on Nature Conservation, and are advancing efforts to conserve biodiversity and otherwise protect the natural environment. We also participate in the "Bookcase for Biodiversity," a donation program implemented by the Japan Committee for UNDB (United Nations Decade of Biodiversity), and made two donations in 2020.

Environmental Data



Please refer to the Sustainability website for details on the environmental data.
<https://www.mgc.co.jp/eng/csr/environment/report/index.html>

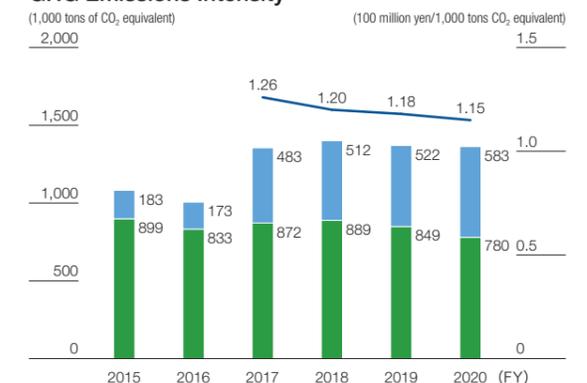
Energy Use / Estimated Value-added Energy Intensity



Energy use (left axis): ■ MGC (non-consolidated) ■ Consolidated subsidiaries
 — Estimated value-added intensity (right axis)

Note: Overseas consolidated subsidiaries are recorded for FY2017 and later.

GHG Emissions / Estimated Value-added GHG Emissions Intensity



GHG emissions (left axis): ■ MGC (non-consolidated) ■ Consolidated subsidiaries
 — Estimated value-added intensity (right axis)

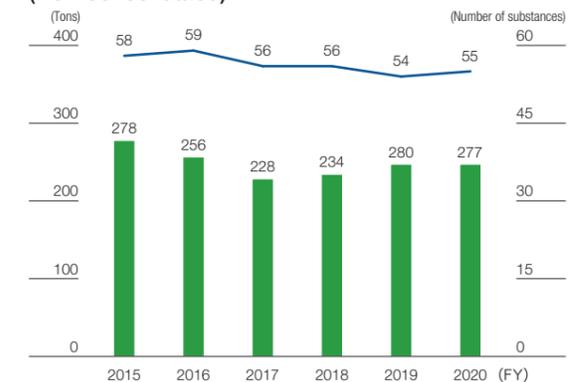
Note: Overseas consolidated subsidiaries are recorded for FY2017 and later.

Final Disposal Volume and Zero Emission Rate (Non-consolidated)



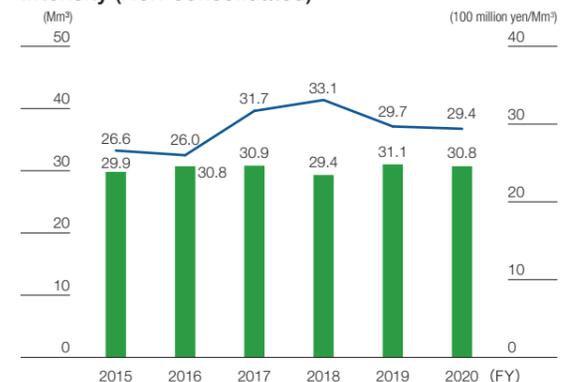
■ Final disposal volume (left axis)
 — Zero emission rate (right axis)

Volume of Emissions Subject to PRTR Law (Non-consolidated)



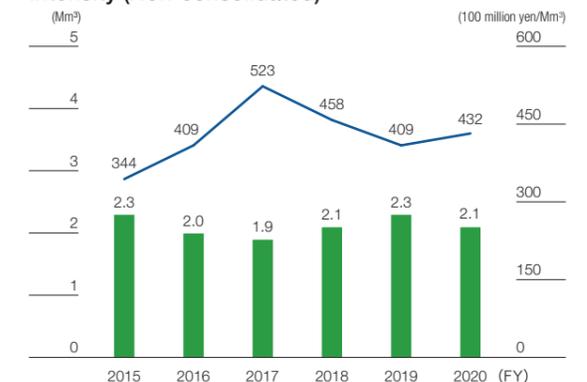
■ Emissions (left axis)
 — Number of substances subject to PRTR Law (right axis)

Water Intake / Intensity of Estimated Value-added Intensity (Non-consolidated)



■ Water intake (left axis)
 — Estimated value-added intensity (right axis)

Water Usage / Intensity of Estimated Value-added Intensity (Non-consolidated)



■ Water usage (left axis)
 — Estimated value-added intensity (right axis)

Production Management and Socially Responsible Sourcing

Basic Approach

MGC aims to balance ensuring safety, which is the origin of its production activities, with environmental protection and efficient production. We are constantly pursuing our targets for all of these by raising the level of technical capability of employees engaged in production activities and keeping facilities (hardware) and systems (software) up-to-date.

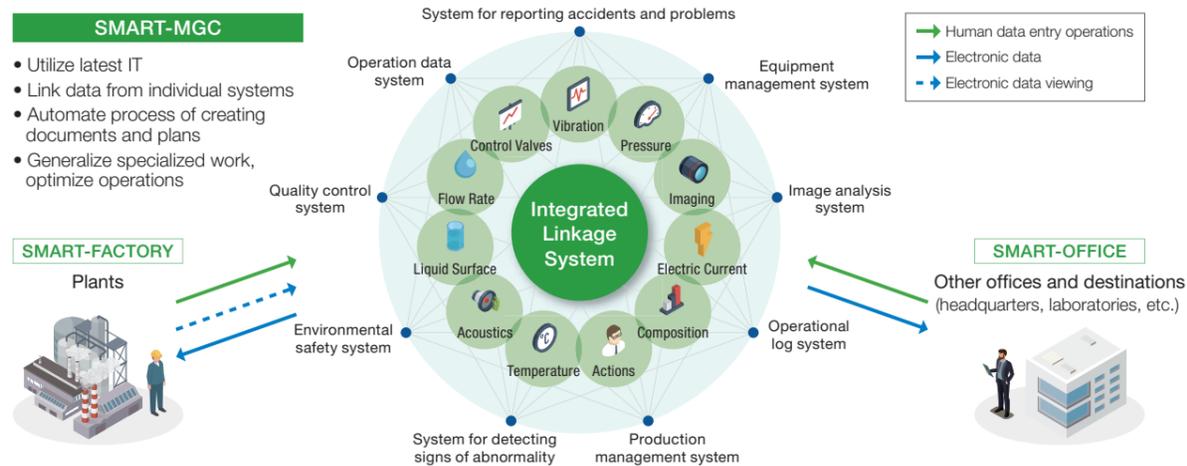
By focusing on reactions that are the starting point of chemistry, we have developed a variety of new technologies such as oxidation reactions, hydrogenation reactions and polymerization reactions. The development of catalysts for dramatically improving efficiency is also a pillar of our in-house technology. We are continuing to enhance our facilities and operating technologies for stable production of high-quality products manufactured using these in-house technologies.

We have endeavored to ensure the safety and stability of production activities through the technical improvement of processes and facilities, and will focus on initiatives

aimed at the realization of SMART-FACTORY to promote the utilization of DX technologies such as sensors, systems and mobile devices to realize an even higher level of stability.

With SMART-FACTORY, we will build a data management system that can be utilized in real time in any location by collecting information on all aspects of the condition of production facilities as digital data. This data is then utilized effectively for purposes such as the early detection of anomalies through the latest technology such as AI to achieve ultra-stable plants, and members of all divisions — including research and development, production management, equipment operation, facility maintenance, logistics management and business management — play a role in the Company's overall supply chain by utilizing this system with the aim of implementing SMART-MGC that will encompass the entire company.

Advance SMART-MGC Project



Production sites and major products

	Niigata Plant <ul style="list-style-type: none"> Methanol and ammonia derivatives Meta-xylenediamine (MXDA) MX-Nylon (MXD6) Biotechnology products
	Mizushima Plant <ul style="list-style-type: none"> Xylene isomers Meta-xylene derivatives Special aromatic products Polyols
	Yokkaichi Plant <ul style="list-style-type: none"> Hydrogen peroxide and other industrial chemicals, polyacetal resin Naniwa Plant: Plastic lens monomer Saga Plant: Super-pure hydrogen peroxide

	Kashima Plant <ul style="list-style-type: none"> Hydrogen peroxide Polycarbonate resin Optical polymer
	Yamakita Plant <ul style="list-style-type: none"> Hydrogen peroxide derivatives Persulfates Chemical polishing solution
	QOL Innovation Center Shirakawa <ul style="list-style-type: none"> MGC AGELESS Shirakawa Plant: Oxygen absorbers MGC Filsheet Shirakawa Plant: Polycarbonate sheet film MGC Farmix: Hydroponic vegetables using fully artificial light

Safe Operation

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 among both MGC employees and the employees of our partners.

With regard to occupational health and safety, and process safety and disaster prevention, each business site implements voluntary safety measures under its own initiatives, with LINK established as a Company-wide organization to strengthen and promote improvement activities.

The specific promotion system involves holding 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, as well as meetings of the LINK Leaders Conference, which discusses LINK activities at each workplace, multiple times each year. Furthermore, at environment and safety meetings, which are chaired by the President and held annually, activities are reviewed, plans for the following year are discussed, and the PDCA cycle is implemented to continuously enhance the level of activities.

In addition, MGC systematically maintains its facilities and is stepping up TPM*¹ (total productive maintenance) activities at production plants as an effective means of not only preventing accidents but also reducing equipment breakdowns and production downtime.

*1 TPM activities: activities that continuously improve productivity and contribute to profits by eliminating all types of losses that exist in production systems.

Safety Philosophy

Ensuring safety is the top priority of our business activities

Safety is the basis of our business activity and ensuring safety is our duty to society.

Occupational Health and Safety

In order to maintain zero occupational injuries, MGC regularly conducts training, drills, and occupational health and safety risk assessments. In addition, each workplace continuously engages in tasks such as 5S activities, hazard

prediction, and proposals for addressing Hiyari Hatto (near-miss) incidents to bolster day-to-day safety measures.

In 2020, Hiratsuka Research Laboratory and Kashima Plant received awards in accordance with internal rules.

Lost Time Injury Frequency Rate*²

	2015	2016	2017	2018	2019	2020
MGC	0.27	0	0	0.29	0	0.28
Partners	0.58	1.45	0.57	2.19	1.41	1.38
Chemical industry	0.81	0.88	0.81	0.90	0.94	0.28
Manufacturing industry	1.06	1.15	1.02	1.20	1.20	1.21

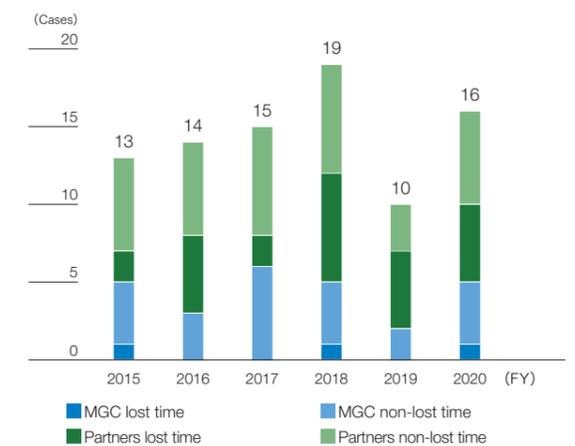
*2 Frequency rate: Number of occupational injury casualties per one million working hours

Lost Time Injury Severity Rate*³

	2015	2016	2017	2018	2019	2020
MGC	0.002	0	0	0.000	0	0.008
Partners	0.004	0.057	0.017	0.033	0.039	0.068
Chemical industry	0.040	0.030	0.090	0.060	0.020	0.110
Manufacturing industry	0.060	0.070	0.080	0.100	0.100	0.070

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

Safety Record (MGC and Partner Companies)



Received the Jury's Special Award at the Responsible Care (RC) Awards*⁴ Run by the Japan Chemical Industry Association



MGC was recognized for its “Chemical school (hands-on workshops for plant operators to gain chemical knowledge and develop safety skills)” activities to enhance the safety sensitivity of operators required for safe and stable operation of the Mizushima Plant, and received the Jury's Special Award at the 15th (2020) Responsible Care (RC) Awards from the Japan Chemical Industry Association. The Company will implement further RC activities to continue to achieve safe and stable production activities in the future.

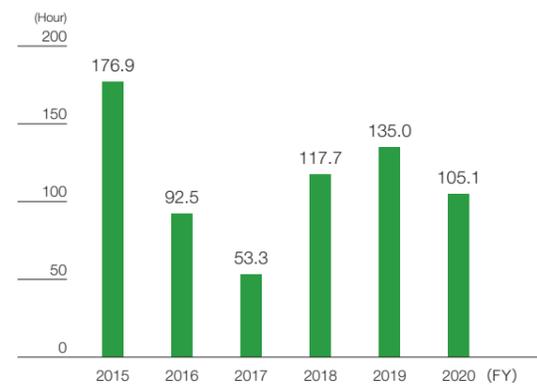
*4 An award granted to individuals or groups who contribute to the spread and promotion of RC activities.

Process Safety and Disaster Prevention

MGC set average unplanned down time per year per plant as a measure of success, and takes action to reduce equipment breakdowns and production suspensions. This indicator increased in fiscal 2018 and fiscal 2019, but decreased in fiscal 2020. Furthermore, the long-term trend is downward.

In fiscal 2021, 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



Quality Assurance

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 responsible for quality assurance in each organization, where we discuss and consider the Q-MGC implementation plan, audit plan, and education/support plan.

All plants have acquired ISO9001 certification, the international standard for quality management systems. In addition, there are divisions that have acquired FSSC22000 certification for food safety management systems and ISO13485 certification for medical device quality management systems.

Furthermore, MGC conducts quality audits on divisions closely related to quality, such as research and development, manufacturing, purchasing and logistics, and sales, while the quality assurance director and the audit team evaluate the Q-MGC implementation status of all divisions. The priority audit items of 2020 were (1) transmission of information relating to quality assurance, (2) agreement of product specifications, (3) quality assurance and management of contract manufactured products and purchase sales products, and (4) confirmation of the correction of quality complaints and problems.

• Subjects of Quality Audits

5 plants, 3 laboratories, Basic Chemicals Business Sector, Specialty Chemicals Business Sector, Advanced Business Development Division, and Purchasing & Logistics Division.

• Quality Audit Findings

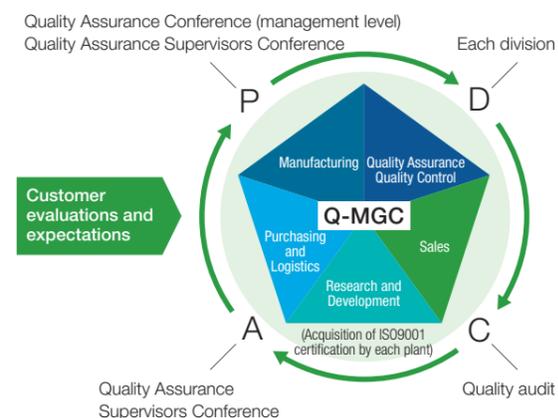
Full conformity (10 cases), non-conformity (1 case), opportunity for improvement (6 cases), comments (13 cases)
Note: Above organization names are the previous names used in fiscal 2020.



Quality audit making use of an online meeting platform

MGC Companywide Quality Management System: Q-MGC

In addition to plants that have been managed using ISO9001 mechanisms, all research and development, manufacturing, purchasing and logistics, and sales divisions will work together to apply the PDCA cycle of Q-MGC as a company-wide and cross-divisional activity for quality assurance in order to bring about continuous improvements.



Please refer to the Sustainability website for details on the MGC Quality Policy.
<https://www.mgc.co.jp/eng/csr/society/safety/quality.html>

Chemical Management

MGC clarifies the properties, safety, and handling methods of products (chemicals) in its capacity as a responsible supplier of chemicals, and conducts a variety of activities to ensure the health and safety of all people using them in addition to the environment.

Under its Safety Philosophy and Safe Behavior Guidelines, MGC's basic policy is to ensure the safe handling, use and disposal of chemical products. RC is implemented in all divisions in accordance with the MGC Group Policies on Environment and Safety, and improvements are continuously made by applying the PDCA cycle based on the RC management system.

Specific activities include implementation of 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 or not they come under applicable regulations, as well as according to their degree of hazard under standards such as GHS^{*5}, before preparing safety information such as

safety data sheets (SDSs). Based on these, we perform risk assessments (based on hazards of the substances themselves as well as 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. Hazard information is also provided for products aimed at overseas markets, via translated SDSs and other means.

*5 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, this information contributes to accident prevention and to protecting human health and the environment.

Flow of Safety Assessment and Supply of Product Information



Socially Responsible Sourcing

MGC has positioned increasing the level of CSR, including with regard to the environment, labor conditions and human rights, throughout the entire supply chain from procurement of raw materials to manufacturing and sale as a management materiality.

With the understanding and cooperation of our business partners, MGC shares its requirements through the "Basic Concepts Related to Raw Material Procurement

Activities" and "Mitsubishi Gas Chemical CSR Procurement Guidelines" to promote CSR procurement. We will continue to endeavor to build safe, legally compliant and environmentally friendly supply chains.

Please refer to the Sustainability website for details on the CSR Procurement Guidelines.
https://www.mgc.co.jp/eng/csr/society/pdf/MGC_CSR_Procurement_Guidelines_en.pdf

Basic Approach Related to Raw Material Procurement Activities

In order to realize the MGC Group Mission of "creating value to share with society," MGC complies with 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 transaction:** With fair and equitable free competition as our 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 by 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. Moreover, throughout the entire supply chain, we aim to contribute to societal growth and harmony, and seek to work together with our business partners.

Explanation of Strategy by Executive Officer in Charge

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

Director, Managing Executive Officer
In charge of Internal Control & Risk Management
Responsible for Administrative & Personnel, Finance & Accounting
In charge of Information Systems Division
Nobuhisa Ariyoshi



Immediately responding to environmental change while maintaining the autonomy of individuals and organizations

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

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

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

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

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

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

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

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

Basic Approach

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

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

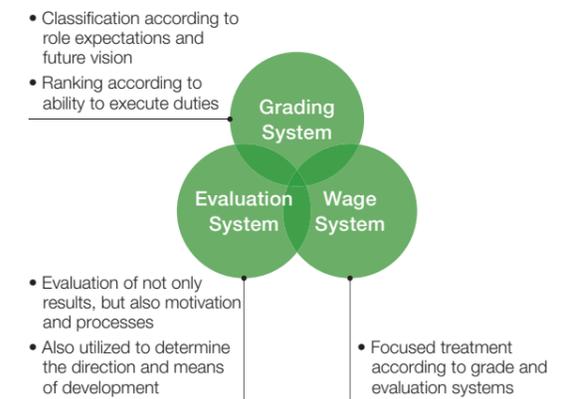
Through such initiatives, we accurately determine personnel information such as the skills and attributes of each employee, and conduct appropriate human resource management by ascertaining the direction and means of career formation and development of each person. Furthermore, we have established personnel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

Human Resource Development at MGC

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

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

Conceptual Diagram of Personnel System



Main Training Systems

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

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

Promotion of Work-Life Balance

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

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

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

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

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

Programs to Promote Work-Life Balance

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

COVID-19 and Work Style Reforms

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

rely on long work hours.

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

Respect for Human Rights



At MGC, we adhere to strict MGC Corporate Behavior Guidelines and the MGC Group Code of Conduct, which call for us to respect individual personality and human rights, while not discriminating on the basis of race, gender, nationality, age, religion, or place of origin, as well as not harming the dignity of others. Our Code of Conduct also stipulates that sexual harassment and power harassment are prohibited. These guidelines and codes—along with the four fundamental principles^{*2} of the International Labor Organization (ILO)—have also been communicated to our Group companies overseas. We work to reinforce these principles on a day-to-day basis through training sessions, internal communications, and Human Rights Week, and have also established a special consultation desk. Furthermore, we are engaged in the improvement of knowledge and the collection of

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

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

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

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

Mental and Physical Health Care

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

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

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

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

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

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

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

safety measures for travel.

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

Union and Labor-Management Relations

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

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

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

Communication with Stakeholders

Stakeholder Engagement

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

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

Promoting Diversity

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

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

Fiscal 2020 Diversity Promotion Activity Plan and Results

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

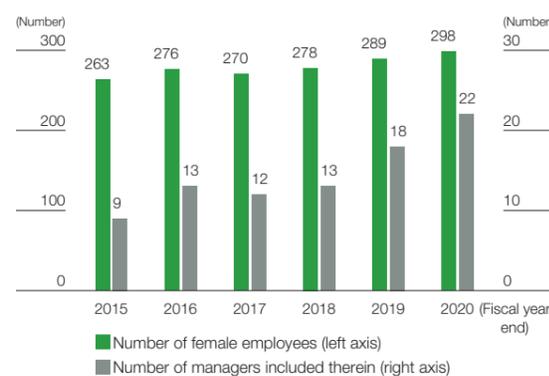
*4 Related to the two basic policies of "creating organizations" and "developing human resources"

Promoting Women's Empowerment

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

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

Female Employees and Managers (Non-consolidated)



Note: Numbers includes employees on outside assignment.

Corporate Governance

Basic Approach

MGC strives to operate effective corporate governance systems, and continuously reinforce and enhance those systems, in order to meet the expectations of all stakeholders, beginning with our shareholders.

Basic Policies

- (1) Ensure the rights of and equality among shareholders.
- (2) Engage in appropriate collaboration with shareholders and other stakeholders.
- (3) Conduct appropriate information disclosures and maintain transparency.
- (4) Properly carry out the responsibilities of the Board of Directors and other bodies.
- (5) Engage in constructive dialogue with shareholders.

Corporate Governance System

As a company with an Audit & Supervisory Board, MGC has, for the purpose of business execution, established an executive officer system that clearly separates management decision-making and supervisory functions from the business execution function. The Board of Directors decides basic management policies, matters relating to items stipulated by law and the Company's Articles of Incorporation, and other important management matters. The Board of Directors oversees the execution of business, while executive officers are responsible for directly managing business affairs. 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.

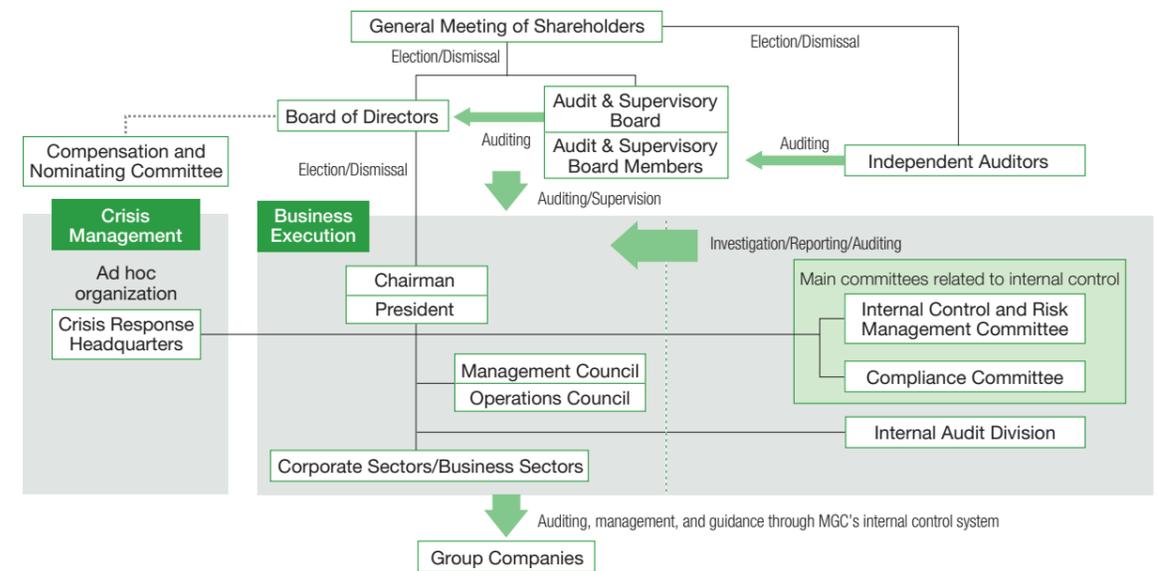
Matters to be discussed by the Board of Directors are stipulated in the Regulations of the Board of Directors. These include matters relating to the General Meeting of Shareholders; matters relating to Directors, other executive officers and the Board of Directors; matters relating to calculations, etc.; matters relating to shares, etc.; matters related to the execution of important business; other matters as stipulated by laws, regulations, and the Articles of Incorporation; and matters deemed necessary by the Board of Directors. Under the supervision of the Board of Directors, the management team conducts business in line with the company's management policies.

The Audit & Supervisory Board members also attend important meetings, such as those held by the Board of Directors and the Operations Council, conduct audits of each division and surveys of subsidiaries, and audit the execution of business. The members also monitor important decision-making processes and business execution in order to ensure reasonable decision making and compliance with the law and corporate norms.

Basic Information about Corporate Governance System

Organizational Format	Company with an Audit & Supervisory Board
Composition of the Board of Directors	Twelve (of which four are outside directors)
Directors' term of office	One year
Chair of the Board of Directors	Chairman
Establishment of a voluntary advisory committee	Compensation and Nominating Committee: six (Chairman, President, four outside directors)
Composition of the Audit & Supervisory Board	Four (of which two are outside Audit & Supervisory Board members)
Number of Independent Officers	Six
Business Execution System	Executive officer system
Composition of the Management Council	Eight (Chairman, President, six managing executive officers)
Composition of the Operations Council	Twenty-two (All executive officers including the Chairman and President)
Introduction of a Hostile Takeover Defense Plan	None

Corporate Governance and Risk Management Organization Chart



Assessing the Effectiveness of the Board of Directors

To assess the effectiveness of the Board of Directors in fiscal year 2020, we conducted a survey of the directors and Audit & Supervisory Board members regarding the Board of Directors as a meeting, as an organization, and from an overall perspective. The Board of Directors then held discussions based on the aggregate results and opinions that were received.

The final assessment was that lively discussions of important management and other issues, including matters related to CSR, are being held; that full reports on the status of execution of duties are being provided appropriately; and lastly, that effective supervision and sharing of information are taking place. While we recognize that the Board of Directors is performing at a certain level, we will continue to consider strategies to further improve the understanding of the outside directors and outside Audit & Supervisory Board members, as well as to encourage deeper discussion.

Going forward, we will also move ahead with any needed reviews, focusing on items where room for improvement has been identified.

Compensation and Nominating Committee

The Compensation and Nominating Committee functions both to determine executive officer compensation and to nominate and appoint key members of the management team. The majority of the committee is comprised of independent outside directors. The Board of Directors is responsible for appointing and dismissing key members of management, including the Chairman and President, and for nominating directors and Audit & Supervisory Board members. The Compensation and Nominating Committee is consulted prior to those matters being put before the Board of Directors for discussion, as is the case with decisions on policies regarding executive officer compensation and total annual amounts, and in determining allocation of those amounts.

Note that the appointment, dismissal and nomination of said officers are judged in light of certain selection criteria that include whether they have the appropriate internal and external work experience and knowledge for the position; whether they have the dignity and ethical values appropriate to their responsibilities; and whether they have violated any laws, the Articles of Incorporation, or company rules.

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 materials.

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

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

Information Sharing and Support Network for Audit & Supervisory Board Members

An employee not subject to instructions from directors is 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 office staff, request

explanations whenever necessary, and express opinions. These members also inspect important documents related to the execution of business and request explanations from directors and the office staff. They can also make use of specialists who are independent from the Company, such as attorneys, 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.

Introduction of Diverse Perspectives

MGC has developed a global business that ranges widely from basic chemicals to high-performance materials. Because our management decisions require a high degree of expertise, the Board of Directors as a whole strives to maintain a well-balanced diversity of knowledge, experience, and abilities, centered on those from within the Company who are deeply familiar with our business and management, with the addition of multiple independent directors who, representing the perspectives of shareholders and other stakeholders, provide advice and supervision.

The Company currently has 12 directors (of whom four are independent outside directors), which we believe to be

generally appropriate in size and effectiveness.

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 nominates as independent all outside officers who satisfy the requirements for being an independent officer.

Criteria Regarding Independence of Outside Officers

Candidates are deemed to qualify as an independent officer as long as none of the following apply:

1. If any of the following applies to the candidate:

- Has been a business execution manager^{*1} of the Group^{*2}.
- Is a major shareholder^{*3} of MGC or is or has been a business execution manager for a major shareholder company within the previous five years.
- Is or has been a business execution manager of an important business partner^{*4} within the previous five years.
- Has been dispatched from a company or organization that has established a relationship with the Group through the reciprocal appointment of outside officers.
- Works for or has worked for an auditing firm within the previous five years that has conducted a statutory audit of MGC.
- Provides or has provided consulting services other than statutory auditing to the Group within the previous three years, for which he or she has received high compensation.^{*5}

2. If any of the following applies to a close relation^{*6} of the candidate:

- Is or has been an important business execution manager^{*7} 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

Policies and Methods for Determining Compensation to Directors

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

Annual compensation consists of a fixed basic compensation based on the individual's position and responsibilities, and performance-based compensation that takes into account various indicators of the Company's performance. Compensation is divided into monthly installments and paid monthly, and a certain percentage is accumulated annually as a reserved retirement benefit to be paid at the time of retirement. This amount may be subject to reduction based on the individual's performance and other factors. Performance-based compensation is intended to be an incentive for overall Company performance, and is determined using indicators such as ordinary income, based on actual results, level of achievement, and so on. In addition, given the nature of the Company's business, in which each business reaches profitability through a variety of processes over many years — including research and development, manufacturing process development and market development — annual compensation consists primarily of basic compensation, with a general guideline of about 30% for performance-based compensation.

Restricted stock compensation is compensation paid to directors once each fiscal year in the form of grants of MGC stock; directors are granted a certain number of shares based on their positions and responsibilities. The purpose of restricting transfers of these shares and having recipients hold them for a certain period of time is to provide an incentive for sharing value with shareholders

and for working toward sustained growth of corporate value.

In addition to these forms of compensation, an amount that is considered appropriate may be paid as a bonus upon resolution of the General Meeting of Shareholders.

Note that outside directors, whose position is independent of business execution, are paid only fixed basic compensation.

Annual officer compensation is determined by the Board of Directors upon comprehensive consideration of Company performance, common standards and employee salary trends, and so forth, and after consultation with the Compensation and Nominating Committee. In addition, allocation of individual compensation is entrusted to the President by the Board of Directors, based on the determination that the President is the most suitable person to evaluate each director while having a high-level view of the Company as a whole. The President makes these decisions based on discussions regarding the allocation of compensation by the Compensation and Nominating Committee.

The above policies are decided upon by the Board of Directors after consultation with the Compensation and Nominating Committee, comprised of a majority of outside directors.

Compensation to Audit & Supervisory Board Members

Compensation to Audit & Supervisory Board members consists only of a fixed basic compensation amount within a range stipulated by the General Meeting of Shareholders, which is determined through deliberations by the Audit & Supervisory Board members.

Total Officer Compensation in Fiscal 2020

Position	Total Amount of Compensation (millions of yen)	Total Amount of Compensation by Type (millions of yen)			Number of People Receiving Compensation
		Basic	Performance	Restricted Stock	
Directors (excluding outside directors)	444	294	120	29	11
Audit & Supervisory Board Members (excluding outside Audit & Supervisory Board members)	53	53	—	—	3
Outside Officers	70	70	—	—	6
Total	567	418	120	29	20

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.

Directors



Toshikiyo Kurai
Representative Director, Chairman



Masashi Fujii
Representative Director, President



Masato Inari
Director, Managing Executive Officer
Responsible for Production
Technology
In charge of Environment Safety
& Quality Assurance Division,
Purchasing & Logistics Division



Nobuhisa Ariyoshi
Director, Managing Executive Officer
In charge of Internal Control &
Risk Management
Responsible for Administrative &
Personnel, Finance & Accounting
In charge of Information Systems
Division



Kenji Kato
Director, Managing Executive Officer
Responsible for Research &
Development
In charge of Intellectual Infrastructure
Center



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



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



Motoyasu Kitagawa
Director, Managing Executive Officer
In charge of Compliance
Responsible for Corporate Planning
In charge of Internal Audit Division,
CSR & IR Division



Tsugio Sato
Outside Director
Independent



Haruko Hirose
Outside Director
Independent



Toru Suzuki
Outside Director
Independent



Yasushi Manabe
Outside Director
Independent

Audit & Supervisory Board Members



Takashi Kimura
Outside Audit & Supervisory
Board Member
Independent



Masamichi Mizukami
Audit & Supervisory Board Member



Kenji Inamasa
Audit & Supervisory Board Member



Yasuomi Matsuyama
Outside Audit & Supervisory
Board Member
Independent

Independent Independent officer as stipulated in Rule 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange

Risk Management

Basic Approach

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.

While MGC's business primarily centers on manufacturing, we identify and evaluate risks associated with business execution beyond just manufacturing inherent in our operations and internal control systems. We then take appropriate measures. In the event that 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



Business and Other Risks (as of June 25, 2021)

MGC Group defines "risk" as possibilities or hazards that, if they were to manifest, could inflict economic losses on MGC due to human casualties, property damage, reputational damage, opportunity losses or other such detriments. The Group has built a risk management regime designed for both routine and exigent circumstances. Specifically, it has established Basic Rules on Internal Control & Risk Management, formulated risk management/mitigation policies and established an Internal Control & Risk Management Committee chaired by the officer in charge of internal control and risk management as a decision-making body that reports directly to the president. The committee makes decisions on matters related to risk management policies, initiatives and plans; matters related to business and operational risk management and guidance, direction and oversight incidental thereto; and matters related to guidance, direction and oversight related to business continuity planning. Additionally, it periodically reports to the Board of Directors on the state of risk management.

The main foreseeable risks that could affect the Group's business results, share price, or financial condition are enumerated from 1) through 11) below. They are all

Risk Management of Group Companies

While MGC's approach is based on having Group companies autonomously manage their own risk management activities, MGC also surveys and exchanges information on the status of each company's efforts, while asking them to further enhance their risk management. Further, MGC divisions in charge of each company 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 Business Continuity Plans

Business divisions responsible for important products and projects at MGC formulate business continuity plans (BCP). To fulfill their obligation to supply core materials that have a significant impact on customers, each business division implements disaster prevention and mitigation countermeasures to ensure business is not suspended in the event of a risk arising, or that the impact of such suspension is kept to a minimum. They also develop manuals and other materials to ensure a reliable, prompt recovery in the event that the requirements for business continuity are lost, regardless of the cause. Specifically, these include implementing plans according to the nature of each product and business 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.

risks that the Group deems to be a realistic possibility, though specifics such as the degree and timing of their manifestation and their impacts are impossible to estimate as of the company's annual securities report's filing date (June 25, 2021) (however, they do not necessarily include every risk to which the Group is exposed).

From a medium-term perspective, MGC Group considers mitigation of risks stemming from climate change to be a key management issue with business-continuity implications. Climate-change-induced amplification of the magnitude of natural disasters such as anomalous weather events, typhoons and flooding may disrupt MGC Group manufacturing sites' operations and/or adversely affect product distribution or supply chains. The Group may have to globally deal with fuel or raw material cost inflation, imposition of carbon taxes as a climate-change mitigation measure and/or demands to install additional equipment to reduce environmental impacts.

Initiatives launched by MGC Group to address climate change include the following. In May 2019, the Group endorsed the Task Force on Climate-Related Financial Disclosure's recommendations. It has established an

internal Climate change Action Technical committee that discusses and assesses risks and opportunities posed to the Group by climate change. The committee's assessments are reviewed and approved by a CSR Council comprised of directors and chaired by MGC's president. In addition to mitigating risks due to climate change through analyses based on +2°C and +4°C scenarios, the Group will strengthen its resilience to be better able to transform risks into business opportunities.

Issues around disposal and reuse of post-use plastics, most notably marine plastic pollution, are gaining recognition globally. MGC Group places priority on recycling and circularity. It is developing recycling technologies, easily recyclable materials and compostable bioplastics. Other such initiatives include collecting and recycling waste materials generated when customers use its products and actively participating in similar initiatives led by industry organizations.

① Endogenous Business Risks

<p>Nature of Risk MGC Group is mainly a manufacturer. With many of its products used as raw materials, intermediate goods or pharmaceutical inputs in customers' business activities, its sales are sensitive to economic conditions in the countries and regions where its customers' products are sold. In particular, market-priced commodities such as methanol, methanol derivatives, general-purpose aromatic chemicals and polycarbonate resins are generally prone to declines in unit sales and sales prices during economic downturns. Such products' economic sensitivity could adversely affect the Group's operating results and/or financial condition.</p> <p>In specialty and high-value-added product markets, the Group competes on multiple dimensions, including price, quality, functionality, delivery time and customer service. Intensification of competition due to, for example, the advent</p>	<p>of products offering alternative functionality, could adversely affect the Group's operating results and/or financial condition. For example, electronic materials supplied mainly to the electronics industry typically have a short product lifecycle and are constantly exposed to competition through technological innovation. The Group's sales consequently could decline as a result of existing products' obsolescence or product development delays. Additionally, some of the Group's products are sold to only a limited number of customers. If one customer stops using such a product, the Group's sales could decrease.</p> <p>MGC Group externally sources electric power and raw materials like xylene. Its manufacturing operations could be disrupted if a required input were to become unavailable. Its operating results and/or financial condition could be adversely affected by a sharp rise in input prices also.</p>
<p>Main Risk Mitigation Measures MGC Group endeavors to develop new markets and businesses in addition to conducting basic and applied research to develop new products and manufacturing processes and improve existing ones. Other risk mitigation measures include close communication and collaboration, inclusive of R&D, with customers, use of long-term supply contracts with both suppliers and customers, and sourcing of raw materials and other inputs from multiple suppliers.</p>	

② Overseas Business Risk

<p>Nature of Risk MGC Group has subsidiaries and manufacturing and sales operations in Asia, North America, South America, the Middle East and elsewhere. Depending on country-specific conditions, such overseas operations and even dividend remittances from overseas subsidiaries could be disrupted by political instability or societal or economic turmoil due to a natural disaster, war, infrastructure</p>	<p>failure, a widespread infectious disease outbreak or other unforeseeable circumstances. Other risks that could adversely affect the Group's operating results and/or financial condition include problems due to differences in legal systems, investment restrictions imposed by foreign governments, nationalization or expropriation of assets, and personnel or labor issues.</p>
<p>Main Risk Mitigation Measures To respond to overseas risks as effectively and expeditiously as possible, MGC Group endeavors to gather information from various sources, including locally stationed expat personnel, joint venture partners, attorneys and government authorities.</p>	

③ Joint Venture Risk

<p>Nature of Risk MGC Group has numerous manufacturing joint ventures in not only Japan but also foreign countries such as Saudi Arabia, Venezuela, Thailand, China, South Korea, and Trinidad and Tobago. It sources and sells products such as methanol and engineering plastics through its JVs. The Group's joint venture</p>	<p>partners are not under the control of the Group. There is consequently no assurance they will make decisions in the best interests of the Group or even the joint ventures themselves. In the event of a joint venture's dissolution or other such circumstances, the Group's operating results and/or financial condition could be adversely affected.</p>
<p>Main Risk Mitigation Measures MGC Group seeks to maintain and further improve good communication, share targets and objectives and maintain relationships with its joint venture partners while mitigating risks through joint venture agreements and other operational agreements.</p>	

④ Product Quality Risk

<p>Nature of Risk MGC Group manufactures many products that are used as raw materials, intermediate goods or pharmaceuticals in customers' business activities and that conform to specifications agreed upon with the customer. However, if it sells a qualitatively defective product, it may have to compensate</p>	<p>customers that used the defective product, end-product users and/or other parties for not only direct damages but also opportunity losses. Its societal reputation also may be impaired. In such an event, the Group's operating results and financial condition could be adversely affected.</p>
<p>Main Risk Mitigation Measures Even though most MGC Group manufacturing sites operate in conformance with globally recognized quality control standards, the Group has liability insurance coverage that includes product liability insurance as a precaution against risk. Other means by which the Group mitigates risk include explicitly limiting the scope of its liability as necessary in agreements with customers.</p>	

⑤ Natural Disaster and Accident Risks

<p>Nature of Risks MGC Group has numerous manufacturing sites in Japan and elsewhere. Their production activities could be disrupted by earthquakes, storms, flooding or other natural disasters, war, terrorism, civil unrest, labor actions, communication infrastructure failures, widespread outbreaks of infectious diseases such as COVID-19, equipment malfunctions, human error or other unforeseeable circumstances. Given that MGC Group handles hazardous chemical substances on a daily basis, it cannot completely eliminate the possibility of explosions, fires, toxic</p>	<p>gas leaks or other accidents that damage production facilities, harm employees, inflict losses on neighboring property owners or customers, pollute the environment or otherwise inflict damages. Additionally, many MGC Group manufacturing sites have multiple production facilities that share utilities such as electricity, water and steam. Interruption of utility service to a manufacturing site consequently could shut down the site's entire production operations. In such an event, the Group's operating results and/or financial condition could be adversely affected.</p>
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<p>Main Risk Mitigation Measures While pursuing continuous improvement based on an environmental safety management system, MGC Group diligently strives to upgrade its safety and disaster preparedness regime through better risk assessment and thorough safety training. In addition to of course endeavoring to properly maintain and stably operate its manufacturing facilities, the Group also formulates business continuity plans and builds redundancy into its network of production sites, including overseas. Additionally, the Group mitigates risk with broad insurance coverage that includes fire, business interruption, oil pollution and liability insurance.</p> <p>In response to the COVID-19 pandemic, MGC Group swiftly set up a Crisis Response Headquarters and has been expeditiously implementing anti-pandemic measures. Even now, it continues to refine its plants and other workplaces' anti-pandemic measures customized to specific operations on a workplace-by-workplace basis to ensure the safety of its stakeholders, particularly its employees and their families and its customers. Specific measures include proactively using online videoconferencing throughout the Group to reduce opportunities for contagion, allowing head office staff and other employees to work from home and repeatedly adjusting on-site staffing in response to changing infection rates.</p>	
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⑥ Information Security Risk

<p>Nature of Risk MGC Group possesses confidential and personal information required for its business activities and uses various information systems in its operations amid ongoing digitalization of its businesses. In the event of a leak</p>	<p>of such information, an information system failure, a cyberattack, fraud committed by a malicious third-party or other such event, the Group's business activities and/or operating results could be adversely affected.</p>
<p>Main Risk Mitigation Measures MGC Group has established an information security regime and internal regulations based on various guidelines and educates its employees to increase their information-security literacy. It also conducts ongoing initiatives to ensure the adequacy of and upgrade its information security.</p>	

⑦ Investment Risk

<p>Nature of Risk MGC Group invests in capital assets and R&D to grow its businesses and increase its competitiveness. In doing so, it focuses its efforts on strengthening existing businesses and developing new businesses aligned with prospective market needs. The Group also invests and intends to continue investing in business expansion in Japan and overseas through such means as establishing or co-</p>	<p>founding new companies, including joint ventures, and acquiring existing companies. If the Group fails to earn adequate returns on such investments or incurs impairment losses on non-current assets, securities valuation losses or equity-method investment losses, its operating results and/or financial condition could be adversely affected.</p>
<p>Main Risk Mitigation Measures MGC Group has established and carries out internal investment screening procedures and performs additional due diligence as warranted by the nature of the prospective investment. Additionally, involved organizational units endeavor to devise appropriate risk mitigation measures.</p>	

⑧ Currency Risk

<p>Nature of Risk Export, import, and other transactions denominated in foreign currencies could adversely affect the Group's operating results and/or financial condition, including by reducing sales revenues or exacerbating losses, as a result of exchange rate movements.</p>	<p>Additionally, financial statement accounts denominated in overseas MGC Group subsidiaries' local currencies are translated into yen to prepare MGC's consolidated financial statements. Such currency translation could adversely affect the Group's operating results and/or financial condition depending on then-prevailing exchange rates.</p>
<p>Main Risk Mitigation Measures MGC Group partially hedges currency risk associated with foreign-currency receivables and payables, mainly using currency forward contracts, in accord with internal regulations.</p>	

⑨ Financing and Interest Rate Risks

<p>Nature of Risks MGC Group partially meets its financing needs by borrowing from financial institutions. In the event of a precipitous change in the financial environment, the Group's operating results and/or financial condition could be adversely</p>	<p>affected, including by inability to access funding or increased interest expense due to a rise in interest rates.</p>
<p>Main Risk Mitigation Measures MGC Group strives to maintain adequate financial soundness as measured by indicators such as debt/equity ratio and shareholders' equity ratio. It also endeavors to optimize its mix of fixed- and variable-rate debt and maintain healthy, favorable relationships with financial institutions and other sources of capital.</p>	

⑩ Compliance Risk

<p>Nature of Risk MGC Group handles toxic and otherwise hazardous chemical substances, including high-pressure gases, as an inherent aspect of its operations. As such, it is globally subject to various legal and regulatory restrictions at every stage from manufacturing to storage, distribution and sales. If the Group</p>	<p>were to fail to comply with said legal restrictions or any other law or regulation or societal norm, its operating results and/or financial condition could be adversely affected by resultant criminal, civil or administrative liability, remediation costs, social sanctions or reputational damage.</p>
<p>Main Risk Mitigation Measures In addition to establishing specialized organizational units to oversee environmental and other regulatory compliance, the Group has built a compliance regime, including an internal whistleblowing system, and endeavors to fully comply with laws and regulations. It also implements various measures to foster a general compliance consciousness among its personnel.</p>	

⑪ Litigation Risk

<p>Nature of Risk In the event of an unfavorable outcome to litigation or other legal proceedings brought against MGC Group in connection with its domestic or overseas operations, the Group's operating results and/or financial condition could be adversely affected. For example, the Group seeks to protect its intellectual</p>	<p>property through such means as applying for and obtaining patents in Japan and overseas. It also endeavors to avoid infringing on other parties' rights. However, if litigation pertaining to intellectual property rights was to be decided against MGC, the Group's operating results and/or growth could be adversely affected.</p>
<p>Main Risk Mitigation Measures MGC Group endeavors to not only comply with all laws and regulations applicable to its operations but also avoid disputes through such means as researching other parties' rights and drafting proper agreements that explicitly delineate rights and obligations with the assistance of attorneys and other expert advisors.</p>	

Basic Approach

MGC has put in place, and is working to strengthen, a system for practicing compliance with the aim of earning the trust and understanding of the community.

MGC 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 developments in society at large.

MGC 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.

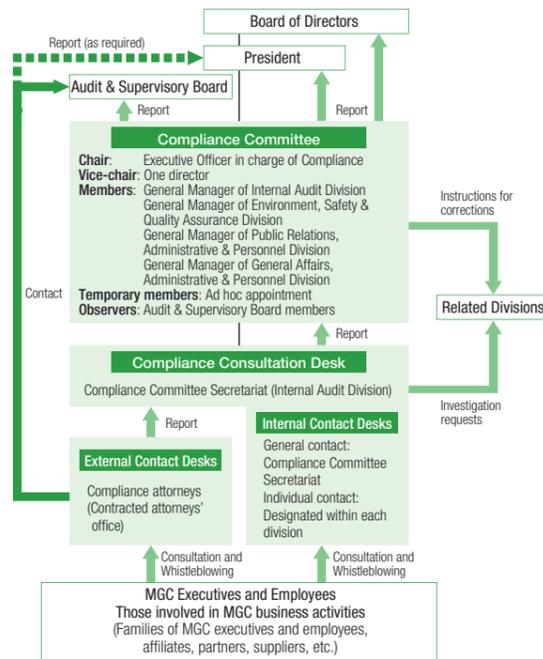
The results of the activities of this committee, which include the investigation and recognition of violations and the formulation, deliberation, and recommendation of corrective and preventive measures, are reported to the President, the Board of Directors, and the Audit & Supervisory Board, with compliance violations being dealt 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, after investigating the relevant facts, determines any required corrective action or measures to prevent a recurrence. 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.

MGC Compliance Structure



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 calling for the renewed promotion of compliance.

Compliance education is also included in grade-specific training, 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 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, as well as 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, as well as also checking the final customer, destination, and use.

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

Financial Information

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Consolidated Financial and Non-Financial Summary

Fiscal year period: April 1 to March 31

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2020
Operating results (Millions of yen)												(Thousands of U.S. dollars)*3
Net sales	¥ 451,033	452,217	467,979	534,443	529,570	593,502	556,480	635,909	648,986	613,344	595,718	\$ 5,380,887
Operating income	23,363	9,083	11,421	11,488	14,996	34,018	43,762	62,741	41,386	34,260	44,510	402,041
Ordinary income	36,394	26,116	27,651	30,804	42,000	45,432	62,430	80,711	69,199	31,116	50,240	453,798
Profit (loss) attributable to owners of the parent	18,950	12,327	(7,793)	14,921	43,346	34,134	48,013	60,531	55,000	21,158	36,070	325,806
Equity in earnings of affiliates	17,873	20,532	19,045	20,466	27,895	16,683	21,125	18,277	28,408	(1,282)	5,162	46,626
Financial position (Millions of yen)												(Thousands of U.S. dollars)*3
Current assets	¥ 244,522	254,037	261,397	287,642	372,166	341,237	326,674	384,249	378,845	358,669	402,141	\$ 3,632,382
Total assets	577,045	595,250	613,908	657,838	790,784	739,582	738,188	785,687	804,038	771,733	836,364	7,554,548
Current liabilities	182,527	193,464	195,438	178,897	225,068	214,676	188,426	206,835	188,420	163,574	167,947	1,516,999
Net assets	288,257	292,111	294,895	323,858	422,851	423,135	473,370	519,144	553,282	548,141	581,411	5,251,657
Interest-bearing debt	182,679	185,185	182,644	204,489	215,614	181,427	118,713	106,964	95,751	74,713	98,476	889,495
Cash flows (Millions of yen)												(Thousands of U.S. dollars)*3
Operating activity cash flow	¥ 39,773	37,348	31,169	27,182	76,982	84,671	82,711	90,720	64,042	74,234	55,464	\$ 500,985
Investing activity cash flow	(24,626)	(37,274)	(30,818)	(29,883)	(23,531)	(31,922)	(31,119)	(33,614)	(42,761)	(33,922)	(40,370)	(364,646)
Financing activity cash flow	(1,849)	(9,876)	(14,356)	7,124	(25,005)	(47,335)	(60,217)	(33,038)	(31,396)	(49,563)	5,154	46,554
Total cash and cash equivalents at end of year	46,768	35,701	26,907	37,310	72,678	75,828	67,177	90,304	80,379	70,043	91,075	822,645
Per share data (Yen)												U.S. dollars*3
Earnings per share (EPS)*1	¥ 83.85	54.56	(34.50)	66.07	191.94	153.85	221.83	281.39	257.46	100.50	173.41	\$ 1.57
Net assets per share*1	1,230.50	1,246.92	1,256.81	1,382.52	1,672.25	1,707.01	1,967.94	2,187.99	2,354.25	2,368.11	2,520.34	22.77
Ratios (%)												
Operating income margin	5.2	2.0	2.4	2.1	2.8	5.7	7.9	9.9	6.4	5.6	7.5	7.5
Return on equity (ROE)	6.9	4.4	(2.8)	5.0	12.6	9.0	12.0	13.6	11.3	4.3	7.1	7.1
Return on assets (ROA)	6.5	4.5	4.6	4.8	5.8	5.9	8.4	10.6	8.7	3.9	6.2	6.2
Return on invested capital (ROIC)	8.0	5.5	5.8	6.1	7.2	7.3	10.4	13.2	10.9	4.9	7.7	7.7
Equity ratio	48.2	47.3	46.2	47.5	47.8	51.0	57.5	59.5	62.6	63.8	62.7	62.7
Others												(Thousands of U.S. dollars)*3
Capital expenditure (millions of yen)	¥ 35,400	42,423	30,982	25,409	22,226	30,512	35,010	30,959	39,279	42,389	40,282	\$ 363,852
Depreciation and amortization (millions of yen)	28,950	27,763	23,096	23,528	23,770	26,705	25,631	27,027	27,451	29,591	30,686	277,175
Research and Development cost (millions of yen)	16,380	17,449	15,332	16,122	16,873	18,936	19,267	18,987	18,607	19,696	19,905	179,794
Number of employees	4,979	5,216	5,323	5,445	8,254	8,176	8,034	8,009	8,276	8,954	8,998	8,998
Work-life Balance (MGC alone)												
Ratio of taking annual leave (union members) (%)	83.5%	83.6%	86.7%	87.6%	91.0%	91.0%	86.0%	90.3%	91.0%	95.7%	85.3%	85.3%
Average overtime per month (union members) (hours)	13.0	13.0	13.2	12.9	13.0	13.4	13.8	14.1	13.8	13.2	12.6	12.6
Environmental Management												
GHG emissions*2 (kt-CO ₂ -e)	1,278	1,312	1,341	1,106	1,085	1,082	1,006	1,355	1,401	1,371	1,363	1,363
Calculated value added of GHG emissions intensity (100 million yen/kt CO ₂ -e)	-	-	-	-	-	-	-	1.26	1.20	1.18	1.15	1.15
Lost-time injury frequency rate (MGC alone)	0.28	0.54	0.80	0	0	0.27	0	0	0.29	0	0.28	0.28
Lost-time injury severity rate (MGC alone)	0.007	0.006	0.011	0	0	0.002	0	0	0.000	0	0.008	0.008

*1 With and 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 amount per share in the above table are calculated assuming that the reverse stock split had been conducted at the beginning of FY2010.

*2 Including domestic consolidated subsidiaries from FY2015 and overseas consolidated subsidiaries from FY2017. Others on a non-consolidated basis.

*3 U.S. dollar amounts are translated from yen, for convenience only, at the approximate rate of ¥110.71= US\$1 prevailing on March 31, 2021.

Consolidated Financial Statements

Consolidated Balance Sheet

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Assets			
Current assets:			
Cash and deposits	¥ 101,785	¥ 78,227	\$ 919,384
Notes and accounts receivable – trade	159,018	141,279	1,436,347
Securities	269	3,514	2,430
Inventories	121,275	114,797	1,095,430
Other	20,209	21,975	182,540
Less allowance for doubtful receivables	416	1,124	3,758
Total current assets	402,141	358,669	3,632,382
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	234,992	220,252	2,122,591
Machinery, equipment and vehicles	501,700	484,798	4,531,659
Land	40,774	41,109	368,296
Leased assets	3,429	2,611	30,973
Construction in progress	24,766	23,113	223,702
Other	53,054	51,266	479,216
	858,718	823,151	7,756,463
Less accumulated depreciation	608,786	583,313	5,498,925
Total property, plant and equipment	249,931	239,838	2,257,529
Intangible assets, net:			
Goodwill	4,914	5,293	44,386
Leased assets	5	0	45
Software	2,456	2,251	22,184
Other	3,123	3,052	28,209
Total intangible assets	10,499	10,597	94,833
Investments and other assets:			
Investment securities	158,718	149,158	1,433,637
Long-term loans receivable	5,012	3,153	45,271
Deferred tax assets	3,145	3,482	28,408
Net defined benefit asset	1,396	974	12,610
Other investments and other assets	6,064	6,500	54,774
Less allowance for doubtful receivables	545	640	4,923
Total investments and other assets	173,792	162,628	1,569,795
Total non-current assets	434,223	413,063	3,922,166
Total assets	¥ 836,364	¥ 771,733	\$ 7,554,548

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable - trade	¥ 75,308	¥ 70,776	\$ 680,228
Short-term borrowing and current installments of long-term borrowing	40,087	43,980	362,090
Lease obligations	543	429	4,905
Accrued expenses	20,225	18,008	182,684
Income taxes payable	5,809	5,539	52,470
Provision for bonuses	5,770	5,616	52,118
Other	20,201	19,225	182,468
Total current liabilities	167,947	163,574	1,516,999
Non-current liabilities:			
Long-term borrowing	56,202	29,043	507,651
Lease obligations	1,643	1,260	14,841
Retirement benefit liability	7,150	9,333	64,583
Provision for directors' retirement benefits	217	433	1,960
Deferred tax liabilities	11,828	9,200	106,838
Asset retirement obligations	5,113	3,560	46,184
Other	4,850	7,183	43,808
Total non-current liabilities	87,006	60,016	785,891
Total liabilities	254,953	223,591	2,302,890
Stockholders' equity:			
Common stock:			
Authorized 492,428,000 shares; issued 225,739,199 shares in 2021 and 2020	41,970	41,970	379,099
Additional paid-in capital	34,301	34,234	309,827
Retained earnings	459,790	439,701	4,153,103
Treasury stock, at cost; 17,726,057 and 17,758,765 shares in 2021 and 2020	(21,562)	(21,600)	(194,761)
Total stockholders' equity	514,499	494,306	4,647,268
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	14,419	7,789	130,241
Deferred (losses) gains on hedges	(618)	4	(5,582)
Foreign currency translation adjustments	(3,542)	(6,701)	(31,993)
Remeasurements of defined benefit plans	(494)	(2,877)	(4,462)
Total accumulated other comprehensive income	9,765	(1,785)	88,203
Non-controlling interests	57,146	55,619	516,177
Total net assets	581,411	548,141	5,251,657
Total liabilities and net assets	¥ 836,364	¥ 771,733	\$ 7,554,548

Consolidated Statement of Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net sales	¥ 595,718	¥ 613,344	\$ 5,380,887
Cost of sales	454,760	481,950	4,107,669
Gross profit	140,958	131,394	1,273,218
Selling, general and administrative expenses	96,448	97,133	871,177
Operating profit	44,510	34,260	402,041
Other income (expenses):			
Interest income	362	565	3,270
Dividend income	2,391	2,226	21,597
Rental income	1,424	1,551	12,862
Interest expenses	(800)	(968)	(7,226)
Share of profit (loss) of entities accounted for using equity method	5,162	(1,282)	46,626
Gain on sale of investments in securities	1,800	2,676	16,259
Rent expenses	(1,396)	(1,628)	(12,610)
Loss on valuation of investments in securities	(107)	(939)	(966)
Provision for loss on liquidation of subsidiaries and associates	—	(1,098)	—
Personnel expenses for seconded employees	(1,368)	(1,512)	(12,357)
Loss on tax purpose reduction entry of non-current assets	—	(5,652)	—
Gain on sale of non-current assets	257	859	2,321
Loss on sale/disposal of non-current assets	(1,461)	(1,803)	(13,197)
Impairment loss	(1,695)	(381)	(15,310)
Loss from money transfer scam at subsidiary	(984)	—	(8,888)
Loss on withdrawal from business	(287)	—	(2,592)
Loss on liquidation of subsidiaries	(242)	—	(2,186)
Other, net	1,388	7,470	12,537
Total other income (expenses)	4,441	82	40,114
Profit before income taxes	48,951	34,343	442,155
Income taxes:			
Current	10,180	8,373	91,952
Deferred	(611)	1,482	(5,519)
Total income taxes	9,568	9,855	86,424
Profit	¥ 39,383	¥ 24,487	\$ 355,731
Profit attributable to non-controlling interests	3,312	3,329	29,916
Profit attributable to owners of parent	¥ 36,070	¥ 21,158	\$ 325,806

Consolidated Statement of Comprehensive Income

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Profit	¥ 39,383	¥ 24,487	\$ 355,731
Other comprehensive income arising during the year:			
Valuation difference on available-for-sale securities	6,737	(5,172)	60,853
Deferred (losses) gains on hedges	(24)	3	(217)
Foreign currency translation adjustments	3,036	(3,431)	27,423
Remeasurements of defined benefit plans	2,829	(3,386)	25,553
Shares of other comprehensive income of entities accounted for by the equity method	1,137	1,488	10,270
Total other comprehensive income arising during the year	13,718	(10,498)	123,909
Comprehensive income	¥ 53,101	¥ 13,988	\$ 479,641
Comprehensive income attributable to:			
Owners of the parent	¥ 49,213	¥ 11,884	\$ 444,522
Non-controlling interests	3,887	2,104	35,119

Consolidated Statement of Cash Flows

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 48,951	¥ 34,343	\$ 442,155
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	30,686	29,591	277,175
Loss on sale/disposal of property, plant and equipment	1,165	778	10,523
Impairment loss	1,695	381	15,310
Loss on tax purpose reduction entry of non-current assets	—	5,652	—
Share of profit (loss) of entities accounted for using equity method	(5,162)	1,282	(46,626)
(Decrease) increase in allowance for doubtful receivables	(773)	187	(6,982)
Increase (decrease) in net defined benefit liability	609	(48)	5,501
Decrease in provision for directors' retirement benefits	(184)	(245)	(1,662)
Decrease in provision for loss on guarantees	—	(2,358)	—
Interest and dividend income	(2,754)	(2,791)	(24,876)
Interest expenses	800	968	7,226
Gain on sale of short-term investments and investments in securities	(1,766)	(2,682)	(15,952)
Loss on devaluation of short-term investments and investments in securities	347	762	3,134
(Increase) decrease in trade notes and accounts receivable	(16,283)	19,048	(147,078)
(Increase) decrease in inventories	(5,527)	5,694	(49,923)
Increase (decrease) in trade notes and accounts payable	2,687	(13,799)	24,271
Other, net	(1,271)	(8,347)	(11,480)
Sub total	53,221	68,416	480,724
Interest and dividend received	2,725	2,755	24,614
Dividend received from entities accounted for using equity method	3,577	10,693	32,310
Interest paid	(791)	(1,030)	(7,145)
Loss from money transfer scam at subsidiary	(984)	—	(8,888)
Income taxes paid	(9,259)	(7,173)	(83,633)
Other, net	6,975	572	63,002
Net cash provided by (used in) operating activities	55,464	74,234	500,985
Cash flows from investing activities:			
Capital expenditures	(38,234)	(43,453)	(345,353)
Proceeds from sale of property, plant and equipment	805	1,144	7,271
Proceeds from sale of investment securities	4,951	4,702	44,720
Purchase of investments in securities and subsidiaries	(4,619)	(1,544)	(41,722)
Loan advances	(4,375)	(731)	(39,518)
Proceeds from collection of loans receivable	429	398	3,875
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	5,810	—
Other, net	672	(248)	6,070
Net cash provided by (used in) investing activities	(40,370)	(33,922)	(364,646)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowing	967	(14,927)	8,735
Proceeds from long-term borrowing	17,508	8,697	158,143
Payments on long-term borrowing	(5,886)	(15,768)	(53,166)
Proceeds from issuance of bonds	20,000	—	180,652
Redemption of bonds	(10,000)	—	(90,326)
Purchase of treasury stock	(4)	(8,733)	(36)
Proceeds from sale of treasury stock	0	—	0
Dividends paid to stockholders	(14,559)	(14,861)	(131,506)
Dividends paid to non-controlling interests	(1,906)	(1,890)	(17,216)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(396)	(1,208)	(3,577)
Other, net	(568)	(870)	(5,131)
Net cash provided by (used in) financing activities	5,154	(49,563)	46,554
Effect of exchange rate changes on cash and cash equivalents	698	(1,342)	6,305
Increase (decrease) in cash and cash equivalents	20,947	(10,594)	189,206
Cash and cash equivalents at beginning of year	70,043	80,379	632,671
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	84	258	759
Cash and cash equivalents at end of year	¥ 91,075	¥ 70,043	\$ 822,645

Consolidated Statement of Changes in Net Assets

Mitsubishi Gas Chemical Company, Inc. and Consolidated Subsidiaries
For the year ended March 31, 2021

	Millions of yen												
	Stockholders' equity					Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total	Valuation difference on available-for-sale securities	Deferred (losses) gains on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total		
Balance as of April 1, 2019	¥ 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)
Balance as of March 31, 2020	¥ 41,970	¥ 34,234	¥ 439,701	¥ (21,600)	¥ 494,306	¥ 7,789	¥ 4	¥ —	¥ (6,701)	¥ (2,877)	¥ (1,785)	¥ 55,619	¥ 548,141
Changes arising during year:													
Cash dividends			(14,559)		(14,559)								(14,559)
Profit attributable to owners of parent			36,070		36,070								36,070
Purchase of treasury stock				(4)	(4)								(4)
Disposition of treasury stock		14		42	57								57
Change in scope of consolidation			(3)		(3)								(3)
Change in scope of equity method			(1,418)		(1,418)								(1,418)
Change in treasury stock of parent arising from transactions with non-controlling interests		51			51								51
Net changes other than stockholders' equity						6,630	(622)	—	3,159	2,382	11,550	1,526	13,077
Total changes during the year	—	66	20,088	37	20,192	6,630	(622)	—	3,159	2,382	11,550	1,526	33,269
Balance as of March 31, 2021	¥ 41,970	¥ 34,301	¥ 459,790	¥ (21,562)	¥ 514,499	¥ 14,419	¥ (618)	¥ —	¥ (3,542)	¥ (494)	¥ 9,765	¥ 57,146	¥ 581,411

	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	Valuation difference on available-for-sale securities	Deferred (losses) gains on hedges	Surplus on revaluation of land	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total		
Balance as of March 31, 2020	\$ 379,099	\$ 309,222	\$ 3,971,647	\$ (195,104)	\$ 4,464,872	\$ 70,355	\$ 36	\$ —	\$ (60,528)	\$ (25,987)	\$ (16,123)	\$ 502,385	\$ 4,951,143
Changes arising during year:													
Cash dividends			(131,506)		(131,506)								(131,506)
Profit attributable to owners of parent			325,806		325,806								325,806
Purchase of treasury stock				(36)	(36)								(36)
Disposition of treasury stock		126		379	515								515
Change of scope of consolidation			(27)		(27)								(27)
Change in scope of equity method			(12,808)		(12,808)								(12,808)
Change in treasury stock of parent arising from transactions with non-controlling interests		461			461								461
Net changes other than stockholders' equity						59,886	(5,618)	—	28,534	21,516	104,327	13,784	118,119
Total changes during the year	—	596	181,447	334	182,386	59,886	(5,618)	—	28,534	21,516	104,327	13,784	300,506
Balance as of March 31, 2021	\$ 379,099	\$ 309,827	\$ 4,153,103	\$ (194,761)	\$ 4,647,268	\$ 130,241	\$ (5,582)	\$ —	\$ (31,993)	\$ (4,462)	\$ 88,203	\$ 516,177	\$ 5,251,657

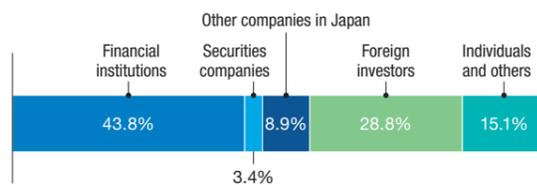
Corporate Information

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 employees 2,427 (non-consolidated)
 8,998 (consolidated)

Shareholder Information

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 unit 100
Number of shareholders 21,585

Composition of shareholders



Major shareholders (top 10)

Name of shareholder	Investment in MGC	
	Number of shares held (thousands)	Percentage of total outstanding shares
The Master Trust Bank of Japan, Ltd. (Trust Account)	19,514	9.3
Custody Bank of Japan, Ltd. (Trust Account)	11,551	5.5
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.	4,332	2.0
The Bank of Yokohama, Ltd.	3,085	1.4
Custody Bank of Japan, Ltd. (Trust Account 5)	3,008	1.4
JPMorgan Securities Japan Co., Ltd.	2,898	1.3
Custody Bank of Japan, Ltd. (Trust Account 4)	2,812	1.3

Notes: 1. MGC holds 17,726 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.

Business Locations



Major Group Companies

Overseas

- ① AGELESS (THAILAND) CO., LTD. **C**
 (Manufacturing and sale of oxygen absorbers)
- ② BRUNEI METHANOL COMPANY SDN. BHD. **E**
 (Manufacturing and sale of methanol)
- ③ JSP International Group LTD. **C**
 (Manufacturing and sale of expanded polyolefin beads and molded bead products)
- ④ KOREA ENGINEERING PLASTICS CO., LTD. **E**
 (Manufacturing and sale of polyacetal resins)
- ⑤ METANOL DE ORIENTE, METOR, S.A. **E**
 (Manufacturing and sale of methanol)
- ⑥ MGC ADVANCED POLYMERS, INC. **C**
 (Manufacturing and sale of nylons)
- ⑦ MGC ELECTROTECHNO (THAILAND) CO., LTD. **C**
 (Manufacturing of copper clad laminates)
- ⑧ MGC PURE CHEMICALS AMERICA, INC. **C**
 (Manufacturing and sale of super-pure hydrogen peroxide / super-pure ammonium hydroxide / performance chemicals)
- ⑨ MGC PURE CHEMICALS SINGAPORE PTE. LTD. **C**
 (Manufacturing and sale of super-pure hydrogen peroxide / super-pure ammonium hydroxide / performance chemicals)
- ⑩ MGC PURE CHEMICALS TAIWAN, INC. **C**
 (Manufacturing and sale of super-pure hydrogen peroxide / performance chemicals)
- ⑪ MITSUBISHI GAS CHEMICAL ENGINEERING-PLASTICS (SHANGHAI) CO., LTD. **C**
 (Manufacturing and sale of polycarbonate resin)
- ⑫ PT PEROKSIDA INDONESIA PRATAMA **C**
 (Manufacture and sale of hydrogen peroxide)
- ⑬ SAMYOUNG PURE CHEMICALS CO., LTD. **C**
 (Manufacturing and sale of super-pure hydrogen peroxide / performance chemicals)

- ⑭ TAI HONG CIRCUIT INDUSTRIAL CO., LTD. **E**
 (Manufacturing and sale of materials for printed wiring board)
- ⑮ Taixing Lingsu Specialty Materials Co., Ltd. **C**
 (Manufacturing and sale of hydrogen peroxide, performance chemicals)
- ⑯ THAI POLYACETAL CO., LTD. **C**
 (Manufacturing and sale of polyacetal)
- ⑰ THAI POLYCARBONATE CO., LTD. **E**
 (Manufacturing and sale of polycarbonate resin)

Domestic

- ① EIWA CHEMICAL IND. CO., LTD. **C**
 (Manufacturing of blowing agents)
- ② MGC Advance Co., Ltd. **C**
 (Transportation storage, manufacturing of life science products, engineering maintenance)
- ③ MGC AGELESS Co., Ltd.
 (Manufacturing and technical service for AGELESS)
- ④ MGC ENERGY Company Limited **C**
 (Provision and sale of electricity)
- ⑤ MGC Electrotechno Co., Ltd. **C**
 (Manufacturing of copper-clad laminates)
- ⑥ MGC Terminal Company, Inc. **C**
 (Storage terminal for methanol and chemicals)
- ⑦ MGC Filsheet Co., Ltd. **C**
 (Manufacturing of polycarbonate sheets and films)
- ⑧ KYOUDOU KASANKASUISO CORP. **C**
 (Manufacturing of hydrogen peroxide)
- ⑨ GRANOPT CO., LTD. **E**
 (Manufacturing and sale of magneto-optic crystals)

- ⑩ JSP CORPORATION **C**
 (Manufacturing and sale of foamed plastic)
- ⑪ TOHO EARTHTECH, INC. **C**
 (Manufacturing and sale of natural gas and iodine, seismic reinforcement work)
- ⑫ Toyo Kagaku Co., Ltd. **C**
 (Manufacturing and sale of plastic injection molding)
- ⑬ Japan Saudi Arabia Methanol Company, Inc. **E**
 (Business administration for AR-RAZI)
- ⑭ Japan Trinidad Methanol Company, Inc. **E**
 (Investing in Trinidad and Tobago)
- ⑮ JAPAN FINECHEM COMPANY, INC. **C**
 (Manufacturing and sale of fine chemicals and electronic products)
- ⑯ Japan U-PICA Company, Ltd. **C**
 (Manufacturing and sale of unsaturated polyester resins)
- ⑰ FUDOW COMPANY LTD. **C**
 (Manufacturing and sale of thermoset resin molding compounds, thermoplastic resin molding and various plastics)
- ⑱ Polyols Asia Company, Inc. **C**
 (Manufacturing and sale of polyhydric alcohols)
- ⑲ Mitsubishi Engineering-Plastics Corporation **E**
 (Manufacturing and sale of engineering plastics)
- ⑳ Mitsubishi Gas Chemical Trading, Inc. **C**
 (Sale of chemicals, electronic materials and polymers)
- ㉑ Yonezawa Dia Electronics Co., Inc. **C**
 (Manufacturing of mass molding laminates, process development)
- ㉒ RYODEN KASEI CO., LTD **E**
 (Manufacturing and sale of insulating materials)
- ㉓ Ryowa Enterprise Co., Ltd. **C**
 (Property management travel agency/business support)

mitsubishi gas chemical company, inc.

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