

# **Basic Policy**

As a member of the Mitsubishi Chemical Holdings (MCHC) Group, the Mitsubishi Chemical (MCC) Group abides by MCHC's basic Group management guidelines and shares specific Group management policies and strategy determined by MCHC. The MCC Group also adheres to MCHC Group policies and rules to ensure that it fulfills its corporate social responsibility in areas such as internal controls, risk management and compliance and actively implements management initiatives to enhance corporate value as a core operating company of the MCHC Group.

### **Basic Regulations**

The Mitsubishi Chemical Group strives to ensure compliance based on the Mitsubishi Chemical Holdings Group Charter of Corporate Behavior, a common set of compliance regulations shared throughout the Group.

#### Mitsubishi Chemical Holdings Group Charter of Corporate Behavior

Based on our Group philosophy, "Good Chemistry for Tomorrow—Creating better relationships among people, society, and our planet," we shall contribute to the realization of KAITEKI through our corporate activities. The term KAITEKI signifies achieving true sustainability where we create comfort for people as well as for society and the Earth.

To this end, we shall act based on the concept of MOS (Management of Sustainability) with sound ethics and good common sense in every aspect of our corporate activities as outlined below, to ensure sustained development as a corporate group that engenders society's trust.

#### Awareness and Responsibility

We shall contribute to the realization of KAITEKI through our business with a keen sense of corporate social responsibility, based on the fundamental understanding that the foundation of our corporate activities is society's trust and confidence in us.

#### Accountability and Transparency

We shall, recognizing the importance of accountability in corporate activities, preserve transparency in such activities, disclose information appropriately, and always maintain a stance of openness, both internally and externally.

#### Legal Compliance and Fairness, Equitability, and Integrity

We shall comply with laws and international standards and shall hold ourselves to the highest ethical conduct at all times. In addition, we shall always adopt an attitude of fairness, equitability, and integrity towards customers, business partners, shareholders, government agencies, local communities, and other stakeholders. This attitude shall also apply to our dealings with each other.

#### Valuing Stakeholders

We shall respect and communicate closely with all stakeholders including customers, suppliers, shareholders, business partners, government agencies, local communities, and employees, and consider the outcomes of such communication in our corporate activities.

#### Respecting Human Rights

We shall respect the dignity and rights of all people and shall not discriminate against people unfairly on the basis of race, sex, religion or other protected status. We shall also expect our suppliers and other contractors to refrain from any infringement of human dignity and rights or discriminatory practices.

#### ■ Employment and Labor

We shall not engage in any form of forced, compulsory, or child labor, and shall require our suppliers and other contractors to adhere to the same standards. Mitsubishi Chemical Holdings Group managers at all levels shall respect human diversity and create working environments where employees can exercise their abilities to the utmost in safe and healthy settings, in order to make optimal use of human resources. Managers shall build sound relations with employees through close dialogue, and shall respect employees' rights, including freedom of association and the right to collective bargaining.

#### **Environment and Safety**

We shall strive to reduce environmental impact and protect the environment and ecosystems in our operations in addition to supplying environmentally friendly products and services. Recognizing that the health and safety of our employees and communities in which we do business form the foundation for the very existence of our company and that we have a corporate social responsibility to assure the health and safety of others, we shall continue to ensure safe business activities.

# **Basic Regulations**

#### Fair Business Practices

We shall conduct business fairly and sincerely, adhering to ethical principles and refraining from unfair trade practices and any form of bribery or corruption, to contribute to sound social and economic development through fair competition in the market. We shall refuse to work with any group, organization or individual engaged in unlawful activities, and under no circumstances shall we have any relations with anti-social influences.

#### Customer Satisfaction

We shall constantly strive to satisfy our customers by keeping the promises made in contracts with them, doing our utmost to ensure the safety and quality of the products and services we supply, and engaging in dialogue and R&D.

#### Information Management

We shall, in the course of our corporate activities, maintain appropriate records and make reports as required by law and regulation. We shall manage information carefully to prevent leakage of confidential data relating to customers, business partners, or our own business.

#### Science and Technology

We shall advance R&D by bringing together outstanding researchers from Japan and overseas, and contribute to the realization of KAITEKI through innovation. We shall recognize the importance of our own and others' intellectual property rights and respect such rights.

#### Community Involvement

We shall contribute broadly to society through our businesses. In addition, we shall respond to the desires and expectations of local communities by enhancing our understanding of their cultures and customs and acting as a good corporate citizen.

#### Shared Standards

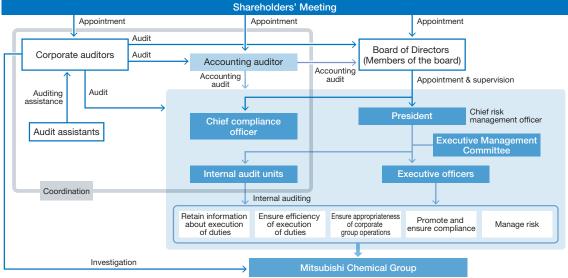
Mitsubishi Chemical Holdings Group managers shall recognize their responsibility to embody the spirit of this charter and shall ensure that employees are fully aware of its content. We shall expect our suppliers and other business partners to share all the standards set out in this charter, including but not limited to standards relating to human rights, employment, and labor.

### Corporate Governance

The top priorities for corporate governance of the Mitsubishi Chemical (MCC) Group are to ensure fast and efficient decision making and business execution, clarify management responsibilities, ensure compliance and strengthen risk management.

The MCC Group's basic corporate governance structure is illustrated below. The company has adopted an executive officer system to separate management and executive functions. Furthermore, MCC has defined the extent of the authority of such decision-making bodies as the Board of Directors and various management positions in its internal rules. Through these and other measures, MCC ensures proper, efficient managerial decision making and business execution.

# Corporate Governance Structure of the Mitsubishi Chemical Group (as of June 26, 2018) Shareholders' Meeting



#### **Board of Directors**

The Board of Directors meets once a month in principle. In accordance with the regulations of the Board of Directors and other relevant rules, the board makes decisions on important managerial matters and basic matters concerning Group management and provides oversight of the execution of duties by directors. The six directors (four of whom concurrently serve as executive officers) form a management structure capable of quickly adapting to environmental changes. To further clarify the managerial responsibilities and role of each director, the term of office for a director is one year. Human resources judged to possess the necessary skills and qualities to realize the Group's corporate philosophy and fulfill its social responsibilities are selected as candidates for director by the Board of Directors. Candidates are then proposed at the Shareholders' Meeting, where they may be elected by a resolution of shareholders.

#### **Executive Management Committee**

The Executive Management Committee is an advisory body that assists the President in making decisions, deliberating important matters concerning business execution, such as the investment and financing activities of MCC and the MCC Group. Particularly important managerial matters deliberated by the Executive Management Committee are acted on only upon the resolution of the Board of Directors. The Executive Management Committee meets twice a month in principle. The committee comprises the President, the chief operating officers of the business domains, the supervising officers of the corporate function domains, the presidents of the regional headquarters and the general manager of the Corporate Planning Department. The directors of the board and corporate auditors may also attend its meetings as needed.

# Corporate Governance

#### **Corporate Auditors**

MCC has corporate auditors to audit its activities. The corporate auditors attend Board of Directors, various committee and other important meetings, verify the contents of reports submitted by directors of the board and other relevant parties, investigate the status of the company's business and property, and audit the execution of duties by directors of the board. MCC does not have a Board of Corporate Auditors, but voluntarily maintains a Corporate Auditors Liaison Committee to facilitate coordination and cooperation among the corporate auditors. The Corporate Auditors Liaison Committee meets once a month in principle. At meetings, the corporate auditors discuss audit plans and other important audit-related matters. As of the end of June 2018, MCC has five corporate auditors. Corporate auditors, the accounting auditor and the Internal Audit Department work in close coordination, exchanging opinions on their respective audit processes and results.

#### **Committees**

The company maintains a number of committees, including the Compliance Promotion Committee, Risk Management Committee, Information Security Committee, Environmental and Safety Promotion Committee, and Human Rights and Diversity Promotion Committee. These committees refer or report important matters to the Board of Directors or the Executive Management Committee.

### Internal Controls

#### **Basic Policy**

Based on the Basic Internal Control System Maintenance Policy established by the Board of Directors, Mitsubishi Chemical (MCC) maintains an internal control system that encompasses MCC Group systems related to enforcing compliance, risk management, ensuring efficacy and efficiency, and information archiving. By doing so, MCC strives to ensure appropriate operations and enhance corporate value. The Board of Directors receives reports on and verifies the maintenance and operational status of the internal control system once a year, and MCC works to strengthen and improve the system as needed.

#### **Improving Our Internal Control Systems**

Based on the Mitsubishi Chemical Group Regulations on Promoting the Improvement of the Internal Control System, established July 1, 2017, MCC is reinforcing governance, ensuring proper operations, and establishing and improving related processes and operations to enhance the efficacy and efficiency of such initiatives. Together, these efforts constitute the foundation of internal control at MCC Group companies.

In fiscal 2017, MCC supported the reinforcement of governance and the control of operational processes at Group companies, mainly in Asia, Europe and Japan.

## Compliance

The Mitsubishi Chemical (MCC) Group regards compliance as a top priority in its corporate activities. The MCC Group has in place a Compliance Promotion Program that comprises basic regulations concerning compliance, a structure for compliance promotion, education and training programs, auditing and monitoring systems, and a consultation and reporting hotline. Based on this program, the MCC Group works to ensure appropriate and precise operations and management.

#### Compliance Promotion Structure and the CCO

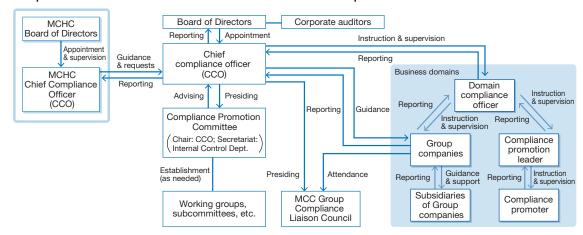
The Board of Directors appoints the Mitsubishi Chemical Group's chief compliance officer (CCO).

The CCO has the authority to direct and supervise the MCC business domains and Group companies in matters related to compliance. The CCO also chairs the Compliance Promotion Committee and reports to the Board of Directors and CCO of Mitsubishi Chemical Holdings (MCHC) on the status of compliance and important issues.

The Compliance Promotion Committee deliberates on such matters as basic policy concerning the development and operation of the MCC Group's Compliance Promotion Program, the performance of the program and responses to compliance violations. The committee also makes proposals to the CCO as necessary.

Furthermore, our designated domain compliance officers, compliance promotion leaders and compliance promoters in each domain coordinate to promote compliance in the course of daily operations.

#### Compliance Promotion Structure of the Mitsubishi Chemical Group



#### **Compliance Regulations**

The MCC Group maintains and operates according to internal compliance-related regulations, including regulations concerning the compliance promotion structure, hotlines and responses to compliance violations.

#### **Educational, Training, and Awareness-Raising Activities**

MCC conducts a variety of educational, training and awareness-raising activities in Japan and overseas on an ongoing basis in order to further instill compliance awareness.

In fiscal 2017, in Japan, we implemented a total of 46 hours of group training for compliance promotion leaders and compliance promoters, including those at Group companies. This training was implemented in 23 sessions at 16 locations for 879 employees. In addition to lectures, such training incorporates role-playing using highly realistic case studies prepared in-house in order to help participants gain a first-hand understanding of the importance of compliance and the difficulty of making decisions when confronted with such situations. We also provide e-learning for all members of the Group, seeking to enhance each and every employee's compliance awareness. Furthermore, we are increasing awareness and knowledge of such important compliance risks as those related to bribery, the Anti-Monopoly Act and information security through such means as holding risk confirmation interviews with sales employees and targeted email attack response drills.

Overseas, in the Americas, Europe and China, such activities are entrusted to MCC's regional headquarters, which carry out training and awareness-raising tailored to the circumstances of each region. We are also bolstering initiatives in other regions (Taiwan, Singapore, Thailand, Indonesia, India and South Korea) through such means as local training and e-learning. In fiscal 2017, we implemented training on compliance promotion in Asia for 75 presidents of Group companies in Taiwan, Singapore, Thailand, Indonesia and China.

- 1 Regional headquarters: The following four companies were established to accelerate Mitsubishi Chemical's overseas business development by supporting business and revenue growth in their respective regions.
  - Mitsubishi Chemical America, Inc.
- Mitsubishi Chemical Europe GmbH
- Mitsubishi Chemical (China) Co., Ltd.
- Mitsubishi Chemical Asia Pacific Pte Ltd.

# Compliance

#### **Fair Business Practices**

#### Mitsubishi Chemical Holdings Group Global Anti-Bribery Policy

MCHC has established the Mitsubishi Chemical Holdings Group Global Anti-Bribery Policy, aiming to prevent bribery on the part of its operating companies and executives and thus ensure compliance with anti-bribery laws and regulations in all the countries where it operates, prevent corruption, and help establish and maintain fair business practices.

The policy prohibits bribes to public officials and includes provisions concerning accounting records, compliance structures and penalties for violations.

#### **Monitoring and Reporting Systems**

#### ■ Compliance Hotline

The MCC Group has established a hotline through which employees can contact the Internal Control Department, an external lawyer or a hotline service company to seek advice or report possible compliance violations. The Group strives to ensure that the hotline is operated properly and employees are aware of it.

#### Global Compliance Perception Surveys

The MCC Group uses employee perception surveys to monitor the degree of compliance awareness among employees. In fiscal 2017, these surveys were returned by 33,041 employees of domestic Group companies (or 94.2% of such employees) and 3,765 employees of Group companies in Asia (or 96.2% of such employees). Survey results are analyzed in detail and used to provide feedback to related officers. Challenges and problems identified as a result of said analysis are reflected in compliance-related measures and training.

#### Response to Compliance Violations

In the event of a compliance violation, the domain compliance officer and the departments overseeing compliance work together to make an appropriate initial response that rectifies or otherwise deals with the situation. They then investigate the cause of the violation and implement recurrence countermeasures. Any employee who has committed a compliance violation is dealt with as necessary, possibly with disciplinary action, in accordance with the Employee Work Regulations or other relevant regulations of the Group company to which the employee belongs.

# Risk Management

The Mitsubishi Chemical (MCC) Group has established basic regulations for risk management and implements risk management activities related to the execution of its businesses and operations. Specifically, the Group's policy is to accurately identify and evaluate risks that could significantly impact the Group, deal with such risks appropriately, and minimize the impact of such risks on its businesses and society, including the Group's stakeholders.

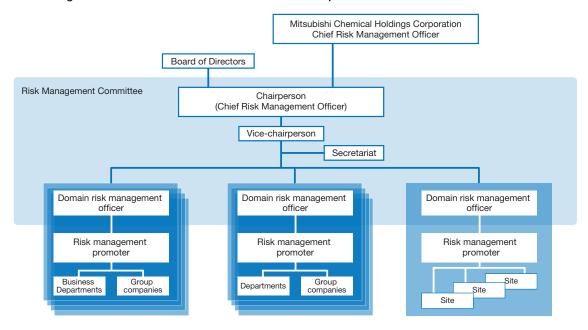
#### **Risk Management Structure**

MCC has set up a Group-wide risk management system headed by its President, who serves as the Group's Chief Risk Management Officer, and strives to ensure that this system operates appropriately and smoothly.

The supervising officers of the business domains and corporate function domains serve as domain risk management officers charged with maintaining, operating, directing and overseeing the risk management systems within their respective units, including those of MCC Group companies. Meanwhile, the Risk Management Committee, established to support the Chief Risk Management Officer as a supplementary decision-making organ, regularly confirms the operational status of the MCC Group's risk management system and deliberates on important matters related to the development and operation of said system, basic policy and plans regarding risk management activities, and management objectives and countermeasures related to serious risks.

The Risk Management Committee regularly reports to the MCC Board of Directors and the Mitsubishi Chemical Holdings Corporation Chief Risk Management Officer regarding the operational status of the risk management system.

#### Risk Management Structure of the Mitsubishi Chemical Group



# Risk Management

#### **Initiatives**

In fiscal 2017, in addition to the risks individually identified and addressed by each department, management designated that the risks listed below be dealt with on a company-wide basis. Approximately 6,800 specific risks were identified across the Group. We prioritize these risks based on severity and likelihood of actualization and are formulating and implementing measures to reduce said risks.

- (1) Process safety and stable operations
- (2) Compliance promotion
- (3) Governance and global management
- (4) Crisis management and business continuity
- (5) Information security
- (6) Management of working hours
- (7) Climate change issues

#### **Business Continuity Plans**

MCC formulates business continuity plans (BCPs) to minimize the impact suffered by its customers and business partners in the unlikely event of a natural disaster or a major accident.

Specifically, when responding to such crises as a major earthquake in the Nankai Trough or a pandemic, MCC gives greatest priority to assuring the safety of human life, including the lives of employees, their families, business partners and local residents. We have also prepared manuals that lay out steps to be taken after such safety is assured, namely, how to maintain or quickly resume the supply of key products essential to society and thus fulfill our product supply obligations to our customers. In addition, we are making arrangements to ensure that operations important to the whole Group can be continued elsewhere should the head office be incapacitated by a major earthquake striking the Tokyo metropolitan area.

# Intellectual Property Strategy

#### **Basic Policy**

With socioeconomic globalization advancing and markets growing larger and more complex, the Mitsubishi Chemical Holdings (MCHC) Group believes that it is essential to expand and strategically utilize the value of its patents, expertise, trademarks and other accumulated intellectual capital in order to realize synergies between its operating companies and achieve further growth.

In line with this conviction, Mitsubishi Chemical (MCC) formulates and executes its intellectual property strategy with a focus on the type of intellectual property environment it seeks to create and the nature of the technologies and other intellectual property that each of its businesses generates and utilizes. Alongside these efforts, MCC works to reinforce the legal protections and improve the effectiveness of its intellectual property. Accordingly, the company endeavors to respect the valid intellectual property rights of other parties and takes appropriate measures when its own intellectual property rights are infringed upon.

Furthermore, aiming to expand the operating revenue of the MCHC Group as a whole, we actively promote coordination between operating companies in the area of intellectual property. By sharing intellectual property, we aim to enhance the MCHC Group's overall competitiveness and R&D productivity. At the same time, we work with third parties to employ the intellectual property of the operating companies in mutually complementary ways. By doing so, the entire MCHC Group works as one to maintain the value of its intellectual property and exercise and protect its rights.

#### **Intellectual Property Training**

We implement intellectual property training aimed at developing united strategic intellectual property activities across MCC's business departments, R&D departments and Intellectual Property Department. Through a rank-specific program covering everyone from new recruits to the leadership class, we strive to implement practical education for business and R&D departments that goes beyond just legal knowledge.

# Intellectual Property Strategy

#### **Human Resource Development of Intellectual Property Department Staff**

MCC believes that its Intellectual Property Department should be staffed by human resources who can leverage their intellectual property expertise and advance intellectual property activities that contribute to operating revenue alongside business and R&D departments. Accordingly, we are developing such human resources, using targeted programs to foster practical work execution, planning/strategy and organizational management abilities.

In addition, we are working to develop globally oriented human resources through such means as an overseas training system.

#### **Code of Research Conduct**

MCC has established the Code of Research Conduct to ensure that its researchers' conduct, in all R&D activities, is always exemplary.

To ensure that research is carried out responsibly, the Code of Research Conduct includes provisions regarding the proposal of research topics and execution of related research, data management, the presentation of results, communication between researchers and procedures for addressing compliance problems.

MCC utilizes a variety of opportunities to implement and reinforce education related to the Mitsubishi Chemical Holdings Group Charter of Corporate Behavior, the MCHC Group's basic regulations concerning compliance, and the Code of Research Conduct to ensure that researchers act with an awareness of such rules as they carry out their duties.

Reflecting these efforts, MCC's researchers bring a strong sense of ethics, sincerity and humility to their R&D work, seeking to live up to the trust and expectations of society by respecting both our own intellectual property and that of other parties while contributing to the growth and development of the MCHC Group as a whole on an ongoing basis.

# Information Security

#### **Basic Policy**

The Mitsubishi Chemical (MCC) Group undertakes information management in line with the Mitsubishi Chemical Group Information Security Policy. Under this policy, the MCC Group strives to protect its information assets and, in the event of an information security incident, acts to minimize the impact on its businesses and quickly resume any interrupted operations. Furthermore, the MCC Group works to raise employee awareness of the importance of protecting information assets while striving to maintain and improve the efficacy of its information security as part of efforts to prevent business interruptions and the loss of society's trust due to such problems as information leaks or falsification.

#### **Main Activities**

The MCC Group maintains, manages and works to enhance all aspects of information security, including documents and data, information systems, and plant controls, on a Group-wide basis under the leadership of the Information Security Committee, established per the Mitsubishi Chemical Group Information Security Policy.

In addition, to counter increasingly sophisticated cyber attacks, the Mitsubishi Chemical Holdings Group Information System Security Subcommittee enforces a PDCA cycle for the entire Mitsubishi Chemical Holdings Group, working to maintain and strengthen information security.

#### **Defensive Measures Against Threats to Computer Networks**

The MCC Group has both technological and management measures in place to ensure network security. Technological measures include entrance safeguards, such as e-mail filters, as well as exit safeguards, such as systems that block access from within the network to websites that present security risks. In terms of management measures, the Group regularly urges caution against suspicious e-mails and conducts training drills.

#### Measures to Prevent Leaks of Personal Information and the Confidential Information of Customers and Third Parties

MCC has established its own Rules on Handling Personal Information and strives to ensure strict compliance with the Act on Protection of Personal Information, the Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures and other relevant laws, regulations and guidelines as well as the E.U. General Data Protection Regulation (GDPR) promulgated in May 2018.

As part of measures to prevent information leaks, MCC is taking such steps as strengthening the management of electromagnetic recording media and restricting access to the Internet.

#### **Internal Education and Training**

The MCC Group regularly conducts awareness-raising and training events for employees to promote strict information management. Moreover, information security training via e-learning is implemented every year, and information security training education is built into the employee training curriculum.

# Security Export Control

#### **Basic Policy**

The international security environment is changing rapidly, the threat of weapons of mass destruction growing, and the dangers of terrorism ongoing. Amid these circumstances, security export control initiatives are growing more important than ever.

Mitsubishi Chemical (MCC) produces and possesses numerous products and technologies that can be used for both civilian and military applications ("dual-use" goods), such as carbon fiber. Appropriate security export control compliant with the Foreign Exchange and Foreign Trade Law and other relevant laws is necessary to prevent MCC's broad-ranging products and technologies from reaching countries under export bans, countries of concern, terrorist organizations or other improper destinations or recipients. Accordingly, we have designated officers responsible for security export control and established a security export control system that we continually enhance.

#### **Security Export Control System**

MCC has established an export control system based on its Security Export Control Rules. The chief executive of this system is MCC's president and chief executive officer, under whom are the supervisor of security export control, the Export Control Department and the chief export control officers of exporting departments. Through this system, we work to prevent legal violations, including improper exports, whenever possible, using such means as strict, thorough export screening, the notification of information about legal changes, raising internal awareness about security export control and internal audits of exporting departments.

#### **Export Control Mechanisms**

Security control comprises three steps: Item classification, customer screening and transaction verification. Each step is uniformly managed using a dedicated system so that the results can be used as part of an activity trail if needed.

Item classification is the process of determining whether the product or technology being exported or supplied is subject to legal restrictions (namely, listed as a restricted item). We implement a double-check process wherein, based on the latest restricted item lists, the exporting departments perform the initial check and the Export Control Department grants final approval.

Customer screening entails using the export control system, which contains the latest risk information to screen customers, including both customers in Japan who indirectly export and end-users at the item's final destination. This screening system is highly effective in preventing the circumvention of regulations through third-country exports. As with item classifications, a double-check process is applied to customer screenings.

For transaction verification, the exporting departments fill out a transaction verification form using the results of the item classification and customer screening. Based on this form, the export control system then automatically assesses the riskiness of the transaction and determines who will be responsible for granting final approval. The Export Control Department grants final approval for items listed as restricted that are considered high-risk, such as carbon fiber.

#### **Training and Education**

In fiscal 2017, to spread awareness of the new export management system, MCC held more than 50 explanatory meetings (for approximately 1,200 attendees) targeting business domains, corporate function domains, plants, and our R&D center. We also invited an external instructor to hold an explanatory meeting for the members of the Executive Management Committee to deepen their understanding of the importance of compliance with the Foreign Exchange and Foreign Trade Law and other relevant laws.

Going forward, we will carry out training and education that covers the basics of legal compliance while finding new ways to increase its effectiveness, such as introducing topics related to the real-life practice of compliance.

# **Internal Audits**

The Internal Audit Department, which is independent of business and administrative operations, conducts internal audits to assess the effectiveness of internal controls at Mitsubishi Chemical Corporation and its Group companies, monitoring such factors as the adequacy and the efficiency of each organization's governance, risk management and operating processes. The Internal Audit Department contributes to the improvement of the internal controls in close collaboration with the relevant organizations.