

MABUHAY VINYL CORPORATION

MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING

Held at Makati Sports Club, L.P. Leviste Street, Salcedo Village, Makati City

on **25 April 2019**

I. CALL TO ORDER

After the Invocation and singing of the Philippine National Anthem, the meeting was called to order by the Chairman, Mr. Takahiro Machiba. He welcomed the stockholders and guests who attended the meeting.

The Corporate Secretary acknowledged the presence of guests from Tosoh Corporation, Mitsubishi Corp., Mizuho Bank, Banco De Oro Japan Desk, Bank of the Philippine Islands, and SGV & Co.

II. PROOF OF NOTICE OF MEETING

The Corporate Secretary, Atty. Ma. Melva E. Valdez, confirmed that notices for the meeting were sent to all stockholders of record, either by personal delivery or by registered mail, in accordance with the by-laws. Likewise, she confirmed that notice of the meeting was published in the Philippine Star on 29 March 2019.

III. CERTIFICATION OF QUORUM

Certifying to the presence of a quorum, Atty. Valdez stated that stockholders owning majority of the outstanding capital stock were present, either in person or by proxy, hence, there is quorum for the transaction of any business that may properly come up during the meeting.

IV. DECLARATION OF CASH DIVIDENDS

Mr. Takahiro Machiba announced that the Board of Directors, at its meeting earlier in the same day, declared cash dividends of 7% per share (PhP0.07/share) to stockholders of record as of 23 May 2019, to be paid not later than 19 June 2019.

V. READING AND APPROVAL OF THE MINUTES OF THE ANNUAL STOCKHOLDERS' MEETING HELD ON 26 APRIL 2018

Copies of the minutes of the Annual Stockholders' meeting held on 26 April 2018 were made available to all stockholders beforehand together with the notice of this meeting.

Upon motion duly made and seconded, the reading of the aforesaid minutes was dispensed with and the same was approved without amendments.

VI. PRESIDENT'S REPORT

Mr. Umali reported on the highlights of MVC's Y2018 operational and financial performance, significant events and the outlook of the Company for the year 2019:

Supported by strong demand and unprecedented positive market conditions, Mabuhay Vinyl Corporation (the "Company") recorded its highest profit in its 53-year history with a net income after tax of P396.21 Million from revenues of P2.853 Billion. This year's exemplary result is 209% higher than the previous high of P128.04 Million recorded in 2016. It was noted that the record setting profit was attained without any non-recurring items as Net Operating Income reached P553.92 Million compared to the P148.93 Million posted in 2017.

Caustic Soda Market in 2018

The global caustic soda market was extremely volatile in 2018 due to various market, environmental and political factors that caused prices to peak at more than USD 700/DMT and fall to less than USD 400/DMT in the Asian region.

Elevated caustic soda price in Asia was caused primarily by a confluence of events such as the strong demand by China's alumina sector; closure of several chlor-alkali plants in China due to pollution-related violations; and poor margins from its chlorine co-product.

On the other hand, downward spiral of caustic soda price could be attributed to the impact of the on-going US-China trade war; presence of lower-priced but un-tradable caustic soda from Iran; and impact of a regulatory restriction on caustic soda imports in India.

Amidst rapidly changing market conditions, the Company successfully navigated its way through the uncertainty with the support of Tosoh Corporation of Japan, its major shareholder.

Manufacturing Operations

After completing the IEM element refurbishing program in 2017, the Company increased its production output at the Iligan Plant in order to maximize gains from the electrolyzers and the favorable market price of imported caustic soda.

The Company's efforts at the Iligan Plant resulted to 6.6% higher output in 2018. Challenges with certain production equipment, however, surfaced. Short term solutions were put in place to keep the plant in operation. Permanent solutions will be established in 2019.

Finance Operations

It was reported that day sales equivalent of trade receivables was reduced from 74 days, the average in 2017, to 66 days in 2018. With the Company's healthy cash position, the Company was able to internally fund its caustic soda importations, which increased to more than P150 Million per shipment, without resorting to short-term financing and its attendant interest expenses. In addition, prudent management of working capital enabled the Company to post higher interest income from P4.928 Million in 2017 to P14.666 Million in 2018.

Distribution Operations

It was reported that the Company began a program to increase its storage tank capacity in order to support growing demand and improve supply reliability. New storage tanks for caustic soda, hydrochloric acid and sodium hypochlorite are being constructed in Iligan, Cebu, and Batangas. In addition, new liquid chlorine cylinders were purchased to support the growing demand in potable water treatment and applications. The Company also began working with third party haulers to upgrade their lorries in accordance with government regulations and likewise exploring new ways to achieve the same goals. This is vital in ensuring a reliable tank truck fleet will be available in each depot ready to meet delivery deadlines.

Future Expansion

Domestic demand for chlor-alkali chemicals continues to grow in line with the expansion of the Philippine economy. Applications in power generation, petrochemicals, semi-conductors and electronics, and food processing prove to be resilient drivers of growth. Meanwhile, demand for chlorine and its derivatives are expected to exhibit robust performance due to investments of the private sector in potable water supply and distribution. The government's drive to clean up the country's beaches and waterways is a great opportunity for us as this will create demand for chemicals used in household and sewage water treatment.

As demand grows, the Company is studying the possibility of investing towards a new chlor-alkali plant with the objective of providing supply and price stability for discerning customers and improving competitiveness against imported material and domestic competitors.

Dividend Policy

The Company recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to stockholders. The Company has been paying cash dividends

in the past years and will endeavour to do so while maintaining financial stability.

The Company aims to maintain a balance between internal reserves for working capital, capital expenditures for future expansion and to support and improve operating efficiency and shareholder returns.

Outlook for the Rest of 2019

The price of imported caustic soda has normalized compared to last year's volatility. Although the Company foresees that domestic demand will remain strong, the Company might not be able to repeat its exemplary performance in 2019.

The Company remains committed to continually improve its production operations to reduce cost and increase output, enhance logistics to become more efficient and reliable, and maintain vigilance against competition. Additionally, the Company will make the necessary investments towards improved competitiveness and sustainable growth

VII. RATIFICATION OF THE CORPORATE ACTS AND PROCEEDINGS OF THE BOARD OF DIRECTORS, OFFICERS AND MANAGEMENT FOR THE PERIOD UNDER REVIEW

After some discussions and on motion duly made and seconded, the following resolution was approved:

"RESOLVED, That the corporate acts and proceedings of the Board of Directors, Officers, and Management of Mabuhay Vinyl Corporation for the preceding year (27 April 2018 to 24 April 2019) are hereby approved and ratified."

VIII. PRESENTATION/APPROVAL OF MVC'S Y2018 ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

Copies of MVC's Y2018 Annual Report and Audited Financial Statements have been distributed to the stockholders prior to the meeting and were made available at the entrance of the venue of the meeting.

On motion duly made and seconded, the following resolution was approved:

"RESOLVED, That the Y2018 Annual Report and Audited Financial Statements of Mabuhay Vinyl Corporation are hereby approved."

IX. ELECTION OF DIRECTORS FOR THE YEAR 2019-2020

The names of the following nominees were announced by the Corporate Secretary and were eventually declared as the duly elected Directors of the Corporation for Y2018-Y2019, to serve as such until their successors are duly elected and qualified in accordance with the By-Laws of the Corporation:

1. Takahiro Machiba
2. Edwin Ll. Umali
3. Takayuki Nakamura
4. Barbara Anne C. Migallos
5. Jose O. Juliano – Independent Director
6. Renato N. Migrino – Independent Director
7. Yoshiaki Uenishi

X. APPOINTMENT OF EXTERNAL AUDITOR

On motion duly made and seconded, the following resolution was approved:

RESOLVED, That Sycip Gorres Velayo & Co. is hereby appointed as Mabuhay Vinyl Corporation's external auditor for the fiscal year ending 31 December 2019, under such terms and conditions as Management may deem appropriate.

XI. OTHER MATTERS

None.

XII. ADJOURNMENT

There being no other matter to be discussed, the meeting was adjourned at about 4:00 p.m.

MA. MELVA E. VALDEZ
Corporate Secretary

Attested by:

TAKAHIRO MACHIBA
Chairman of the Stockholders' Meeting