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Mitsubishi Chemical Holdings Corporation

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Securities Code: 4188

<https://www.mitsubishichem-hd.co.jp/english/>

The corporate governance of Mitsubishi Chemical Holdings Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Mitsubishi Chemical Holdings Corporation (MCHC) Group defines KAITEKI as “the sustainable well-being of people, society and our planet Earth”, and has “realizing KAITEKI” as its vision. The MCHC Group will not stop at providing solutions to environmental and social problems, but also aim to contribute to a sustainability in both through our corporate activities.

For Realizing KAITEKI, in accordance with these guidelines, MCHC shall establish a system to enhance both the soundness and efficiency of business administration, improve the transparency of its business administration through suitable disclosure of information and dialogue with stakeholders, and endeavor to establish a better suitable corporate governance system.

Please refer to our “Mitsubishi Chemical Holdings Corporate Governance Guidelines” on the Company’s website for basic policies concerning corporate governance such as the roles, constitution and appointment criteria of the Board of Directors.

(<https://www.mitsubishichem-hd.co.jp/english/group/governance/policy.html>)

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The company complies with the all principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] (Updated)

As used in this report, the following terms shall have the following meanings:

“senior management” means corporate executive officers.

“officers” means directors and corporate executive officers.

<Principle 1.4 Cross-Shareholdings>

(Mitsubishi Chemical Holdings Corporate Governance Guidelines [Development of a framework that improves the soundness and efficiency of management])

The Company and operating companies (excluding listed subsidiaries) shall acquire and hold shares of clients, etc. if the shareholding contributes to medium- to long-term improvement in corporate value. The

Board of Directors shall review the adequacy of such cross-shareholdings on a regular basis. Considering the effect on the market, we make effort to sell such cross-shareholdings as assessed insufficient in adequacy. On August 30, 2019, the Board of Directors reviewed the adequacy of all cross-shareholdings of Group as of the end of March, 2019, in light of economic rationale as measured by ROIC and necessity for business, etc. As a result of the review, we have found insufficiency in adequacy of a part of cross-shareholdings. Considering the effect on the market, we will proceed to sell such cross-shareholdings as assessed insufficient.

<Principle 1.7 Related Party Transactions>

The Company sets transactions between members of the board or corporate executive officers and the company as a matter to be resolved by the Board of Directors, who confirm the adequacy of the transactions.

<Principle 2.6 Roles of Corporate Pension Funds as Asset Owners>

In order for corporate pension funds to perform their roles as asset owner, Mitsubishi Chemical Corporation which is the core business company of the Company group has taken measures based upon the guidelines as published by Ministry of Health, Labor and Welfare.

Specifically, Mitsubishi Chemical Corporation has set guidelines for management of pension assets, established committee for management of pension assets, determined proportion of composition of political assets and implemented the total assessment of asset management companies.

In addition to the foregoing, in cooperation with consultants, Mitsubishi Chemical Corporation has performed measures for proper management of corporate pension funds.

<Principle 3.1 Full Disclosure>

(What the company aims for)

The Company Group aims to realize *KAITEKI* through our corporate activities. *KAITEKI* is the Company's original concept that means "the sustainable well-being of people, society and our planet Earth." To realize *KAITEKI*, the Company Group promotes *KAITEKI* Management with the objective of increasing corporate value based on our three core management policies of improving capital efficiency, creating innovative technologies, and enhancing sustainability for people, society and the Earth with an emphasis on time. Please refer to *KAITEKI* Management on the Company's website for details. (https://www.mitsubishichem-hd.co.jp/english/kaiteki_management/kaiteki/)

(Management plan)

In December 2015, the Company formulated a new five-year medium-term management plan, "APTSIS 20" (running from fiscal 2016 to fiscal 2020). Moving forward with an aim to "remain a high growth/high profit-model company through businesses in the performance products, industrial materials, and health care domains," the Company will steady implement initiatives to establish the foundation to become THE KAITEKI COMPANY being recognized on a truly global level by increasing profitability, pursuing innovation, and contributing to sustainability.

Please refer to the Medium-Term Management Plan on the Company's website for details. (<https://www.mitsubishichem-hd.co.jp/english/ir/strategy/>)

(The Company's view on overall corporate governance)

Please refer to our "Mitsubishi Chemical Holdings Corporate Governance Guidelines" on the Company's website for our view on overall corporate governance. (<https://www.mitsubishichem-hd.co.jp/english/group/governance/policy.html>)

(Policy and procedures for deciding compensations of senior management and directors)

(Mitsubishi Chemical Holdings Corporate Governance Guidelines [Development of a framework that improves the soundness and efficiency of management]3(3), [Enhancement of management transparency]5)

The Compensation Committee determines the individual amount of compensation for each director, corporate executive officer and operating company president (excluding listed subsidiaries).

Policy on Determining Remuneration of senior management and directors is [Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods]

(Policy and procedures in the appointment/dismissal of the senior management and the nomination of directors)
(Mitsubishi Chemical Holdings Corporate Governance Guidelines [Development of a framework that improves the soundness and efficiency of management]3(1), [Enhancement of management transparency]4)

The Nominating Committee nominates candidates for directors, corporate executive officers and the presidents of key directly-owned subsidiaries that are non-listed companies (Mitsubishi Chemical Corporation, and Life Science Institute, Inc.). In consideration of transparency and fairness in the process of nominating candidates, an outside director serves as the head of the committee. Policy on appointment/dismissal of senior management and nomination of directors is described at [Policy on appointment/dismissal of senior management and nomination of directors].

(Reason for the Appointment of Officers)

The reason for appointment of officers are described at the end of this report [Reason for choosing as candidate for Director] and [Reason for appointment of the corporate executive officers].

<Supplementary Principle 4.1.1 Scope and content of the matters delegated from the Board to the management>

The Company delegates authority to corporate executive officers to make all business execution decisions, with the exception of matters that must be legally resolved by the Board of Directors and important matters in terms of portfolio management.

<Principle 4.9 Independence Standards for Independent Directors>

(Mitsubishi Chemical Holdings Corporate Governance Guidelines Attachment 2)

Independence Standards for Independent Directors are described at [Matters relating to Independent Directors].

<Supplementary Principle 4.11.1 View on the constitution of the Board of Directors>

(Mitsubishi Chemical Holdings Corporate Governance Guidelines [Development of a framework that improves the soundness and efficiency of management]2(2))

In order to establish the Group's basic management policies and oversee management appropriately, Directors who possess an advanced level of knowledge and deep insight in management experience, finance and accounting, science technology, IT and production, risk management, business strategy and marketing, laws and regulations, etc., and globalism and diversity are appointed.

Furthermore, in a bid to enhance oversight functions, a majority of Directors of the Board will not concurrently take on the role of Corporate Executive Officer.

Please refer to our "Mitsubishi Chemical Holdings Corporate Governance Guidelines" on the Company's website for our view on the constitution of the Board of Directors. (http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf)

<Supplementary Principle 4.11.2 Directors' concurrent positions>

Yoshimitsu Kobayashi, Directors of the Board and Chairperson, is concurrent with Toshiba Corporation.

Also, the Outside Directors of the Board's concurrent positions are described at [Outside Directors' Relationship with the Company (2)]

<Principle 4.11.3 Analysis and Evaluation of Effectiveness of the Board of Directors>

- Implementation of the Board of Directors Effectiveness Evaluation

In accordance with the Mitsubishi Chemical Holdings Corporate Governance Guidelines, the Board of Directors is evaluated for their effectiveness annually and a summary of the results are disclosed.

- Analysis and evaluation method

In FY2018, the effectiveness of the Board of Directors was assessed with a focus on whether the Board of Directors appropriately discusses the main topics for improvement of the corporate value of our group (KAITEKI Management, portfolio management, risk management, and corporate governance). A

questionnaire was distributed to all the Directors of the Board. The questionnaire asked them to give an assessment on a scale of one to four and provide comments; thus, the current situation was grasped and tasks were identified. Based on the findings of the questionnaire, the Board of Directors discussed tasks and measures for improvement. The Chairperson of the Board of Directors assessed the effectiveness of the Board of Directors and reported the findings at the Board of Directors meeting. External consultants were used for planning and collection of the questionnaire.

- Outline of evaluation results

The Board of Directors assess that its effectiveness is attained overall, namely it is diverse in terms of knowledge, specialty, experience, and other aspects and the proportion of outside directors is generally appropriate, and deep discussion is held at the Board of Directors specializing in the medium- to long-term strategies of our group. On the other hand, it was also confirmed that continuous efforts for improvement are necessary. Below are the major points for future discussion.

- a. For substantial and effective discussion
- b. For further contribution of outside directors

Bearing in mind the findings of this assessment of the effectiveness of the Board of Directors and various suggestions of the Directors of the Board, our corporation will make further efforts to improve the effectiveness of the Board of Directors.

[Outline of results of the Evaluation on the Effectiveness of the Board of Directors in fiscal 2018] is described at the end of this report.

<Supplementary Principle 4.14.2 Training policy for directors>

(Mitsubishi Chemical Holdings Corporate Governance Guidelines [Development of a framework that improves the soundness and efficiency of management]4(1))

MCHC shall explain to outside directors the Group's business contents and organization on a continuing basis, and provide opportunities to visit domestic and overseas business sites as well as opportunities for dialogue with the management on a regular basis.

For internal directors, opportunities to develop qualities suitable for directors shall be provided through external seminars held by various organizations, in addition to trainings on compliance and internal control.

<Principle 5.1 Policy on Dialogue with Shareholders>

(Mitsubishi Chemical Holdings Corporate Governance Guidelines Attachment 1)

MCHC will ensure appropriate disclosure so as to gain the trust of our shareholders and encourage long-term holding of MCHC's shares. MCHC also intends to engage in active dialogue with shareholders and reflect it in our corporate activities.

(Policy on Dialogue with Shareholders)

Disclosure to and dialogue with shareholders shall be implemented by each relevant department, in cooperation with each other, under the supervision of the President, officer in charge of IR and officer in charge of legal. Opinions obtained through the dialogue will be reported to the Board of Directors, etc., and shared by the management.

Please refer to our "Mitsubishi Chemical Holdings Corporate Governance Guidelines" on the Company's website for our Policy on Dialogue with Shareholders. (http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf)

2. Capital Structure (Updated)

Percentage of Foreign Shareholders	more than 20%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	105,412,200	7.41
Japan Trustee Services Bank, Ltd. (Trust account)	81,160,872	5.70
Meiji Yasuda Life Insurance Company	64,388,743	4.52
Nippon Life Insurance Company	42,509,094	2.99
Japan Trustee Services Bank, Ltd. (Trust account 4)	27,727,400	1.95
Japan Trustee Services Bank, Ltd. (Trust account 7)	27,148,000	1.91
Japan Trustee Services Bank, Ltd. (Trust account 5)	26,240,000	1.84
MUFG Bank, Ltd.	20,552,904	1.44
JPMorgan Chase Bank 385151	20,415,496	1.43
State Street Bank West Client - Treaty 505234	19,763,509	1.39

Controlling Shareholder (except for Parent Company)	None
Parent Company	None

Supplementary Explanation

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	More than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

None

5. Other Special Circumstances which may have Material Impact on Corporate Governance

Of our consolidated subsidiaries, Mitsubishi Tanabe Pharma Corporation and Taiyo Nippon Sanso Corporation, list their shares on the Tokyo Stock Exchange.
These listed subsidiaries report decisions they make on important management matters to the Company when necessary. These listed subsidiaries work in alliance with the Company while setting their own management goals and challenges and take responsibility for executing business operations.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Three Committees (Nomination, Audit and Remuneration)
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1
Chairperson of the Board	Company Chairperson
Number of Directors	12

[Outside Directors]

Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	G	h	i	j	k	
Taigi Ito	CPA												
Hideko Kunii	From another company												
Takayuki Hashimoto	From another company									△			
Chikatomo Hodo	From another company									△			
Kiyomi Kikuchi	Lawyer									○			

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Taigi Ito	○	Holds concurrent positions as an outside director at KOA Shoji Holdings Co., Ltd. and an outside auditor at TIS Corporation and Idemitsu Kosan Co., Ltd.	<p>Mr. Ito served as Deputy Chairperson of the Japanese Institute of Certified Public Accountants, and thus has abundant experience and profound insight as a certified public accountant. During Board of Directors meetings, he provides oversight of overall risk management from an independent and impartial standpoint, while making useful suggestions in relation to matters such as finance and accounting, and portfolio management. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors elected Mr. Ito as an outside director.</p> <p>In addition, Mr. Ito satisfies our standards for director independence. We thereby designated Mr. Ito as an independent director in accordance with the regulations stipulated by the Tokyo Stock Exchange.</p>
Hideko Kunii	○	Holds concurrent positions as Visiting Professor, Shibaura Institute of Technology (SIT). Also serves as an outside director at INCJ, Ltd. and Tokyo Electric	<p>Ms. Kunii has extensive experience in company management and expertise in the information processing domain, as well as profound insight in diversity promotion as a member of the Cabinet Office Gender Equality Promotion Joint Meeting. During Board of Directors meetings, she provides oversight of</p>

		Power Holdings Company, Inc.	<p>overall corporate management from an independent and impartial standpoint, while making useful suggestions in relation to matters such as woman's empowerment promotion, science technology, and IT. As she is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors elected Ms. Kunii as an outside director.</p> <p>In addition, Ms. Kunii satisfies our standards for director independence. We thereby designated Ms. Kunii as an independent director in accordance with the regulations stipulated by the Tokyo Stock Exchange.</p>
Takayauki Hashimoto	○	Holds concurrent positions as a Honorary Executive Advisor at IBM Japan, Ltd., an outside director at KAGOME Co., Ltd. and Chubu Electric Power Company, Incorporated	<p>Mr. Hashimoto has extensive experience in corporate management and profound insight into digital business, having served successively as a president and a chairperson of a Japanese subsidiary of a global corporation that provides products and services related to information system. During Board of Directors meetings, he provides oversight of overall corporate management from an independent and impartial standpoint, while making useful suggestions mainly in relation to global management, business strategy, and portfolio management. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors elected Mr. Hashimoto as an outside director.</p> <p>In addition, Mr. Hashimoto satisfies our standards for director independence. We thereby designated Mr. Hashimoto as an independent director in accordance with the regulations stipulated by the Tokyo Stock Exchange.</p>
Chikatomo Hodo	○	Holds concurrent positions as a Senior Corporate Advisor of Accenture Japan Ltd, outside director at Konica Minolta, Inc., Mynavi Corporation and Sumitomo Mitsui Asset	<p>Mr. Hodo has extensive experience in corporate management and profound insight in digital business successively as a president and a chairperson of a Japanese subsidiary of a global corporation, which provides management consulting and IT services. Making the best of such experience and insights, he is expected to make</p>

		DS Management Company, Limited	<p>contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC from a perspective mainly of management experience, science technology, IT, and globalism, as an independent Outside Director. As such, the Board of Directors elected Mr. Hodo as an outside director.</p> <p>In addition, Mr. Hodo satisfies our standards for director independence. We thereby designated Mr. Hodo as an independent director in accordance with the regulations stipulated by the Tokyo Stock Exchange.</p>
Kiyomi Kikuchi	○	Lawyer of TMI Associates, outside director at Nishimatsu Construction Co., Ltd., outside auditor at Gecoss Corporation and Nissay Asset Management Corporation	<p>Ms. Kikuchi has abundant experience working at financial institutions in addition to her profound insight as a lawyer specialized in corporate legal affairs. Making the best of such experience and insight, she is expected to make contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC from a perspective mainly of domestic and foreign laws and regulations, and legal risk, as an independent Outside Director. As such, the Board of Directors elected Ms. Kikuchi as an outside director.</p> <p>In addition, Ms. Kikuchi satisfies our standards for director independence. We thereby designated Ms. Kikuchi as an independent director in accordance with the regulations stipulated by the Tokyo Stock Exchange.</p>

[Committees]

Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	5	0	1	4	Outside Director
Remuneration Committee	5	0	2	3	Outside Director
Audit Committee	5	2	2	3	Inside Director

[Executive Officers (Shikkoyaku)]

Number of Executive Officers (Shikkoyaku)	7
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Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Remuneration Committee Member	
Hitoshi Ochi	Yes	Yes	No	No	No
Kazuyuki Okubo	Yes	No	No	No	No
Yoshihiro Ikegawa	No	No	No	No	No
Larry Meixner	No	No	No	No	No
Hidefumi Date	No	Yes	No	Yes	No
Ken Fujiwara	No	Yes	No	Yes	No
Shigeki Habuka	No	No	No	No	No

[Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed
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Matters Related to the Independence of Such Directors and/or Staff from Executive Officers (Shikkoyaku)

The Office of Audit Committee was established as an organization to assist the Audit Committee in its duties. This office supports the committee in its duties following the instructions provided by the Audit Committee. In addition, personnel (transfers, evaluations, etc.) decisions on employees in the Office of Audit Committee and the office budget must be approved by the Audit Committee.

Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments

The Company has appointed Ernst & Young ShinNihon LLC as our accounting auditor. The Audit Committee regularly exchanges information and receives reports, including those from the accounting auditor, and on audit plans and results. In addition, the Audit Committee works with the Audit Office, an Internal Control Office, which is the internal control division, to efficiently implement audits.

The Audit Office (composed of 7 auditors) conducts audits of the Company's operations in accordance with an annual internal audit plan, collaborates with the internal audit departments of Group business companies (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Taiyo Nippon Sanso Corporation.), and improves and administers a system designed to ensure that internal audits of the Group are carried out appropriately.

Moreover, the Audit Office proposes an annual internal audit plan after prior consultation with the Audit Committee, and then formulates the plan with approval from the President and the Audit Committee. In addition, the Audit Office reports to the Audit Committee on internal audit plans, their implementation status, and audit results. The Audit Office also cooperates with audits conducted by the Audit Committee, including reporting on the status of audits by the Audit Committee at meetings attended by the head of the Audit Office. In addition, we are working to strengthen our cooperation with our accounting auditor, including regular information exchanges on mutual audit policies and audit results.

[Independent Directors]

Number of Independent Directors	5
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Matters relating to Independent Directors

The Company shall elect those as Outside Directors who do not fall under any of the following and are capable of overseeing the Company's management from a fair and neutral standpoint, free of a conflict of interest with general shareholders.

[Standards for Independence of Outside Directors]

1.Related party of the Company

- (1)Person engaged in execution of operation of the Company Group (executive director, corporate executive officer, executive officer, manager, employee, partner, etc. The same shall apply hereafter.)
- (2)Person who was engaged in execution of operation of the Company Group over the last 10 years

2.Major shareholder

A person who directly or indirectly holds 10% or more of the Company's total voting rights or a person engaged in execution of operation of a company that directly or indirectly holds 10% or more of the Company's total voting rights

3.Major business partner

- (1)A person engaged in execution of operation of a company*¹ whose major business partner includes the Company and Group Operating Companies (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Taiyo Nippon Sanso Corporation. The same shall apply hereafter.)
- (2)A person engaged in execution of operation of a major business partner*² of the Company and Group Operating Companies

4.Accounting Auditor

Accounting Auditor of the MCHC Group or an employee thereof

5.Transaction as an individual

A person who receives money and other financial benefits of 10 million yen or more per year from any of MCHC and Group Operating Companies

6.Donation

A person who receives a donation or financial assistance of 10 million yen or more per year from any of MCHC and Group Operating Companies or a person engaged in execution of operation of a company that receives a donation or financial assistance of 10 million yen or more per year from any of MCHC and Group Operating Companies

7.Reciprocal assumption of the position of Director

A person engaged in execution of operation of a company that has elected any of the Directors and employees of the MCHC Group as its Director

8.Close relatives, etc.

- (1)Close relatives, etc. of a person engaged in execution of important operations of the MCHC Group (spouse, relatives within the second degree of relationship or any person who shares the same livelihood. The same shall apply hereafter.)
- (2)Close relatives, etc. of any person who meets the definition of items 3 through 7 above
- (3)A person who met the definition of items 3 through 7 above over the last three years

*1 If the said business partner receives from MCHC and Group Operating Companies an amount equivalent to 2% or more of its annual consolidated net sales in the latest fiscal year, this company shall be considered as the one whose major business partner includes MCHC.

*2 If MCHC and Group Operating Companies receives from the said business partner an amount equivalent to 2% or more of MCHC's annual consolidated net sales in the latest fiscal year or the said business partner loans to the MCHC Group an amount equivalent to 2% or more of MCHC's total consolidated assets, the said business partner shall be considered as a major business partner of MCHC.

[Incentives]

Incentive Policies for Directors and/or Executive Officers (Shikkoyaku)	Stock Options, Performance-based Share Compensation Plan etc.
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Supplementary Explanation

At the June 6, 2018 meeting of the Compensation Committee of the Company” and the June 22, 2018 meeting of the Shareholder of Mitsubishi Chemical Corporation, the Company’s core operating company, the Company and Mitsubishi Chemical Corporation resolved the introduction of the new Performance-based Share Compensation Plan with a board incentive plan (BIP) trust (hereinafter, “the Plan”).

The Plan aims for establishing more explicit ties between compensation for the Company’s corporate executive officers and executive officers (excluding non-residents in Japan; the same applies hereinafter) and Mitsubishi Chemical Corporation’s president and representative director, directors concurrently serving as executive officers, and executive officers (hereinafter collectively referred to as “executive officers”) and the Company’s business results and shareholder value, further bolstering the sense of contribution to increase corporate value and management awareness focused on shareholders, and providing incentives for improving medium- to long-term corporate value.

The Plan will cover a continuous period of five fiscal years coinciding with the period covered by the Company’s medium-term management plan (initially this will be a period of three fiscal years from the fiscal year ending March 31, 2019 through the fiscal year ending March 31, 2021), during which points will be granted to, and accumulated by, executive officers in accordance with their executive rank and the degree to which they achieved the corporate performance targets for each fiscal year and those in the medium-term management plan. This is an incentive plan that delivers/pays Company shares and the cash equivalent of Company shares (hereinafter, “Company Shares, etc.”), corresponding to the cumulative point tally calculated upon the retirement of executive officers as well as the dividends arising from those Company Shares, etc., as executive compensation.

In addition to the foregoing, the Company has introduces cash bonus. Policy on deciding proportion of performance-based compensation (cash bonus and Performance-based Share Compensation Plan) and other compensation is described at [Policy on Determining Remuneration Amounts and Calculation Methods].

With the introduction of the Performance-based Share Compensation Plan as described below, new share warrants will not be issued from the fiscal year ending March 31, 2020 onward. Meanwhile, the Company has allotted stock acquisition rights (stock options as stock-linked compensation), a total number of 3,570 stock acquisition rights, to the Company’s corporate executive officers and executive officers (including retired corporate executive officers) in FY2018.

Recipients of Stock Options	Corporate Executive Officers (Shikkoyaku) / Executive Officers
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Supplementary Explanation

This applies to all corporate executive officers and executive officers (including those that have retired from the Company).

[Remuneration for Directors and Executive Officers (Shikkoyaku)]

Disclosure of Individual Directors’ Remuneration	No Individual Disclosure
Disclosure of Individual Executive Officers’ (Shikkoyaku) Remuneration	Selected Executive Officers (Shikkoyaku)

Supplementary Explanation

In FY2018, the Company paid remuneration to 11 directors. The total amount of this compensation was 343 million yen. In addition to this, remuneration from subsidiaries where directors of the Company server concurrent posts, totaled 2 million yen. In addition, the amounts of remuneration paid to Directors include performance remuneration of ¥52 million utilizing Cash Bonuses and Stock Options paid to Directors who concurrently served as Corporate Executive Officers in the previous fiscal year as performance remuneration at the time of standing as Corporate Executive Officers.

In FY2018, the Company paid remuneration to 7 corporate executive officers. The total amount of this compensation was 430 million yen. In addition to this, ¥18 million of remuneration was paid by MCHC's subsidiaries to Corporate Executive Officers who concurrently served as executive officers of the said subsidiaries. The above-stated total amounts of remuneration paid to Corporate Executive Officers include performance remuneration of ¥74 million utilizing Stock Options.

Also, the Company disclose the individual corporate executive officers'(Shikkoyaku) remunerations whose are over 100 million yen on Annual securities report.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Policy on deciding compensation for senior management

The compensation system for directors, and that for corporate executive officers shall be different. Compensation is determined by the Compensation Committee based on the following concepts:

(Directors)

- Compensation for directors shall consist only of basic compensation (fixed remuneration).
- Basic compensation shall be based on title and classification such as full-time or part-time.
- The amount of compensation shall be determined such that it would be at a level necessary for securing personnel suitable for carrying out the responsibilities of a director of Company with Nominating Committee, etc., while also taking into consideration the levels of other companies.

* When a director concurrently serves as a Corporate Executive Officer, compensation as a Corporate Executive Officer shall be applied.

(Corporate executive officers)

- Compensation for Corporate Executive Officers shall consist of basic compensation (fixed remuneration) and performance compensation (variable remuneration).
- Basic compensation shall be based on title and duties such as having the right of representation.
- The amount of compensation shall be determined such that it would be at a level necessary for securing good management personnel and improving the Company's competitiveness, while also taking into consideration the levels of other companies.
- Performance compensation shall utilize Cash Bonuses and Performance-based Share Compensation Plan in order to improve continuously medium- to long-term corporate value as well as create incentive for sharing shareholder value. The baseline cash amount/number of shares will vary within a range of 0%-200% in accordance with the level of performance attained. In addition, the higher-ranked the executive, the higher will be the ratio of performance compensation to total compensation.

2. Policy on deciding proportion of performance-based compensation and other compensation

The Compensation Committee determines the policy on deciding proportion of performance-based compensation and other compensation, based upon an objective comparative verification of compensation levels and performance linkage of other companies of the same business or same size in sales etc. in the domestic industry by using the compensation survey data of the external organization regarding the proportion of performance-based compensation and other compensation.

3. Indicators for performance-based compensation and decision method of the payment of performance-based compensation in the most recent fiscal year

Performance-based compensation is decided at the Compensation Committee based on the following formula;

Performance compensation (variable) = Base amount by title X Coefficient based on evaluation* for performance compensation

* Evaluation for performance compensation is decided at the Corporate Executive Officers Committee meetings based on the degree of attainment of annual goals, and its validity is verified at the Compensation Committee.

We have promoted KAITEKI Management with the objective of increasing corporate value based on our three core management policies of improving capital efficiency (MOE: Management of Economics), creating innovative technologies (MOT: Management of Technology) and enhancing sustainability (MOS: Management of Sustainability) with an emphasis on time and opportunity. Proportion of each indicator for evaluation of performance compensation are as follows;

Indicator	Content	Proportion
MOE indicator	Indicator for core operating income, ROE, ROIC, free cash flow and the like	80%
MOT indicator	Indicator for efficiency of research and development, superiority of technologies, and consistency with social needs	10%
MOS indicator	Indicator for reduction of environmental burden, contribution to health and medical treatment, compliance, prevention of accidents and fire, etc.	10%

Major indicators of MOE, MOT and MOS are as follows;

Major Indicators		Reason
MOE	Core operating income	To evaluate the absolute value of operating income excluding extraordinary items as the earning power of business
	ROE	To evaluate the efficiency to aim for sustainable improvement of corporate value
	Free cash flow	To evaluate cash flow creation for allocation of resources to the next generation, stable shareholder return and financial soundness
MOT	Rate of creating new products	To evaluate the efficiency of research and development from the ratio of new products and services to sales revenue
	Rate of request for patent examination	To evaluate the superiority of technology from the ratio of results to the planned number of request for patent examination
	Rate of progress of core technology	To evaluate the progress of acquisition plan of new core technology by adopting advanced technology and digital transformation
MOS	Promotion of energy saving activities (amount of reduction of resources)	To actively promote energy saving activities for prevention of global warming and to evaluate the reduction effect thereof
	Provision of medical products (index for contribution to provision of medical products)	To evaluate the contribution to people's life and health by responding to unmet medical needs and by increasing the number of indications and sales territories
	Establishment of organizations that is rewarding and has a vitality and harmony (index for employees wellness)	To evaluate the progress of establishing organizations where diverse human resources can work lively and vigorously

(Note) Evaluation of performance compensation is determined by the aggregate evaluation of the three axes of MOE indicator, MOT indicator and MOS indicator. However, the target value of each indicator is not disclosed since such target value includes numerical value that has not been disclosed publicly. The coefficient (0 to 200%) for performance compensation based upon the three axes of aggregate evaluation in FY2018 was 100%.

Performance compensation (variable) is decided, for each type, as follows;

Type of performance compensation	Decision method
Cash bonus	Cash bonus is calculated by the formula as described above, applying the five-step coefficient (0 to 200%) determined by the total of (i) aggregate evaluation of the three axes of MOE indicator, MOT indicator and MOS indicator and (ii) qualitative evaluation of the status of actions for the business task.
Performance-based share compensation plan	Performance-based share compensation is calculated by the formula as described above, applying the five-step coefficient (0 to 200%) determined by the aggregate evaluation of the three axes of MOE indicator, MOT indicator and MOS indicator.

[Supporting System for Outside Directors]

Secretariats have been set up for the Board of Directors and each of the Company's committees and provide support and assistance to outside directors. When the Board of Directors or one of the committees holds a meeting, the respective secretariat supplies the outside directors with materials and other pertinent information beforehand. In addition, individual explanations are provided to ensure that the outside directors can perform a full review in advance. That being said, the Office of Audit Committee, which was set up as a unit to assist the Audit Committee, has its own independent and exclusive staff.

Furthermore, in addition to the Board of Directors and each committee meetings, a proper environment is being maintained, including the holding of regular meetings that are attended by the outside directors, to ensure the outside directors' oversight functions work effectively.

[Status of persons retired from Representative Director and President, etc.] (Updated)

Names, etc., of advisors ("sodanyaku," "komon," etc.) who have formerly served as Representative Director and President, etc.

Name	Title / Position	Activity Description	Working Arrangement / Conditions (Full-time / Part-time, Compensation)	Date of Retirement from President, etc.	Term
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Ryuichi Tomizawa	i)The Company: Senior Advisor ii)Mitsubishi Chemical Corporation: Senior Advisor	Outside activities, etc. at industry associations, etc. on behalf of the company	i)The Company: -Working Arrangement: Part-time -Compensation: No ii)Mitsubishi Chemical Corporation: -Working Arrangement: Part-time -Compensation: No	i)The Company: June 26, 2012 ii) Mitsubishi Chemical Corporation: April 1, 2012	Not Specified
Kanji Shouno	Mitsubishi Chemical Corporation Senior Advisor	Outside activities, etc. at industry associations, etc. on behalf of the company	-Working Arrangement: Part-time -Compensation: No	October 3, 2007	Not Specified
Yoshiyuki Sumeragi	Mitsubishi Chemical Corporation Senior Advisor	Outside activities, etc. at industry associations, etc. on behalf of the company	-Working Arrangement: Part-time -Compensation: No	April 1, 2012	Until 80 years old
Masanao Kanbara	Mitsubishi Chemical Corporation Senior Advisor	Outside activities, etc. at industry associations, etc. on behalf of the company	-Working Arrangement: Part-time -Compensation: Yes	April 1, 2016	Until 80 years old
Hiroaki Ishiduka	Mitsubishi Chemical Corporation Senior Advisor	Outside activities, etc. at industry associations, etc. on behalf of the company	-Working Arrangement: Part-time -Compensation: Yes	April 1, 2017	Not Specified
Takumi Ubagai	Mitsubishi Chemical Corporation Senior Advisor	Outside activities, etc. at industry associations, etc.	-Working Arrangement: Part-time -Compensation: Yes	April 1, 2017	Three years

		on behalf of the company			
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Total number of advisors (“sodanyaku,” “komon,” etc.) who have formerly served as President and Representative Director, etc.	6 persons
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Other information

-The table lists former presidents and chairpersons of the Company or Mitsubishi Chemical Corporation which is the core business company of the Company group.

-The Company does not have a consultant (sodanyaku) system, but there are some cases where former representative directors and presidents, etc., are appointed as senior advisors based on the Company’s regulation. Also, there some cases where former representative directors and presidents, etc., are appointed as consultant, and the consultant will be appointed as senior advisors after retirement of consultant based on the Company’s regulation.

-Special Advisor and Consultant do not participate in management.

-The date of retirement as the representative director and chairman of the Company or Mitsubishi Chemical Corporation (including former company) is stated in " Date of Retirement from President, etc." in the table above.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) (Updated)

<p>(1) Oversight</p> <p>A. Board of Directors (12 members (of which two members are female); five outside directors, chairman; inside director, term of directors; one year)</p> <p>The Board of Directors determines basic management policies, such as medium-term business strategies and annual budgets. As a general rule, corporate executive officers are entrusted with the responsibility of executing operations in accordance with these basic policies, excluding matters that must be legally resolved by the Board of Directors. It primarily supervises the execution of duties by the corporate executive officers.</p> <p>The Company has appointed directors from inside the company that are well-versed in the group’s wide range of businesses and the three main segments of the Company—performance products, industrial materials and healthcare, as well as five outside directors — one is experienced in corporate management, one is an expert in socio-economic matters and one is an expert in technology, one is a certified public accountant, one is a lawyer. We aim to factor their diverse opinions into our management decisions and also strengthen our oversight functions.</p> <p>That being said, the Articles of Incorporation stipulate that there shall be no more than 20 directors at one time. As of the date of the submission of this report, there are a total of 12 directors (of which 3 directors are also corporate executive officer), including the five outside directors. Each director services a term of one year. This is to facilitate the establishment of a management structure that can quickly respond to changes in the business environment, and to further clarify the responsibilities and roles of each director.</p> <p>A total of 11 meetings of the Board of Directors were held in FY2018 and status of attendance of all Directors is as follows. For Noriyoshi Ohira and Shushichi Yoshimura, listed below are their records of attendance until they resigned the position of directors of the Company in June 2018. For Ken Fujiwara, listed below is his record of attendance after he assumed the position of Director of the Company in June 2018.</p> <ul style="list-style-type: none"> • Yoshimitsu Kobayashi: 11/11 (100%)

- Hitoshi Ochi: 11/11 (100%)
- Noriyoshi Ohira: 3/4 (75%)
- Kenkichi Kosakai: 11/11 (100%)
- Shushichi Yoshimura: 4/4 (100%)
- Glenn H. Fredrickson: 11/11 (100%)
- Yoshihiro Umeha: 11/11 (100%)
- Hisao Urata: 11/11 (100%)
- Ken Fujiwara: 7/7 (100%)
- Takeo Kikkawa: 11/11 (100%)
- Taigi Ito: 11/11 (100%)
- Kazuhiro Watanabe: 11/11 (100%)
- Hideko Kunii: 11/11 (100%)
- Takayuki Hashimoto: 11/11 (100%)

B. Nominating Committee (five members (of which two members are female); four outside directors; an outside director serves as chairman)

The Nominating Committee nominates director candidates and corporate executive officers, and also nominates president candidates for key directly-owned subsidiaries that are not listed companies (Mitsubishi Chemical Corporation. and Life Science Institute, Inc.).

As of the date of the submission of this report, the Nominating Committee consists of five members including four outside directors. An outside director serves as committee chair to enhance the transparency and soundness of the nominating process.

A total of 6 meetings of the Nominating Committee were held in FY2018 and status of attendance of all Directors is as follows.

- Takeo Kikkawa (Chairperson): 5/6 (83%)
- Yoshimitsu Kobayashi: 6/6 (100%)
- Hitoshi Ochi: 6/6 (100%)
- Hideko Kunii: 6/6 (100%)
- Takayuki Hashimoto: 6/6 (100%)

C. Audit Committee (five members (of which two members are female); three outside directors; an inside director serves as chairman)

The Audit Committee is responsible for auditing the execution of duties by the corporate executive officers and directors and reviewing the Group's internal control system. As a general rule, the committee meets once a month. As of the date of the submission of this report, the Audit Committee consists of five members including three outside directors. Together with selecting two full-time members, the Audit Office that performs internal audits and the Internal Control Office that formulates and promotes policies on establishing internal control systems collaborate closely to enhance the audit system administered by the Audit Committee. An inside director who is a full-time member of the Audit Committee serves as the chairman of the committee to ensure the smooth collection of information and sufficient cooperation between divisions.

A total of 13 meetings of the Audit Committee were held in FY2018 and status of attendance of all Directors is as follows.

- Yoshihiro Umeha (Chairperson): 13/13 (100%)
- Hisao Urata: 13/13 (100%)
- Taigi Ito: 13/13 (100%)
- Kazuhiro Watanabe: 13/13 (100%)
- Hideko Kunii: 13/13 (100%)

D. Compensation Committee (Five members; three outside directors; an outside director services as chairman)

The Compensation Committee determines the individual amount of compensation for each director and corporate executive officer at the Company. The committee also determines the amount of compensation for the presidents of key directly-owned subsidiaries that are non-listed companies (Mitsubishi Chemical Corporation, and Life Science Institute, Inc.).

An outside director serves as committee chair to enhance transparency and fairness of the decision-making process.

A total of 7 meetings of the Compensation Committee were held in FY2018 and status of attendance of all Directors is as follows. For Noriyoshi Ohira, listed below is his record of attendance until he resigned the position of director of the Company in June 2018. For Ken Fujiwara, listed below is his record of attendance after he assumed the position of Director of the Company in June 2018.

- Taigi Ito (Chairperson): 7/7 (100%)
- Takeo Kikkawa: 7/7 (100%)
- Kazuhiro Watanabe: 7/7 (100%)
- Noriyoshi Ohira: 2/3 (67%)
- Kenkichi Kosakai: 7/7 (100%)
- Ken Fujiwara: 4/4 (100%)

(2) Business execution

A. Corporate Executive officers

The corporate executive officers decide the execution based on basic management policies (medium term business strategies and annual budgets, etc.).

Regarding important matters in the management of the Group, deliberations are made at the corporate executive officers, which is the council by the corporate executive officers. In addition to determining the division of duties of each corporate executive officer for other matters, we make it appropriate and efficient decision-making by clarifying the authority to decide the corporate executive officer in charge,.

B. Corporate Executive Officers Committee

The Corporate Executive Officers Committee is composed of all corporate executive officers, deliberates and decides on important matters concerning the management of the Company and the Company group, and also monitors the Group's business based on the medium-term management plan, annual budget etc.

That being said, the Member of the Audit Committee and Business Companies' President and CEO (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Life Science Institute, Inc., and Taiyo Nippon Sanso Corporation.) can attend the Corporate Executive Officers Committee at any time to express freely.

(3) Audits

We have appointed Ernst & Young ShinNihon LLC as our accounting auditor. The accounting auditor maintains close ties with the Audit Committee and reports on the audit system, audit plans, audit status, and audit results. In addition, we exchange necessary information and opinions with the accounting auditor to ensure that audits are efficiently and effectively carried out.

In FY2018, the following are the names of the certified public accounts that executed accounting audits and the number of personnel that assisted in accounting audit operations.

-Names of the CPS that executed operations (number of continuous audit years)

Kaoru Kashima (3 years), Kazuomi Nakamura (1 year), Noriaki Kenmochi (4 years), Takayuki Ueki (1 year)

-Assistants that worked on the accounting audit

19 certified public accounts, and another 21 personnel

The status of internal audit is described at [Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments] above.

3. Reasons for Adoption of Current Corporate Governance System

In order to improve corporate value through agile management based on the Group's comprehensive strengths in the three business areas of functional products, industrial materials and healthcare, the Company

adopts a holding company system that separates the Group business management functions and individual business operation functions.

The Company adopts a company with a nominating committee, etc. in a bid to enhance management transparency and openness, strengthen management oversight functions and improve management agility by accelerating decision-making.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The notice of convocation of the general shareholders meeting is being sent out earlier than the legally required date so that shareholders will have ample time to review the resolutions on the agenda. Note that the convocation notice for the 14th Ordinary General Shareholders Meeting that was held on June 25, 2019 was sent out seven days earlier than the legally required date.
Scheduling AGMs Avoiding the Peak Day	The 14th Ordinary General Shareholders Meeting was held on June 25, 2019, thereby avoiding the peak day, and allowing as many shareholders as possible to attend.
Allowing Electronic Exercise of Voting Rights	Shareholders are able to exercise their voting rights using a number of electronic devices (including the Internet). The method for doing so is included in the notice of convocation of the general shareholders meeting.
Participation in Electronic Voting Platform	The Company is participating in the Electronic Voting Platform.
Providing Convocation Notice in English	The convocation notice appears in English on our website. It is also available in English over the Electronic Voting Platform.
Other	In addition to posting our convocation notice on our website in both Japanese and English, we use visuals and audio at the shareholders meeting for our business reports and to explain our resolutions as a way to better convey and thereby give shareholders a better understanding.

2. IR Activities

	Personal explanation by representative	Supplementary Explanations
Regular Investor Briefings for Individual Investors	Yes	We participate in investor briefings for individual investors and explain our business and future business development.
Regular Investor Briefings for Analysts and Institutional Investors	Yes	The following briefings are conducted by the president and supervising director -Quarterly and fiscal year-end earnings results online conference -Business briefings, etc. - Individual visits
Regular Investor Briefings for Overseas Investors	Yes	Each year individual visits are made to investors, rather than having investors gather for a briefing.
Posting of IR Materials on Website		Various materials are uploaded to our website.
Establishment of Department and/or Manager in Charge of IR		An officer is in charge of IR and we have set up an office to handle IR (PR and IR Office).
Other		We issue <i>We WILL</i> , a shareholders communication tool, and the <i>KAITEKI</i> Report, a integrated report. Both are available on our website.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	Rules on respecting the position of stakeholders is defined in the Mitsubishi Chemical Holdings Group Charter of Corporate Behavior.
Implementation of Environmental Activities, CSR Activities etc.	We recognize CSR activities as the implementation of our group philosophy. Mitsubishi Chemical Holdings Corporation and its group companies are implementing CSR activities, including responsible care activities.
Development of Policies on Information Provision to Stakeholders	Mitsubishi Chemical Holdings Group Charter of Corporate Behavior also includes rules on proper information disclosure and securing transparency.
Other	-

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Company intends to strengthen and thoroughly enforce the internal control system based on the basic policy concerning the internal control system resolved at the Board of Directors. At the end of each fiscal year, the Board of Directors reviews the operational status of the basic policy, and as necessary the Company will review its contents. The contents of the basic policy as of this report present are as follows.

1. System required for execution of duties of the Audit Committee

(1) Management shall set the Office of Audit Committee as a body to assist the Audit Committee's duties and have it assist in auditing based on the instructions thereof. The appointment (transfer, evaluation, etc.) of employees of the Office of Audit Committee and the development of the budget of the Office of Audit Committee shall be subject to approval of the Audit Committee.

(2) Pursuant to regulations such as the Audit Standard of the Audit Committee, Directors, Corporate Executive Officers, and employees shall inform the Audit Committee of any important management matters to MCHC and a corporate group with MCHC as a parent company under the Companies Act ("MCHC Group") (including any fact or fraudulent act that might do material harm to MCHC or any important fact in violation of laws, regulations or Articles of Incorporation).

(3) Management stipulates that any Director, Corporate Executive Officer, Corporate Auditor, or employee of the MCHC Group who has made a report to the Audit Committee shall not be treated unfavorably because of the report.

(4) Of expenses incurred by the Audit Committee or members of the Audit Committee, those deemed necessary for the execution of their duties shall be borne by MCHC.

(5) In order to ensure that Audit Committee's audits are conducted in an effective manner, Management shall appoint full-time members of the Audit Committee as well as facilitate the Audit Committee's regular meetings with senior executives, including the President, and coordination and information exchange between the Audit Committee and the Internal Audit Office.

2. System for ensuring that Corporate Executive Officers execute their duties efficiently

(1) Except matters that significantly affect the MCHC Group's portfolio management and matters to be resolved by the Board of Directors as required by law (basic management policy, etc.), the Board of Directors allows Corporate Executive Officers to make swift decisions by delegating all the business execution decisions to them in principle.

(2) To make decisions on business execution delegated to Corporate Executive Officers, Management shall develop a system in which the MCHC Group's decisions and execution of business are made properly and efficiently by setting a rule that the MCHC Group's important management matters are decided by the President and Corporate Executive Officer after deliberation at the Executive Management Committee, and by defining the authority of

responsible Corporate Executive Officers, responsibilities of each department, and authority assigned to subsidiaries on other matters.

(3) Corporate Executive Officers shall conduct management administration of subsidiaries in accordance with the basic management policy formulated by the Board of Directors (the Group's medium-term management plan, annual budgets, etc.) in an effort to achieve them. In addition, Corporate Executive Officers shall develop a system in which important management matters of subsidiaries are reported to the Company through the Executive Management Committee and medium-term management plans, annual budget control, etc.

3. System for ensuring that Corporate Executive Officers' and employees' execution of their duties conform to laws, regulations, and Articles of Incorporation

(1) The MCHC Group shall treat the Group Charter of Corporate Behavior as the basic regulations on compliance matters within the MCHC Group.

(2) Management shall develop, properly operate and manage internal control systems in order to ensure the reliability of financial reporting.

(3) In accordance with the Group Compliance Promotion Regulations and other relevant rules and regulations, Management shall develop a promoting framework for compliance, training and education programs, audit/monitoring systems, hotlines, and other compliance promotion programs of the MCHC Group and properly operate and manage these programs by appointing a Corporate Executive Officer in charge of compliance promotion (Chief Compliance Officer).

4. Regulations, structure and systems for managing risks of loss

The President shall be the Chief Risk Management Officer. In accordance with the Group's Basic Regulations on Risk Management and other relevant rules and regulations, the President shall be responsible for preventing serious risks from occurring in connection with or arising from MCHC Group's business activities, and for developing, properly operating and managing risk management systems for minimizing damage if any risk occurs.

5. System for preserving and managing information related to Corporate Executive Officers' execution of their duties

In accordance with the Information Security Policy, Information Management Rules, and other relevant rules and regulations of the MCHC Group, Management shall preserve and manage the minutes of the Executive Management Committee, approval documents, and other documents and electromagnetic records related to Corporate Executive Officers' execution of their duties and develop a system that allows Corporate Executive Officers and Directors to inspect them.

6. System for assuring operational legitimacy within the corporate group

In accordance with the above policy and the Group's Management Regulations and other relevant rules and regulations, Management shall implement the management of the MCHC Group (management of business objectives, reporting and approval of important matters and the Group's internal audits, etc.) and ensure operational legitimacy within the MCHC Group by sharing the Group's internal control policies and systems covering compliance and risk management within the Group.

2. Basic Views on Eliminating Anti-Social Forces

At the Mitsubishi Chemical Holdings Group, fair business practices outlined in the group Charter of Corporate Behavior in the basic policy 3 (1) of the aforementioned internal control system promote the severing of any ties with anti-social forces. To reject any and all unreasonable demands from antisocial forces, the general affairs department, which is in charge of handling these matters, works closely with related administrative organizations, and takes necessary action to ensure that everyone in the group is well-informed.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

The Company implements highly efficient and transparent group management to enhance its competitive and earnings strengths through the optimal allocation of management resources. As a group, we aim to further improve our corporate value to respond to the trust placed in us by our shareholders.

We have not introduced anti-takeover measures. In the event of a major purchase of our shares that would erode the group's corporate value or the profits we share with our shareholders, we will implement measures that we believe to be appropriate for addressing the situation.

2. Other Matters Concerning to Corporate Governance System

The following is a policy for disclosure of company information and summary of timely disclosure system.

1. Policy for disclosure of company information

Under our disclosure policy, MCHC has disclosed material information as defined in standards in the Securities Listing Regulations established by the Tokyo Stock Exchange ("timely disclosure standards") and Article 27-36 of the Financial Instruments and Exchange Act (such as information of MCHC Group, including that regarding decisions, incidents, and earnings results that may have an impact on the investment judgement of shareholders and investors, "material information").

Furthermore, we will exert an effort to actively disclose information that is deemed valuable to shareholders and investors, even if it is not material information.

The information for disclosure will be centrally controlled by the Public Relations and Investor Relations Office, and the General Manager of the office will serve as the person in charge of information disclosure.

2. Summary of timely disclosure system

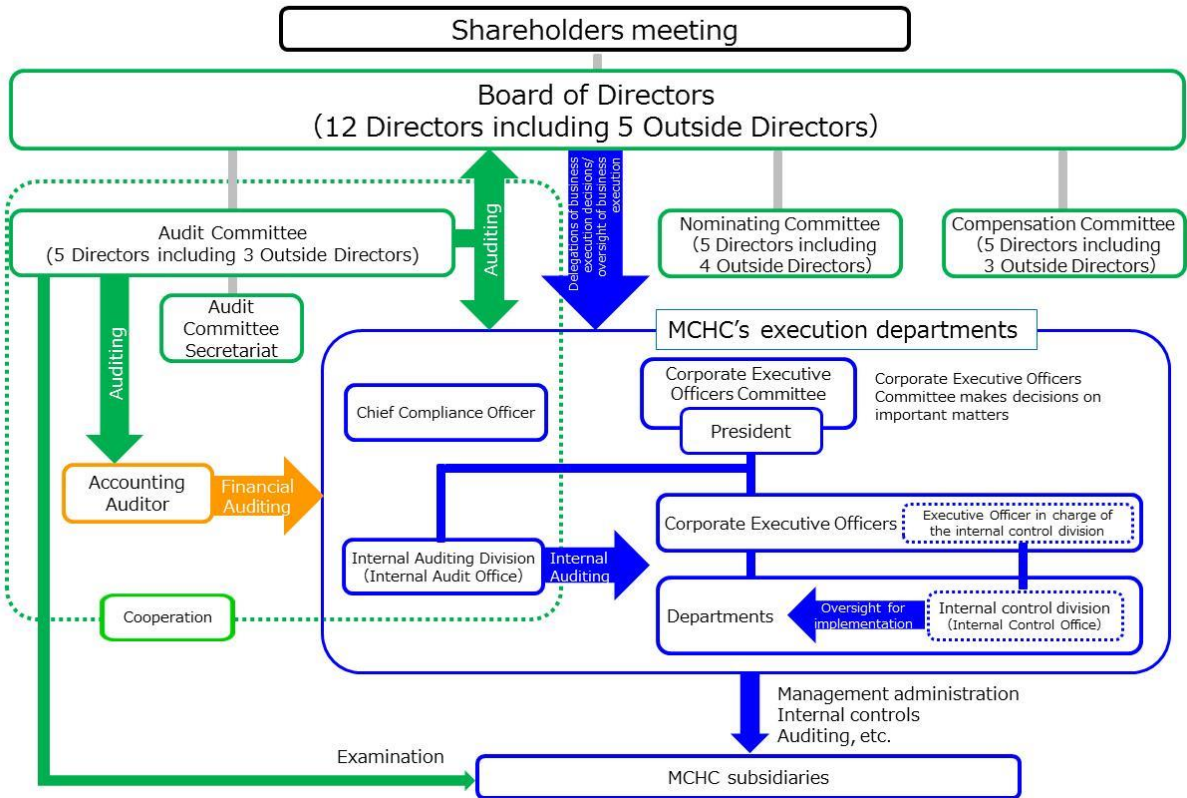
(1) Decisions on information related to earnings, which is covered under timely disclosure standards, is decided upon in resolutions taken up by the Board of Directors or in discussions by the Corporate Executive Officers Committee. After decisions have been made, the PR and IR offices implement timely disclosure.

(2) In information related to decisions, which is covered under timely disclosure standards, matters that require resolutions taken up by the Board of Directors or discussions by the Corporate Executive Officers Committee are decided once approved by the body concerned. For matters that require approval using request forms, are decided once approval is received. In either case, the PR and IR office conducts a survey to determine whether these are matters that require timely disclosure. The result of this survey is reported to the director in charge of IR. In addition, timely disclosure is implemented should the matter require so.

(3) For information related to an occurring incident, which is covered under timely disclosure standards, at the time the related department realizes the incident has occurred, it should work with the PR and IR office and conduct a survey of the incident to determine whether the matter requires timely disclosure. The result of this survey is reported to the director in charge of IR. When necessary, it should also be reported to the Board of Directors and Corporate Executive Officers Committee. Timely disclosure should be implemented if the matter requires so.

That being said, rules prohibiting insider trading should be established to govern the handling the unpublished important information up to the moment of timely disclosure and to thoroughly prevent insider trading.

System to Ensure that the Company Operates in an Appropriate Manner(Overview) as of June 25, 2019



[Policy on appointment/dismissal of senior management and nomination of directors]

(Corporate executive officers)

The Nominating Committee nominates persons who fulfill the following criteria as candidates for corporate executive officers:

- possesses abundant experience, deep expertise and insight in each responsible area, objective and fair judgment and a high level of business management capability.
- possesses high ethical standards and a law-abiding mind.
- healthy enough to fulfill responsibilities as a Corporate Executive Officer.

Meanwhile, the Nominating Committee may dismiss the corporate executive officer who materially violates one of the criteria above.

(Directors)

The Nominating Committee nominates persons who fulfill the following criteria as candidates for directors:

- possesses deep insight as well as objective and fair judgment, which are necessary to fulfill the responsibilities of a director of Company with Nominating Committee, etc.
- possesses high ethical standards and a law-abiding mind.
- healthy enough to fulfill the responsibilities as a director.
- For outside directors, fulfills independence standards that are separately stipulated and be able to secure enough time to execute business. In addition, be able to secure diversity among outside directors.

[Reason for choosing as candidate for Director]

Name	Present position and duty at the Company	Reason for choosing as candidate for Director
Yoshimitsu Kobayashi	Director of the Board, Chairperson Member of the Nominating Committee	Yoshimitsu Kobayashi engaged in research and development departments and the performance products business domain and then has served as Director of the Board, President and CEO of MCHC and Mitsubishi Chemical Corporation (“MCC”) successively. Also having acted as a member of the Council on Economic and Fiscal Policy and the Council for Industrial Competitiveness, and Chairperson of the Japan Association of Corporate Executives, he has abundant experience and profound insight. Currently serving as Chairperson of the Board of Directors, he focuses on heightening the effectiveness of the Board of Directors partially by endeavoring to create an environment that enables Outside Directors to speak out actively, and serving as an internal Director who does not concurrently serve as an Executive Officer he appropriately engages in management oversight. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.
Hitoshi Ochi	Director of the Board, President, CEO Member of the Nominating Committee	After having engaged in manufacturing departments and the Corporate Strategy Office and other departments of MCHC and MCC, Hitoshi Ochi served as Director of the Board, President and CEO of Mitsubishi Rayon Co., Ltd., and thus has abundant experience and profound insight. Currently taking on management of MCHC as its Corporate Executive Officer, President and CEO, he spearheads various initiatives to facilitate sustainable growth of the MCHC Group while also fulfilling accountability to the Board of Directors which involves regularly reporting to the Board of Directors on the state of overall corporate management. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.
Ken Fujiwara	Director of the Board, Managing Corporate Executive Officer Member of the Compensation Committee	Ken Fujiwara engaged in international risk management and M&As in the legal departments of the MCHC Group, and thus has abundant experience and profound insight. Currently serving as Managing Corporate Executive Officer (Chief Compliance Officer), he engages in management of MCHC and spearheads efforts that involve developing internal control systems and strengthening the compliance framework.

		<p>During Board of Directors meetings, he fulfills accountability as an Executive Officer and makes suggestions pertaining to matters such as risk management and corporate compliance. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.</p>
Glenn H. Fredrickson	Director of the Board	<p>Glenn H. Fredrickson is a university professor in the U.S. and has profound insight as an international authority in the polymer chemistry domain and abundant experience as a consultant for global corporations. Currently acting as an internal Director who does not concurrently serve as an Executive Officer, he appropriately engages in management oversight and makes suggestions pertaining to the field of advanced technology and other such matters. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.</p>
Hisao Urata	Director of the Board Member of the Audit Committee	<p>After having engaged in research and development departments and the corporate strategy division of MCC, Hisao Urata served as Corporate Auditor of Mitsubishi Plastics, Inc., and thus has abundant experience and profound insight. Currently serving as a full-time member of the Audit Committee who hails from MCHC, he engages in management oversight primarily by ensuring effectiveness of audits, which involves assessing the operational status of internal control systems and regularly sharing information in meetings of the Audit Committee, drawing on his extensive understanding of MCHC Group operations and his advanced ability to gather information. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.</p>
Hidefumi Date	Managing Corporate Executive Officer	<p>Hidefumi Date engaged in corporate management as well as accounting, tax affairs, and finances in the accounting and financial departments of the MCHC Group, and thus has abundant experience and profound insight. Currently serving as Managing Corporate Executive Officer (Chief Financial Officer), he engages in management of MCHC and spearheads efforts that involve developing financial strategy and carrying out investor relations activities. As he is expected to make contributions to establishing basic management policies and ensuring</p>

		proper oversight of management by the Board of Directors of MCHC through such initiatives by making suggestions in meetings of the Board of Directors drawing on such expertise, in addition to fulfilling accountability in relation to financial strategy of the MCHC Group, the Board of Directors requests that he be newly elected as proposed.
Shigeru Kobayashi		Shigeru Kobayashi engaged in the performance products and industrial materials business domains of the MCHC Group and served as a president of an overseas Group company successively, and thus has abundant experience and profound insight. As he is expected to make contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC, as an internal Director who does not concurrently serve as an Executive Officer, drawing on his extensive understanding of MCHC Group operations and his management experience, the Board of Directors requests that he be newly elected as proposed.
Taigi Ito	Director of the Board Member of the Audit Committee Member of the Compensation Committee	Taigi Ito served as Deputy Chairperson of the Japanese Institute of Certified Public Accountants, and thus has abundant experience and profound insight as a certified public accountant. During Board of Directors meetings, he provides oversight of overall risk management from an independent and impartial standpoint, while making useful suggestions in relation to matters such as finance and accounting, and portfolio management. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed. While he has not been involved in corporate management except for serving as Outside Director, the Board of Directors believes that he will properly execute his duties as an Outside Director of the Company based on the above reasons.
Hideko Kunii	Director of the Board Member of the Nominating Committee Member of the Audit Committee	Hideko Kunii has extensive experience in company management and expertise in the information processing domain, as well as profound insight in diversity promotion as a member of the Cabinet Office Gender Equality Promotion Joint Meeting. During Board of Directors meetings, she provides oversight of overall corporate management from an independent and impartial standpoint, while making useful suggestions in relation to matters such as woman's empowerment promotion, science technology, and IT. As she is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such

		initiatives, the Board of Directors requests that she be reelected as proposed.
Takayuki Hashimoto	Director of the Board Member of the Nominating Committee	Takayuki Hashimoto has extensive experience in corporate management and profound insight into digital business, having served successively as a president and a chairperson of a Japanese subsidiary of a global corporation that provides products and services related to information system. During Board of Directors meetings, he provides oversight of overall corporate management from an independent and impartial standpoint, while making useful suggestions mainly in relation to global management, business strategy, and portfolio management. As he is expected to continue making contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC through such initiatives, the Board of Directors requests that he be reelected as proposed.
Chikatomo Hodo		Chikatomo Hodo has extensive experience in corporate management and profound insight in digital business successively as a president and a chairperson of a Japanese subsidiary of a global corporation, which provides management consulting and IT services. Making the best of such experience and insights, he is expected to make contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC from a perspective mainly of management experience, science technology, IT, and globalism, as an independent Outside Director. As such, the Board of Directors requests that he be newly elected as proposed.
Kiyomi Kikuchi		Kiyomi Kikuchi has abundant experience working at financial institutions in addition to her profound insight as a lawyer specialized in corporate legal affairs. Making the best of such experience and insight, she is expected to make contributions to establishing basic management policies and ensuring proper oversight of management by the Board of Directors of MCHC from a perspective mainly of domestic and foreign laws and regulations, and legal risk, as an independent Outside Director. As such, the Board of Directors requests that she be newly elected as proposed. While she has not been involved in corporate management except for serving as Outside Director, the Board of Directors believes that she will properly execute her duties as an Outside Director of the Company based on the above reasons.

[Reason for appointment of the corporate executive officers]

Name	Present position and duty at the Company	Reason for appointment of the corporate executive officers
Hitoshi Ochi	Director of the Board, President, CEO Member of the Nominating Committee	After Working in manufacturing departments, Hitoshi Ochi engaged in the Corporate Strategy Office and other departments of MCHC and MCC and now serves as Representative Corporate Executive Officer, President & CEO of MCHC. He has abundant experience and profound insight in the businesses of the MCHC Group as well as in corporate management, and thus the Board of Directors believes that he is qualified for the chief officer for business execution of the Company.
Kazuyuki Okubo	Senior Managing Corporate Executive Officer	Having engaged in the management of the MCHC Group over many years, Kazuyuki Okubo has abundant experience and profound insight especially in the industrial materials business domain and production technologies. The Board of Directors thus believes that he is qualified for the chief officer of Information system and production technologies.
Yoshihiro Ikegawa	Management Corporate Executive Officer	Having engaged in the management of the MCHC Group over many years, Yoshihiro Ikegawa has abundant experience and profound insight especially in the industrial materials business domain. The Board of Directors thus believes that he is qualified for the chief officer of corporate strategies of the Company.
Larry Meixner	Managing Corporate Executive Officer	Larry Meixner has abundant experience in corporate management as an officer of oversea companies and profound insight especially in ICT (information and communication technology). The Board of Directors thus believes that he is qualified for the chief officer of Emerging Technology and Business Development which promotes exploration of advanced technology and creation of new business of the Company.
Hidefumi Date	Managing Corporate Executive Officer	Having engaged in the management of the MCHC Group over many years, Hidefumi Date has abundant experience and profound insight especially in the accounting and finance domains. The Board of Directors thus believes that he is qualified for the chief officer of corporate management and IR of the Company.
Ken Fujiwara	Managing Corporate Executive Officer	Having engaged in the management of the MCHC Group over many years, Ken Fujiwara has abundant experience and profound insight especially in Legal and administration domains. The Board of Directors thus believes that he is qualified for the chief officer of legal, administration, human resources, internal controls, and overseas administrative headquarters of the Company.

Shigeki Habuka	Corporate Executive Officer	Having engaged in several government offices such as Ministry of Finance and Cabinet Office of Japan over many years, Shigeki Habuka has abundant experience in administrative officer and profound insight in financial administration. The Board of Directors thus believes that he is qualified for the chief officer of Public Policy and Relation Office and PR of the Company.
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Overview of the Findings of the FY2018 Assessment of the Effectiveness of the Board of Directors (draft)

1. Assessment of the effectiveness of the Board of Directors

The “Corporate Governance Guidelines” of our corporation stipulate that the Board of Directors assesses its effectiveness every year and discloses an overview of the findings. The following is the method and the overview of the findings of the FY2018 assessment of the effectiveness of the Board of Directors.

2. Assessment method and process

In FY2018, the effectiveness of the Board of Directors was assessed in view of the functions of the Board of Directors of our corporation (formulation of basic policies of management and supervision of overall management) with a focus on whether the Board of Directors appropriately discusses the main topics for improvement of the corporate value of our group. Below is the process of the assessment.

- a. A questionnaire composed of the following items was distributed to all the Directors of the Board including the chairperson of the Board of Directors (March-April 2019). The questionnaire asked them to give an assessment on a scale of one to four and provide comments; thus, the current situation was grasped and tasks were identified. External consultants were used for planning and collection of the questionnaire.

-Structure of the Board of Directors

-Discussions at the Board of Directors

(KAITEKI Management, portfolio management, risk management, and corporate governance)

- Roles and evaluation of individual directors (only comments were to be provided)

- b. Based on the findings of the questionnaire, the Board of Directors discussed tasks and measures for improvement (May 2019)
- c. The Chairperson of the Board of Directors assessed the effectiveness of the Board of Directors and reported the findings at the Board of Directors meeting (June 2019)

3. Overview of the assessment findings

(1) Summary

It was confirmed that the composition of the Board of Directors is diverse in terms of knowledge, specialty, experience, and other aspects and the proportion of outside directors and Directors of the Board who do not serve concurrently as an executive officer are generally appropriate. As is mentioned in 4. below, due to improvement in information sharing with the outside directors, deep discussion is held at the Board of Directors specializing in the medium- to long-term strategies of our group (portfolio management); as such, the assessment was that the Board of Directors of our corporation is properly effective, although tasks to be tackled remain. The proportion of positive evaluations was high for all the items of the questionnaire.

(2) Tasks to be tackled

On the other hand, it was also confirmed that in order for the Board of Directors of our corporation to discharge the expected roles more effectively, continuous efforts for improvement are necessary. Below are the major points for future discussion.

- a. For substantial and effective discussion
 - After examining topics to be intensively discussed, hold a Board of Directors meeting focused on the topics
 - By utilizing ICT, enhance reports and review matters for resolution
- b. For further contribution of outside directors
 - Explore a method of appropriate information sharing with outside directors of a pure holding company
 - Establish a committee composed either solely of the outside directors or mainly of the outside directors

4. Efforts based on the previous assessment of the Board of Directors

Based on the findings of the FY2017 assessment of the effectiveness and the comments of each Director of the Board, the following efforts were carried out.

- a. Materials for the Board of Directors and explanation method

In dealing with matters related to operating companies, “The Strategic Position of MCHC” was included in materials for the Board of Directors and the background of decision making in the Corporate Executive Officers Committee was given. When important topics were on the table, as a rule, they were explained individually to the outside directors in advance in an effort to enliven discussion at the Board of Directors. Also, questions asked during the advance explanations are repeated and answered at the Board of Directors so that an awareness of the issue could be shared.
- b. Supervision of risk management

For the purpose of enabling the Board of Directors to directly supervise the executive’s responses to risks including natural disaster and cyber security, the results of discussion and reports of the “MCHC Risk Management Committee,” chaired annually by the President and Chief Executive Officer, were regularly briefed at the Board of Directors meetings.
- c. Discussion on the medium- to long-term management direction

A Board of Directors meeting focused on topics related to the medium- to long-term strategy of our group (portfolio management) was held, and deeper discussion was conducted with enough time allocated.

Bearing in mind the findings of this assessment of the effectiveness of the Board of Directors and various suggestions of the Directors of the Board, our corporation will make further efforts to improve the effectiveness of the Board of Directors.

The End