

# Corporate Governance Report

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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/](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 appointment of the 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](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 and Mizuho Financial Group, Inc.

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.

- Evaluation methods and processes

In FY 2019, we have evaluated the effectiveness of the Board of Directors, focusing on whether we were able to properly discuss key themes for improving the Group's corporate value (portfolio management, risk management, and corporate governance). A questionnaire was conducted for all directors by means of evaluating each item in four levels with comments and we have understood the current situation and identified issues. We also asked for the opinion of the Board of Directors on the themes that should be discussed intensively in the future. Based on the results of the questionnaire, the Board of Directors discussed issues and remedial measures. Based on these discussions, the Chairperson evaluated the effectiveness of

the Board of Directors and reported the results to the Board of Directors. External consultants were appointed for the planning and compilation of questionnaires.

- Outline of evaluation results

We have commended that the effectiveness of the Board of Directors is generally ensured in terms of both its composition and discussion. On the other hand, issues were pointed out regarding the ideal way in which portfolio management and risk management should be discussed, and it was also confirmed that continuous improvement measures are necessary. Hereafter, we will deepen discussions on priority topics to be discussed at meetings of the Board of Directors and continue to make efforts to create an environment conducive to enhanced discussions.

[Outline of results of the Evaluation on the Effectiveness of the Board of Directors in fiscal 2019] 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 corporate governance. 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](http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf))

## 2. Capital Structure

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)	112,929,800	7.93
Japan Trustee Services Bank, Ltd. (Trust account)	82,783,600	5.83
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 7)	29,951,900	2.10
Japan Trustee Services Bank, Ltd. (Trust account 4)	27,571,400	1.94
Japan Trustee Services Bank, Ltd. (Trust account 5)	26,662,600	1.87
JPMorgan Chase Bank 385151.	22,303,510	1.57
MUFG Bank, Ltd	20,552,904	1.44
SMBC Nikko Securities Inc.	20,141,000	1.42

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
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## 5. Other Special Circumstances which may have Material Impact on Corporate Governance (Updated)

Based on our company philosophy of "We create innovative solutions globally based on our core values of Sustainability, Health and Comfort, striving for the well-being of people, society and our planet Earth.", we have been promoting, in a smooth and efficient manner, our group's portfolio management, financial strategy, corporate governance, the enhancement of group strength and branding management, demonstrating our group's collective strengths, making efforts to maximize the corporate value of our group as a whole.

Also, we are deeply aware of the fact that corporate activities are supported by the general public. When performing group management, we make every effort to enhance governance of our group as a whole so that the group companies will promote compliance, comply with social rules, faithfully meet the demands of society as a good corporate citizen, and perform corporate social responsibilities.

Among our consolidated subsidiaries, Taiyo Nippon Sanso Corporation ("TNSC") is listed on the Tokyo Stock Exchange. TNSC is a listed subsidiary that supports the Industry Gases Segment, which is our Group's main business. Under the four-pronged business system of Japan, the United States, Europe and Asia/Oceania, TNSC has been working to further expand its business scale and improve profitability by developing its gas utilization technologies globally. We believe that maintaining the listing of TNSC and conducting business independently will serve the interests of TNSC and us. We also believe that working closely with TNSC to achieve its objectives will lead to maximizing the corporate value of our Group.

Pursuant to Master Agreement dated 13 May 2014 (the "Agreement"), TNSC and we have agreed to maintain the listing of TNSC shares.

We have put in place a system to ensure the appropriateness of operations within our Group, and share compliance, risk management and other Group internal control policies with TNSC.

Meanwhile, TNSC and we have agreed to respect the autonomy of TNSC management in the Agreement, and TNSC has established a voluntary Nomination and Compensation Advisory Committee, which advises the Board of Directors on the nomination of candidates for Directors and Statutory Auditors and the election and dismissal of CEOs and other executive officers. This committee consists of the President and two independent outside directors, and is chaired by an independent outside director. This ensures TNSC's independence from us regarding the selection of management team members. In addition, TNSC appoints two independent outside directors and two full-time independent outside statutory auditors to oversee conflicts of interest between us and other shareholders.

## 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] (Updated)

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] (Updated)**

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
Hideko Kunii	From another company											
Takayuki Hashimoto	From another company								△			
Chikatomo Hodo	From another company								△			
Kiyomi Kikuchi	Lawyer								○			
Tatsumi Yamada	CPA								△			

\* 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
Hideko Kunii	○	-	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

			<p>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 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	○	<p>For Mr. Hashimoto, Honorary Executive Advisor of IBM Japan, Ltd., with which our Group had a very small amount of business transactions in fiscal 2019, no more than 1% of its consolidated net sales or our consolidated net sales, we see no issue with his independence.</p>	<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 in relation to global management, business portfolio strategy, and risk management, etc. 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	○	<p>For Mr. Hodo, Senior Corporate Advisor of Accenture Japan Ltd, with which our Group had a very small amount of business transactions in fiscal 2019, no more than 1% of its</p>	<p>Mr. Hodo has extensive experience in corporate management and profound insight in knowhow in company management successively as a president and a chairperson of a Japanese subsidiary of a global corporation, which provides management consulting and IT services. During Board of Directors</p>



		consolidated net sales or our consolidated net sales, we see no issue with his independence.	<p>meetings, he provides oversight of overall corporate management from an independent and impartial standpoint, while making useful suggestions in relation to matters such as global management, functions of a pure holding company, and business models for enhanced corporate value. 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. 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	○	For Ms. Kikuchi, a lawyer with TMI Associates, with which our Group had a very small amount of business transactions in fiscal 2019, no more than 1% of the firm's revenue or our consolidated net sales, we see no issue with her independence.	<p>Ms. Kikuchi has abundant experience working at financial institutions in addition to her profound insight as a lawyer specialized in corporate legal affairs. 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 the functions and responsibilities of the Board of Directors, legal risk assessments in individual cases, and compliance matters. 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. 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>
Tatsumi Yamada	○	For Mr. Yamada, former Board Member of KPMG AZSA LLC, with which our Group had a very small amount of business transactions in fiscal 2019, no more than 1% of its consolidated net sales or	<p>Mr. Yamada has profound insight as an international accounting expert, in addition to abundant experience as a certified public accountant. With this experience and insight, his contributions as an independent Outside Director, primarily in terms of finance, accounting, and disclosures inside and outside Japan, are expected in</p>

		our consolidated net sales, we sees no issue with his independence.	<p>establishing basic management policies and ensuring proper oversight of management by the Board of Directors. As such, the Board of Directors newly elected Mr. Yamada as an outside director.</p> <p>In addition, Mr. Yamada satisfies our standards for director independence. We thereby designated Mr. Yamada as an independent director in accordance with the regulations stipulated by the Tokyo Stock Exchange.</p>
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## [Committees] (Updated)

### 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

### 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 6 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] (Updated)**

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) A 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) A Person who has been engaged in execution of operation of the Company Group in the past 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\*<sup>1</sup> 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 <sup>*2</sup> 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
*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.
*3The party is deemed to fall under the items 3 to 7 when the relevant conditions were met any time in the past 3 years.

## [Incentives]

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

Remuneration for corporate executive officers comprises base remuneration (fixed remuneration), performance-based remuneration, and restricted stock remuneration introduced in fiscal 2020. In order to secure talented management personnel and enhance our competitiveness, the Compensation Committee sets remuneration levels and ratios for each position and responsibilities by comparing and evaluating the levels of remuneration and performance-linked remuneration with other companies of the same size in Japan, using data from the Compensation Survey of Directors and External & Supervisory Board Members conducted by an outside specialist organization.

Performance-linked remuneration consists of cash bonuses and stock remuneration, and is designed to motivate management with a good balance between short-term and medium-to long-term performance and the improvement of corporate and shareholder value.

Cash bonuses vary from 0% to 200% of the standard amount determined by rank according to the achievement of goals (KAITEKI value assessment) for each fiscal year on the basis of the three KAITEKI management axes, in principle.

In addition, the Company will increase or decrease such individual performance targets within the range of 20% according to the degree of achievement (individual evaluation).

Individual cash bonus amount = Standard amount by position × KAITEKI value evaluation (0% to 200%) × Individual evaluation (± 20%)

Share compensation is a system in which we distribute our shares of common stock through the executive remuneration BIP trust. In accordance with the achievement of the target (KAITEKI value assessment) for each fiscal year, we give points annually to the base points determined by rank in the range of 0% to 200% in principle, and pay dividends accruing to our common stock and our common stock, etc., which correspond to the number of points accumulated at the time of the resignation of the corporate executive officer.

Number of Points Granted by Individual = Base Point by Position × KAITEKI Valuation (0% to 200%)

The following shows the method of determining the indices for performance-linked remuneration and the amount of performance-linked remuneration.

(1) KAITEKI Value Assessment

We are pursuing three management policies: Management of Sustainability (MOS), which aims to improve sustainability; Management of Technology (MOT), which seeks to create innovation; and Management of Economics (MOE), which emphasizes economic efficiency and capital efficiency. We are pursuing KAITEKI management, which is designed to enhance corporate value in an integrated manner while keeping time and time in mind. By using the management indicators of MOS, MOT, and MOE as the axis for evaluating performance-based compensation, we have established a compensation system that is strongly aware of the "KAITEKI management" that will help us realize our vision of KAITEKI.

Proportion of each indicator for evaluation of performance compensation are as follows;

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

The major indicators listed above and the reasons for their selection are as follows.

Major Indicators		Reason
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
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

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

KAITEKI value is assessed by the Corporate Executive Officers' Meeting based on the achievement of annual targets. The Remuneration Committee verifies the appropriateness of the assessments after deliberations by the Corporate Executive Officers' Committee. The Compensation Committee works with the Nominations Committee to verify the fairness and reasonableness of the achievement of targets declared at the beginning of the fiscal year.

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

Type of performance compensation	Decision method
Cash bonus	The coefficient (0 to 200%) is determined by adding qualitative evaluations related to the status of initiatives for management issues to the comprehensive evaluation of the three axes of MOE indicator, MOT indicator and MOS indicator
Share compensation	The coefficient (0-200%) is determined by the total evaluation of the three axes of MOE indicator, MOT indicator and MOS indicator

※ The evaluation of performance-linked remuneration (cash bonuses and share remuneration) is determined by the comprehensive evaluation of the three axes of the MOE metric, MOT index and MOS index. However, since the target values of these indices include figures not published externally, these target values are not stated. The coefficient of performance-based compensation (0 to 200%) based on the comprehensive evaluation of the three axes in FY 2019 was 50%.

## (2) Individual evaluation

The President's goals are determined after deliberation by the Compensation Committee and the Nominating Committee on the goals declared by the President at the beginning of the business year to be evaluated. As of the end of the applicable business year, the remuneration committee and the nominating committee deliberate and decide on the evaluation based on the self-evaluation of the president.

As of the beginning of the fiscal year to be evaluated, the goals of Corporate Executive Officers other than the President are determined through interviews between the President and Corporate Executive Officers, which are then deliberated and approved by the Compensation Committee. As of the end of the fiscal year, the evaluation is determined through an interview between the president and each corporate executive officer, which is then deliberated and approved by the Compensation Committee. The Compensation Committee works with the Nominating Committee to confirm the fairness and rationality of the goals and evaluations of each corporate executive officer.

In fiscal 2020, the compensation structure for the President and CEO was set as follows: Basic remuneration: Performance-linked remuneration (cash bonus (standard amount): Performance-linked remuneration (standard amount): Share remuneration (standard amount): Restricted shares (standard amount) = 50:25:12.5:12.5. The ratio of variable remuneration for other corporate executive officers is set so that the higher the corporate executive officer ranks, the higher the ratio of variable remuneration.

In conjunction with the introduction of the stock compensation plan through the BIP Trust, the Company has decided not to issue new stock acquisition rights as stock compensation-type stock options from fiscal 2019 onward.

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)] (Updated)

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

#### Supplementary Explanation

In FY 2019, we paid 13 members of the board of directors, for a total of 296 million yen. In addition, there is ¥2 million in remuneration, etc., from our subsidiary, in which our boards of directors concurrently hold positions as officers. The remuneration of directors includes performance-based remuneration of ¥15 million paid to directors who served concurrently as corporate executive officers in the previous term as performance-based remuneration from the BIP Trust.

In fiscal 2019, we paid seven Corporate Executive Officers and paid a total of 371 million yen. In addition, there is ¥6 million in remuneration, etc., from our subsidiary, in which our corporate executive officers concurrently hold positions as officers. The remuneration paid to Corporate Executive Officers includes a performance fee of ¥53 million from the BIP Trust.

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

The remuneration system for directors and corporate executive officers shall be separate and determined by the Compensation Committee based on the following principles.

(Basic Policy on Decision on Directors' Compensation)

- In view of the role of supervising and auditing our management from an independent and objective standpoint, we have only established a basic remuneration (fixed remuneration).
- In order to secure human resources suitable for fulfilling our responsibilities as a director, the level of remuneration will be determined by taking into account trends in other companies, expected roles, and functionals, etc.

(Basic Policy on Decision on Corporate Executive Officer Remuneration)

- We have established a remuneration system that is strongly aware of the three axes of KAITEKI management toward realizing our corporate vision of KAITEKI : Management of Sustainability (MOS), Innovation (Management of Technology), and Economic Efficiency (Management of Economics).
- The remuneration system will function effectively as an incentive to promote short-term and medium-to long-term performance and the improvement of sustainable company and shareholder value.
- We will establish competitive remuneration levels that will lead to the retention and acquisition of talented management personnel that will drive the Group's sustainable growth.

- We will operate with a fair and rational compensation decision process that enables us to fulfill our accountability to all stakeholders, including shareholders, customers, and employees.

Based on the above basic policy, the Compensation Committee stipulates the compensation structure for corporate executive officers as follows.

- Basic remuneration
- Incentive fee

Cash bonuses shall be paid by multiplying the standard amount for each position by KAITEKI value appraisal and individual evaluations (achievement of targets and demonstration of leadership in the medium-to long-term management plan, etc.)

Share remuneration: The number of points obtained by multiplying standard points by KAITEKI value appraisal of each term shall be awarded, and the number of common shares, etc., of the Company equivalent to the cumulative number of points shall be awarded at the time of resignation.

- Restricted stock compensation: Compensation to create and enhance corporate value over the medium to long term and sustainably, and to further promote the sharing of value with shareholders. The transfer restriction is cancelled at the time of resignation by delivering shares with restriction on transfer for each term equivalent to the standard amount to be determined by rank.

We may take advantage of other extraordinary rewards and benefits, if necessary, after discussing them individually at the Compensation Committee. In addition, in the event of a material misconduct or violation of any act committed by a director or corporate executive officer, after deliberation by the Compensation Committee, we may demand that such director or corporate executive officer confiscate (malus) the beneficial interests of compensation of corporate executive officer or refund (claw-back) the remuneration

#### **[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.]**

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
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
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. on behalf of the company	-Working Arrangement: Part-time -Compensation: Yes	April 1, 2017	Not Specified
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Total number of advisors ("sodanyaku," "komon," etc.) who have formerly served as President and Representative Director, etc.	5 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)**

### **(1) Oversight**

A. Board of Directors (12 members (of which two members are female); five outside directors, chairman; inside director, term of directors; one year)

The Board of Directors determines basic management policies, such as the Medium-Term Management Strategy and the Annual Budget. Decisions on business execution based on these basic policies are, in principle, delegated to Corporate Executive Officers, except for matters resolved by the Board of Directors as required by law, and mainly supervises the execution of duties by Corporate Executive Officers.

In addition to directors from within the Group who have a broad knowledge of the Group's three business fields of functional products, materials, and healthcare, we have appointed five outside directors with backgrounds such as corporate managers, experts in social and economic conditions, science and technology, certified public accountants, and lawyers. We reflect diverse opinions in management decisions and strengthen supervisory functions.

The Company's Articles of Incorporation stipulates that the number of directors shall not exceed 20. As of the date of submission of this report, the Company has 12 directors, including five outside directors (of which three are concurrently serving as corporate executive officers). In addition, the term of office for directors is set at one year in order to create a management system that can respond swiftly to changes in the business environment and to further clarify the management responsibilities and roles of directors.

In FY 2019, the Board of Directors met 11 times. The attendance of each director is as follows. Kenkichi Kosakai, Yoshihiro Umeba, Takeo Kikkawa, and Kazuhiro Watanabe describe the attendance of the Board of Directors until their retirement in June 2019, and Hidefumi Date, Shigeru Kobayashi, Chikatomo Hodo, and

Kiyomi Kikuchi describe the attendance of the Board of Directors after their assumption of office in June 2019.

- Yoshimitsu Kobayashi: 11/11 (100%)
- Hitoshi Ochi: 11/11 (100%)
- Kenkichi Kosakai: 4/4 (100%)
- Ken Fujiwara: 11/11 (100%)
- Glenn Fredrickson: 11/11 (100%)
- Yoshihiro Umeba: 4/4 (100%)
- Hisao Urata: 11/11 (100%)
- Hidefumi Date: 7/7 (100%)
- Shigeru Kobayashi: 7/7 (100%)
- Takeo Kikkawa: 4/4 (100%)
- Taigi Ito: 11/11 (100%)
- Kazuhiro Watanabe: 4/4 (100%)
- Hideko Kunii: 11/11 (100%)
- Takayuki Hashimoto: 11/11 (100%)
- Chikatomo Hodo: 7/7 (100%)
- Kiyomi Kikuchi: 7/7 (100%)

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

In addition to nominating candidates for directors and corporate executive officers, the Nomination Committee nominates candidates for the President of major direct investment subsidiaries (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, and Life Science Institution Inc.), excluding listed companies.

The nominating committee consists of five members, including four outside directors as of the date of submission of this report. To enhance the transparency and fairness of the nomination process, the committee is chaired by an outside director.

In FY2019, the Nominating Committee met six times. The attendance of each director is as follows.

Kikkawa Takeo describes the attendance of the Board of Directors until their resignation in June 2019, Hitoshi Ochi describes the attendance of the Board of Directors until their resignation in June 2019, and Chikatomo Hodo and Kiyomi Kikuchi describes the attendance of the Board of Directors after their appointment in June 2019.

- Takayuki Hashimoto (Chairperson): 6/6 (100%)
- Takeo Kikkawa : 1/1 (100 %)
- Yoshimitsu Kobayashi: 6/6 (100%)
- Hitoshi Ochi: 1/1 (100%)
- Hideko Kunii: 6/6 (100%)
- Chikatomo Hodo: 5/5 (100%)
- Kiyomi Kikuchi: 5/5 (100%)

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

The Audit Committee audits the execution of duties by corporate executive officers and directors, and verifies the Group's internal control system. In principle, the Audit Committee meets once a month.

The Audit Committee consists of five members, including three outside directors, as of the date of submission of this report. In addition, the Audit Committee selects two full-time Audit Committee members and works closely with the Audit Committee, independent auditors, the Audit Office, which conducts internal audits, and the Internal Control Promotion Office, which formulates and promotes policies for internal control systems. Through these and other means, the Audit Committee is working to enhance the auditing system.

In order to ensure adequate cooperation with internal departments and to smoothly collect information, the chairperson of the committee is the internal director, who is a full-time audit committee member.

In FY 2019, the Audit Committee met 13 times. The attendance of each committee member is as follows.

Yoshihiro Umeba and Kazuhiro Watanabe describe the attendance of the board members until their retirement in June 2019, and Shigeru Kobayashi and Kiyomi Kikuchi describe the attendance of the board members after their appointment in June 2019.

- Hisao Urata (chairperson): 13/13 (100%)
- Yoshihiro Umeba: 3/3 (100%)
- Shigeru Kobayashi: 10/10 (100%)
- Taigi Ito: 13/13 (100%)
- Kazuhiro Watanabe: 3/3 (100%)
- Hideko Kunii: 13/13 (100%)
- Kiyomi Kikuchi: 10/10(100%)

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

The Compensation Committee determines the amount of remuneration paid to individual directors and corporate executive officers, and determines the amount of remuneration paid to the presidents of major direct investment subsidiaries (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, and Life Science Institute, Inc.) excluding listed companies.

The Compensation Committee consists of five members, including three outside directors, as of the filing date of this report. To enhance the transparency and fairness of the decision-making process, the committee is chaired by an outside director.

The Compensation Committee met seven times in FY 2019. The attendance of each committee member is as follows. In addition, Takeo Kikkawa, Kazuhiro Watanabe, and Kenkichi Kosakai, three of the three members of the board of directors, stated their attendance until their resignation in June 2019, and Takayuki Hashimoto stated their attendance after assuming the position of the compensation committee in June 2019, and Chikatomo Hodo and Hidefumi Date were present after assuming the office of the board of directors in June 2019, respectively.

- Taigi Ito (Chairperson): 7/7 (100%)
- Takeo Kikkawa : 2/2 (100%)
- Kazuhiro Watanabe: 2/2 (100%)
- Takayuki Hashimoto: 4/5 (80%)
- Chikatomo Hodo: 5/5 (100%)
- Kenkichi Kosakai: 2/2 (100%)
- Ken Fujiwara: 7/7 (100%)
- Hidefumi Date: 5/5 (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 FY2019, 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)

Kazuomi Nakamura (2 year), Noriaki Kenmochi (7 years), Takayuki Ueki (2 year) and Kosuke Kawabata (1 year)

-Assistants that worked on the accounting audit

20 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(Updated)

	Supplementary Explanations
Scheduling AGMs Avoiding the Peak Day	The 15th Ordinary General Shareholders Meeting was held on June 24, 2020, 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 and visuals of our business report, 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

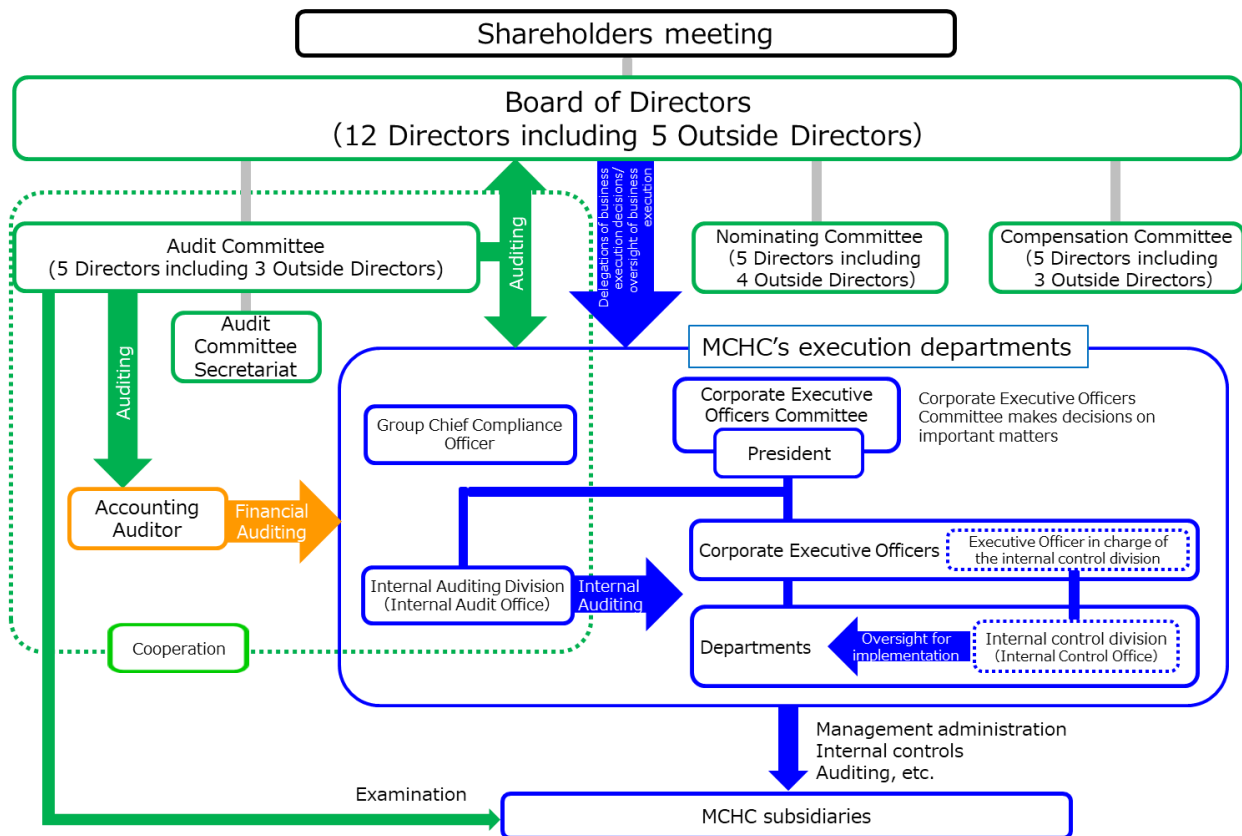
(1) Decisions on information related to earnings, which is covered under timely disclosure standards, is decided upon in resolutions taken up by the Board of Directors or in discussions by the Corporate Executive Officers Committee. After decisions have been made, the PR and IR offices implement timely 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 24, 2020



[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 appointment of the 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. 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 reelected him as the Director..
Hitoshi Ochi	Director of the Board, President, CEO	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. 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 reelected him as the Director.
Hidefumi Date	Board of directors and Managing Corporate Executive Officer Compensation committee member	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. 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. During Board of Directors meetings, in

		<p>addition, he fulfills accountability in relation to financial strategy of the MCHC Group, and makes suggestions drawing on such expertise. 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 reelected him as the Director.</p>
Ken Fujiwara	<p>Director of the Board, Managing Corporate Executive Officer Member of the Compensation Committee</p>	<p>Ken Fujiwara engaged in international risk management and M&amp;As in the legal departments of the MCHC Group, and thus has abundant experience and profound insight. Serving as Managing Corporate Executive Officer (Chief Group Compliance Officer), he engages in management of MCHC and spearheads efforts that involve developing internal control systems and strengthening the compliance framework. 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 reelected him as the Director.</p>
Glenn H. Fredrickson	<p>Director of the Board</p>	<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. 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 reelected him as the Director.</p>
Shigeru Kobayashi	<p>Director of the Board Member of the Audit Committee</p>	<p>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. 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 management experience. As he is expected to</p>

		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 reelected him as the Director.
Hiroshi Katayama		After having engaged in administration and legal, human resources, and internal control office of the MCHC Group, Hiroshi Katayama served as Managing Executive Officer of Mitsubishi Chemical Corporation, 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 corporate governance, risk management, and his experience, the Board of Directors newly elected him as the Director. e
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 reelected her as the Director.
Takayuki Hashimoto	Director of the Board Member of the Nominating Committee Member of the Compensation 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 portfolio strategy, and risk management, etc. 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 reelected him as the Director.
Chikatomo Hodo	Director of the Board	Chikatomo Hodo has extensive experience in corporate management and profound insight in digital business successively as a president and a

	Member of the Nominating Committee Member of the Compensation Committee	chairperson of a Japanese subsidiary of a global corporation, which provides management consulting and knowhow in company management. During Board of Directors meetings, he provides oversight of overall corporate management from an independent and impartial standpoint, while making useful suggestions in relation to matters such as global management, functions of a pure holding company, and business models for enhanced corporate value. 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 reelected him as the Director.
Kiyomi Kikuchi	Director of the Board Member of the Nominating Committee Member of the Audit Committee	Kiyomi Kikuchi has abundant experience working at financial institutions in addition to her profound insight as a lawyer specialized in corporate legal affairs. 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 the functions and responsibilities of the Board of Directors, legal risk assessments in individual cases, and compliance matters. 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 reelected her as the Director. 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.
Tatsumi Yamada		Tatsumi Yamada has profound insight as an international accounting expert, in addition to abundant experience as a certified public accountant. With this experience and insight, his contributions as an independent Outside Director, primarily in terms of finance, accounting, and disclosures inside and outside Japan, are expected in establishing basic management policies and ensuring proper oversight of management by the Board of Directors. As such, the Board of Directors newly elected Mr. Yamada as an outside director. 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..

[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 corporate governance, 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.

Outline of the Results of Evaluation of the Effectiveness of the Board of Directors in Fiscal Year 2019 (draft)

## 1. Implementation of Board of Directors Effectiveness Assessment

Pursuant to “Mitsubishi Chemical Holdings Corporate Governance Guidelines”, the Board of Directors evaluates its effectiveness and discloses an overview of the results each year. The methodology and results of our evaluation of the effectiveness of the Board of Directors in fiscal year 2019 are outlined below.

## 2. Evaluation methods and processes

In fiscal year 2019, based on the role of the Board of Directors (formulation of basic management policies and supervision of overall management), we have evaluated the effectiveness of the Board of Directors, focusing on whether they were able to appropriately discuss key themes aimed at increasing corporate value of our group. Specific processes are as follows.

- i) A questionnaire was conducted (during March and April, 2020) for all directors, including the chairperson, covering the following items. By means of evaluating each item in four levels with comments, we have understood the current situation and identified issues. External consultant was appointed in the planning and compilation of questionnaires.
  - Structure of the Board of Directors
  - Discussions at the Board of Directors (portfolio management, risk management and corporate governance)
  - Themes that should be discussed intensively by the Board of Directors (only for comments)
- ii) Based on the results of the questionnaire, the Board of Directors discussed issues and improvement measures (May 2020).
- iii) Chairperson assesses the effectiveness of the Board of Directors and reports the results thereof to the Board of Directors (June 2020)

## 3. Summary of evaluation results

## (1) Summary

Questionnaire surveys revealed that the majority of answer to the questionnaire were positive between evaluations 4 and 3, and thus the effectiveness of our Board of Directors was generally assured in terms of both composition and discussion.

On the other hand, with regard to “discussions at the Board of Directors”, there were several opinions calling for discussions from a more dynamic perspective regarding portfolio management, and also with regard to “risk management”, there were some comments pointing out the rooms for improvement in the approach to risk assessment and evaluation methods when conducting business globally. Furthermore, there were opinions that the roles and positions of the Board of Directors and each committee as a holding company should be discussed again.

## (2) Future Measures

- i) Themes that should be discussed intensively by the Board of Directors

Pursuant to discussions at the Board of Directors based on the comments on “Discussions at Board of Directors” and opinions on “Themes that should be discussed intensively by the Board of Directors”, we will further discuss the following themes in-depth on priority topics for the current fiscal year.

- Portfolio management and risk management at with/post COVID-19
- Roles and functions of the Board of Directors of the holding company

ii) Improvement of environmental to enhance discussions

We will continue to make efforts to improve our management operations, etc. in order to enhance discussions at the Board of Directors.

- Improve of infrastructure and operations towards further utilization of the remote meetings of the Board of Directors
- To expedite delivery of materials for the Board of Directors
- Efficiency of explanations of each agenda at the Board of Directors

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

Based on the results of the evaluation of the effectiveness in fiscal year 2018 and the suggestions by each director, we had implemented the following measures.

i) To further expansion and efficiency of discussions

- We had endeavored to further enhance our discussions by means of including regular discussions at the Board of Directors, which focus on priority issues, to our annual calendar.
- We had prepared the groundwork for more efficient management of the Board of Directors by means of reviewing our “Regulations of Board of Directors”.

ii) Toward further exercising functions of the Outside Directors

- As part of the appropriate provision of information to Outside Directors, we had held discussions, at the Outside Directors Meeting, with outside consultants regarding the evaluations of institutional investors and other topics.
- Outside Directors exchanged opinions on the agenda of the Outside Directors Meeting for the next fiscal year.

We will continue to work to improve the effectiveness of the Board of Directors based on the results of the Board of Directors’ evaluation and various recommendations from each Director.

End