

Corporate Governance Report

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Mitsubishi Chemical Holdings Corporation

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Securities Code: 4188

<http://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 Company believes that, based on our Group philosophy, “Good Chemistry for Tomorrow—Creating better relationships among people, society, and our plant.”, to contribute to the realization of *KAITEKI* through all corporate activities as well as to the sustainable development of the society and the Earth, in addition to solving environmental and social issues, is to meet the expectations of shareholders, customers and other stakeholders. The term *KAITEKI* signifies achieving true sustainability where we create comfort for people as well as for society and the Earth.

To this end, the Company intends to develop a framework that improves both the soundness and efficiency of management, as well as enhance management transparency.

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.

(http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf)

[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]

<Principle 1.4 Cross-Shareholdings>

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. We make effort to reduce shareholdings to reasonable balance.

Please refer to our “Mitsubishi Chemical Holdings Corporate Governance Guidelines” on the Company’s website for our policy on cross-shareholdings.

(http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf)

<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 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 "a sustainable condition which is comfortable for people, society and the Earth, transcending time and generations." 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.

(http://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 steadily 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.

(<http://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.

(http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf)

(Policy and procedures for deciding compensations of management)

Please refer to our "Mitsubishi Chemical Holdings Corporate Governance Guidelines" on the Company's website for our policy and procedures in deciding compensations of management.

(http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf)

(Policy and procedures in nominating and appointing senior management)

Please refer to our "Mitsubishi Chemical Holdings Corporate Governance Guidelines" on the Company's website for our policy and procedures in nominating and appointing senior management.

(http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf)

(Reason for the Appointment of Officers)

Please refer to pages 6 to 20 of the "Notice of the 11th Ordinary General Meeting of Shareholders" on the Company's website for the reason for choosing as candidate for Director.

Also, Please refer to pages 44 to 45 of the "Notice of the 11th Ordinary General Meeting of Shareholders" on the Company's website for the reason for appointment as Corporate Executive Officer.

(http://www.mitsubishichem-hd.co.jp/english/ir/stock_info/stock_meeting.html)

The Corporate Executive Officers were partly reshuffled following the end of the 11th ordinary general shareholders meeting which was held on June 24. Mr. Shushichi Yoshimura was nominated as a Corporate Executive Officer following Ryoji Tanaka.

<Reason for appointment>

Having engaged in the management of the MCHC Group over many years, Shushichi Yoshimura has abundant experience and profound insight especially in the industrial materials business domain, performance products business domain and production technologies. The Board of Directors thus believes that he is qualified for the chief officer of corporate strategies and other operations of the Company.

<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>

Please refer to our “Mitsubishi Chemical Holdings Corporate Governance Guidelines” on the Company’s website for independence standards for outside directors.

(http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf)

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

Please refer to our “Mitsubishi Chemical Holdings Corporate Governance Guidelines” on the Company’s website for our view on the constitution of the Board of Directors.

(http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf)

<Supplementary Principle 4.11.2 Directors’ concurrent positions>

Please refer to pages 6 to 20 of the “Notice of the 11th Ordinary General Meeting of Shareholders” on the Company’s website for concurrent positions of directors as officers, etc. of other listed companies.

(http://www.mitsubishichem-hd.co.jp/english/ir/stock_info/stock_meeting.html)

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

The Company conducts an evaluation of the effectiveness of the Board of Directors and discloses the result of it.

For detailed results of the evaluation of the effectiveness of the Board of Directors, please see “Outline of Results of the Evaluation on the Effectiveness of the Board of Directors in fiscal 2015,” on the Company’s website.

(<http://www.mitsubishichem-hd.co.jp/english/pdf/evaluation.pdf>)

<Supplementary Principle 4.14.2 Training policy for directors>

Please refer to our “Mitsubishi Chemical Holdings Corporate Governance Guidelines” on the Company’s website for our training policy for directors.

(http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf)

<Principle 5.1 Policy on Dialogue with Shareholders>

Please refer to our “Mitsubishi Chemical Holdings Corporate Governance Guidelines” on the Company’s website for our Policy on Dialogue with Shareholders.

(http://www.mitsubishichem-hd.co.jp/english/pdf/governance_guidelines.pdf)

2. Capital Structure

Percentage of Foreign Shareholders	more than 30%
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[Status of Major Shareholders] (Updated)

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd.(Trust account)	84,178,400	5.75
Japan Trustee Services Bank, Ltd. (Trust account)	82,812,700	5.49
Meiji Yasuda Life Insurance Company	64,388,743	4.27
Nippon Life Insurance Company	42,509,594	2.82
Japan Trustee Services Bank, Ltd. (Trust account 9)	24,155,500	1.60
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	24,149,376	1.60
Tokio Marine & Nichido Fire Insurance Co., Ltd.	23,074,593	1.53
Japan Trustee Services Bank, Ltd. (Trust account 4)	21,129,800	1.40

THE BANK OF NEW YORK MELLON SA/NV 10	20,259,437	1.34
CBNY-GOVERNMENT OF NORWAY	19,296,105	1.28

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

Supplementary Explanation

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3. Corporate Attributes

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

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

None

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

<p>Of our consolidated subsidiaries, Mitsubishi Tanabe Pharma Corporation, Taiyo Nippon Sanso Corporation, The Nippon Synthetic Chemical Industry Co., Ltd. and Nippon Kasei Chemical Co., Ltd. list their shares on the Tokyo Stock Exchange.</p> <p>These listed subsidiaries report decisions they make on important management matters to the Company when necessary. These listed subsidiaries work in alliance with the Company while setting their own management goals and challenges and take responsibility for executing business operations.</p>
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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

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

Maximum Number of Directors Stipulated in Articles of Incorporation	20
Term of Office Stipulated in Articles of Incorporation	1
Chairperson of the Board	Company Chairperson
Number of Directors	14

[Outside Directors]

Number of Outside Directors	5
Number of Independent Directors	5

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Takeo Kikkawa	Academic												
Taigi Ito	CPA												
Kazuhiro Watanabe	Lawyer												
Hideko Kunii	From another company												
Takavuki Hashimoto	From another company												

* 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
Takeo Kikkawa	○	Holds concurrent position as a professor at the Department of Management Technology (MOT), Graduate School of Innovation Studies, Tokyo University of Science	<p>Mr. Kikkawa was elected as an outside director as he currently plays appropriate roles as an Outside Director of the Company by utilizing his profound insight into company management from the perspective of business history and his experience as an expert in theories on the energy industry.</p> <p>In addition, Mr. Kikkawa satisfies our standards for director independence. We thereby designated Mr. Kikkawa as an independent director in accordance with the regulations stipulated by the Tokyo Stock Exchange.</p>
Taigi Ito	○	Holds concurrent positions as an outside auditor at IT Holdings Corporation and Idemitsu Kosan Co., Ltd. as well as serving as an auditor at our subsidiary, Mitsubishi Chemical Corporation.	<p>Mr. Ito was elected as an outside director as he currently plays appropriate roles as an Outside Director of the Company by making the best of his experience and profound insight as a certified public accountant.</p> <p>In addition, Mr. Ito satisfies our standards for director independence. We thereby designated Mr. Ito as an independent director in accordance with the regulations stipulated by the Tokyo Stock Exchange.</p>
Kazuhiro Watanabe	○	Holds concurrent positions as a professor at Tokai University Law School and an auditor at our subsidiary, Mitsubishi Plastics, Inc.	<p>Mr. Watanabe was elected as an outside director as he currently plays appropriate roles as an Outside Director of the Company by making the best of his experience and profound insight as a prosecutor and lawyer.</p> <p>In addition, Mr. Watanabe satisfies our standards for director independence. We thereby designated Mr. Watanabe as an independent director in accordance with the regulations stipulated by the Tokyo Stock Exchange.</p>
Hideko Kunii	○	Holds concurrent positions as advisor to the president at Shibaura Institute of Technology (SIT), professor of Management of Technology at SIT, and director of the Center for the Promotion of Educational Innovation Gender Equality Promotion Office. Also serves as an outside	<p>Ms. Kunii was elected as an outside director as she currently plays appropriate roles as an Outside Director of the Company by making the best of her extensive experience in company management and as an expert in the information processing domain, as well as her profound insight in diversity promotion as a member of the Cabinet Office Gender Equality Promotion Joint Meeting.</p> <p>In addition, Ms. Kunii satisfies our standards for director independence. We</p>

		director of Innovation Network Corporation of Japan and an outside director at Tokyo Electric Power Holdings Company, Inc., and Honda Motor Co., Ltd.	thereby designated Ms. Kunii as an independent director in accordance with the regulations stipulated by the Tokyo Stock Exchange.
Takayauki Hashimoto	○	Holds concurrent positions as a vice chairperson at IBM Japan, Ltd. , an outside director at KAGOME Co., Ltd. and Chubu Electric Power Company, Incorporated, and an outside auditor at IHI CORPORATION	<p>Given Mr. Hashimoto's extensive experience in corporate management as a president and CEO of a Japanese subsidiary of a global corporation and his profound insight in ICT (information and communication technology), Mr. Hashimoto would contribute to proper decision-making and fair oversight of the Board of Directors of the Company.</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>

[Committees]

Committee's Composition and Attributes of Chairperson

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

[Executive Officers (Shikkoyaku)]

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

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Remuneration Committee Member	
Hitoshi Ochi	Yes	Yes	Yes	No	No
Noriyoshi Oohira	Yes	No	No	No	No
Kenkichi Kosakai	Yes	No	No	No	No
Masanori Karatsu	No	No	No	No	No
Shuushichi Yoshimura	No	No	No	No	No

Glenn.H Fredrickson	No	Yes	No	No	No
Steven.P Yurich	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 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, and improves and administers a system designed to ensure that internal audits of the Group are carried out appropriately.

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

[Independent Directors]

Number of Independent Directors	5
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Matters relating to Independent Directors

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

[Standards for Independence of Outside Directors]

1.Related party of the Company

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

2.Major shareholder

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

3.Major business partner

- (1)A person engaged in execution of operation of a company^{*1} whose major business partner includes the

Company and Group Operating Companies (Mitsubishi Chemical Corporation, Mitsubishi Tanabe Pharma Corporation, Mitsubishi Plastics, Inc., Mitsubishi Rayon Co., Ltd., Life Science Institute, Inc., and Taiyo Nippon Sanso Corporation. The same shall apply hereafter.)	
(2)A person engaged in execution of operation of a major business partner ^{*2} of the Company and Group Operating Companies	
4.Accounting Auditor	Accounting Auditor of the MCHC Group or an employee thereof
5.Transaction as an individual	A person who receives money and other financial benefits of 10 million yen or more per year from any of MCHC and Group Operating Companies
6.Donation	A person who receives a donation or financial assistance of 10 million yen or more per year from any of MCHC and Group Operating Companies or a person engaged in execution of operation of a company that receives a donation or financial assistance of 10 million yen or more per year from any of MCHC and Group Operating Companies
7.Reciprocal assumption of the position of Director	A person engaged in execution of operation of a company that has elected any of the Directors and employees of the MCHC Group as its Director
8.Close relatives, etc.	(1)Close relatives, etc. of a person engaged in execution of important operations of the MCHC Group (spouse, relatives within the second degree of relationship or any person who shares the same livelihood. The same shall apply hereafter.) (2)Close relatives, etc. of any person who meets the definition of items 3 through 7 above (3)A person who met the definition of items 3 through 7 above over the last three years
*1 If the said business partner receives from MCHC and Group Operating Companies an amount equivalent to 2% or more of its annual consolidated net sales in the latest fiscal year, this company shall be considered as the one whose major business partner includes MCHC.	
*2 If MCHC and Group Operating Companies receives from the said business partner an amount equivalent to 2% or more of MCHC's annual consolidated net sales in the latest fiscal year or the said business partner loans to the MCHC Group an amount equivalent to 2% or more of MCHC's total consolidated assets, the said business partner shall be considered as a major business partner of MCHC.	

[Incentives]

Incentive Policies for Directors and/or Executive Officers (Shikkoyaku)	Stock Options
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Supplementary Explanation

The Company issues stock acquisition rights (stock options as stock-linked compensation) to its corporate executive officers and executive officers (including those that have retired from the Company) with the aim of sharing the benefits of an increase in the stock price but also the risk of a decline in the stock price with shareholders as well as providing an incentive to further contribute to the enhancement of the Company's business performance and corporate value. This also takes into account corporate earnings performance for each fiscal year (April 1 to March 31), and the status of day-to-day performance and the level of contribution made by each individual corporate executive officer and executive officer.

That being said, the Company has transitioned to a company with a nominating committee, etc. Regarding compensation payment for FY2015, we are issuing stock options as stock-linked compensation (stock acquisition rights), taking into account corporate earnings performance for each fiscal year, and the status of day-to-day performance and the level of contribution made by each individual executive officer and director, the same as the earnings compensation provided to the executive officers and directors that served at the Company in FY2014. A total number of 2,190 stock acquisition rights were allotted in FY2015.

Recipients of Stock Options	Executive Officers (Shikkoyaku) / Employee
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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	Selected Directors
Disclosure of Individual Executive Officers' (Shikkoyaku) Remuneration	No Individual Disclosure

Supplementary Explanation

<p>In FY2015, the Company paid remuneration to 14 directors. The total amount of this compensation was 254 million yen. In addition to this, remuneration from subsidiaries where directors of the Company server concurrent posts, totaled 296 million yen. In addition, although the Company shifted to the company with Nominating Committee, etc. in June 2015, the amounts of remuneration paid to Directors prior to the transition to company with Nominating Committee, etc. include performance remuneration of ¥16 million utilizing Stock Options.</p>

<p>Also, the Company issued 1,560 stock acquisition rights (stock options as stock-linked compensation) to its corporate executive officers (including a retired corporate executive officer (currently a director of the Company) and 1,548 stock acquisition rights (stock options as stock-linked compensation) to its executive officers and retired corporate executive officers (excluding a current director of the Company).</p>
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Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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<p>Policy on deciding compensation for senior management is below</p> <p>The compensation system for directors, and that for corporate executive officers shall be different. Compensation is determined by the Compensation Committee based on the following concepts:</p> <p>(Directors)</p> <ul style="list-style-type: none"> • Compensation for directors shall consist only of basic compensation (fixed remuneration). • Basic compensation shall be based on title and classification such as full-time or part-time. • The amount of compensation shall be determined such that it would be at a level necessary for securing personnel suitable for carrying out the responsibilities of a director of Company with Nominating Committee, etc., while also taking into consideration the levels of other companies. <p>* When a director concurrently serves as a Corporate Executive Officer, compensation as a Corporate Executive Officer shall be applied..</p> <p>(Corporate executive officers)</p> <ul style="list-style-type: none"> • Compensation for Corporate Executive Officers shall consist of basic compensation (fixed remuneration) and performance compensation (variable remuneration). • Basic compensation shall be based on title and duties such as having the right of representation. • The amount of compensation shall be determined such that it would be at a level necessary for securing good management personnel and improving the Company's competitiveness, while also taking into consideration the levels of other companies.

- Performance compensation shall utilize Stock Options as stock-linked compensation (1-Yen Stock Options) in order to improve continuously medium- to long-term corporate value as well as create incentive for sharing shareholder value.

[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.

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

(1) Oversight

A. Board of Directors (14 members (of which one member is female); five outside directors, chairman; inside director, term of directors; one year)

The Board of Directors determines basic management policies, such as medium- to long-term business strategies and annual budgets. As a general rule, corporate executive officers are entrusted with the responsibility of executing operations in accordance with these basic policies, excluding matters that must be legally resolved by the Board of Directors. It primarily supervises the execution of duties by the corporate executive officers.

The Company has appointed directors from inside the company that are well-versed in the group's wide range of businesses and the three main segments of the Company—performance products, healthcare, and industrial materials, as well as five outside directors — one is a certified public accountant, one is a lawyer, one is experienced in corporate management, one is an expert in socio-economic matters and one is an expert in technology. We aim to factor their diverse opinions into our management decisions and also strengthen our oversight functions. In addition to the outside directors, the Company has chosen three non-executive directors from among those directors appointed from inside the company who are not serving concurrently as an executive officer for the Company and not responsible for the execution of operations at a core business company (Mitsubishi Chemical Corporation., Mitsubishi Tanabe Pharma Corporation., Mitsubishi Plastics, Inc., Mitsubishi Rayon Co., Ltd., Life Science Institute, Inc., and Taiyo Nippon Sanso Corporation). Consequently, the majority of directors on the Board are non-executive directors to ensure that the oversight of corporate executive officers is carried out properly.

That being said, the Articles of Incorporation stipulate that there shall be no more than 20 directors at one time. As of the date of the submission of this report, there are a total of 14 directors (of which two directors are also corporate executive officers), including the five outside directors. Each director services a term of one year. This is to facilitate the establishment of a management structure that can quickly respond to changes in the business environment, and to further clarify the responsibilities and roles of each director.

B. Nominating Committee (five members (of which one member is female); three outside directors; an outside director serves as chairman)

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

An outside director serves as committee chair to enhance the transparency and soundness of the nominating process.

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

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

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

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

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

(2) Business execution

A. Corporate Executive officers

Corporate Executive officers, under the guidance of the President, are in charge of making decisions on business execution and executing business operations, as entrusted to them by the Board of Directors. The Board of Directors determines the division of duties among the corporate executive officers. In addition, the Board of Directors establishes the scope of authority of each executive officer to enhance efficiency, and decisions on the execution of important business operations are approved by the president to ensure that proper decision-making is carried out.

B. Management Committee

The Management Committee was established as an organization to support and assist the President in his decision-making. Important matters related to the management of the Company and the Company Group (important business execution such as investment and financing, compliance, risk management, environment and safety, human rights education and social contributions) are discussed by the Management Committee, after which a decision is made by the President. The Management Committee is comprised of the President, corporate executive officers and the presidents of major subsidiaries. The committee meets about twice each month.

That being said, the non-executive directors can attend the Management Committee at any time to supervise business execution.

(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 FY2015, 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)

Kenji Endo (6 years), Noriaki Kenmochi (1 year), Takeshi Tarui (5 years)

-Assistants that worked on the accounting audit

20 certified public accounts, and another 15 personnel

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, healthcare and materials, the Company adopts a

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

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

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The notice of convocation of the general shareholders meeting is being sent out earlier than the legally required date so that shareholders will have ample time to review the resolutions on the agenda. Note that the convocation notice for the 11th Ordinary General Shareholders Meeting that was held on June 24, 2016, was sent out seven days earlier than the legally required date.
Scheduling AGMs Avoiding the Peak Day	The 11th Ordinary General Shareholders Meeting was held on June 24, 2016, thereby avoiding the peak day, and allowing as many shareholders as possible to attend.
Allowing Electronic Exercise of Voting Rights	Shareholders are able to exercise their voting rights using a number of electronic devices (including the Internet). The method for doing so is included in the notice of convocation of the general shareholders meeting.
Participation in Electronic Voting Platform	The Company is participating in the Electronic Voting Platform.
Providing Convocation Notice in English	The convocation notice appears in English on our website. It is also available in English over the Electronic Voting Platform.
Other	In addition to posting our convocation notice on our website in both Japanese and English, we use visuals and audio at the shareholders meeting for our business reports and to explain our resolutions as a way to better convey and thereby give shareholders a better understanding.

2. IR Activities

	Personal explanation by representative	Supplementary Explanations
Regular Investor Briefings for Individual Investors	No	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>IR NAVI</i> , a shareholders communication tool, and the <i>KAITEKI</i> Report, a integrated report. Both are available on our website.
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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 basic policy for the “matters provided as those required for the execution of the duties of the audit committee under Article 1, Item 1 of the Companies Act” and the “establishment of a system provided as necessary for ensuring the compliance of the executive officer’s execution of his/her duties with the laws and ordinances and the appropriateness of the business operations of the company and its group consisting of its subsidiaries under the ordinance of the Ministry of Justice” is determined under the provision of Article 416, Paragraph 2 of the Companies Act as follows;

1. System required to execute the duties of the audit committee

(1) The executive office of the audit committee is installed as an organization assisting the duties of the audit committee and is directed to assist audit under the instruction of the audit committee. The personnel affairs (transfer, evaluation, etc.) concerning the employees attached to the executive office of the audit committee and the formulation of its budget shall be subject to the approval of the audit committee.

(2) The director, executive officer and employee shall report a material management matter (including the facts and acts of injustice that might cause a significant damage to the company or material breach of the laws and ordinances or the Articles of Incorporation) of this company and group of companies having this company as a parent under the Companies Act (hereinafter called as “this company group”) to the audit committee.

(3) The audit committee shall provide for the prevention of the director, executive officer, auditor or employee who has made a report to the audit committee from unfavorable treatment because of his/her report.

(4) Out of the costs disbursed by the audit committee or the member thereof, those reasonably deemed necessary for the execution of the duties of the committee or its member shall be borne by this company.

(5) In order to ensure the effective conduct of the audit of the audit committee otherwise the audit committee shall position its members on a full-time basis and cooperate with the president and internal control department, holding regular meetings and exchanging information with them.

2. System to ensure the efficient execution of duties by the executive officers

(1) The board of directors enables the executive officer’s prompt decision-making by delegating the executive officer to decide on the execution of his/her duties basically except for the matter having a material impact on the portfolio management of our company’s group and statutory resolution matter of the board of directors (such as the basic management policy).

(2) In deciding the execution of duties delegated to the executive officer the matter essential in the management of our company group shall be deliberated at the management meeting and the president and CEO makes a decision and with respect to other matters the power of decision making of the executive officer

in charge and the duties of the department in charge shall be provided. At the same time the decision-making power delegated to the subsidiary shall also be made clear. Thus, the system to make a decision and execute business matters efficiently in our group's business operation shall be established.

(3) The executive officer shall manage the subsidiaries and try to achieve the policy goal, based on the basic management policy (Group's medium-term management plan, annual budget, etc.) decided by the board of directors, and establish a system to make the subsidiary's material management matter reported at the management meeting or in the management of the medium-term management plan or annual budget or otherwise.

3. System to ensure the compliance of the execution of duties by the executive officer and employee with the laws and ordinances and the Articles of Incorporation

(1) The Charter of Conduct of the Group Companies shall be made the basic compliance rule of our company group.

(2) Internal control shall be perfected and properly operated and managed to secure the reliability of financial reporting.

(3) Based on the rules on the promotion of group compliance and related regulations, the promotion system, edification & education program, audit and monitoring system, hotline, etc. for the purpose of compliance shall be established and the executive officer in charge of compliance promotion is installed and let to operate and manage them properly.

4. Rules and other system concerning the risk of loss

The president and CEO shall be made the risk management supervisor and the actualization of material risks arising from the business activities of our company group shall be prevented, based on the basic rules of group risk management and other related regulations, and ready and properly operate and manage the risk management system to minimize damage, in case any risk comes up to the surface.

5. System to store and manage the information concerning the executive officer's execution of his/her duties

A system to store and manage the minutes of the management meeting, applications for management approval and other documents and electronic records concerning the execution of duties by the executive officer and enable the executive officer and director to see them shall be established, based on the group's information security policy, information management regulations and other related rules.

6. System to secure the appropriateness of the business operation in the group of companies

Based on the above-mentioned policy, group management rules and other related regulations, the appropriateness of the business operation of our company group shall be secured by sharing the compliance and risk management, internal control policy & system, while practicing the management administration (management of business objective, report & approval of material matters, group internal audit, etc.) of our company 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

• Summary of timely disclosure system

The following is an outline of the internal system for the timely disclosure of company information.

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

(2) In information related to decisions, which is covered under listing regulations for the timely disclosure of corporate information, matters that require resolutions taken up by the Board of Directors and discussions by the Management Committee are decided once approved by both bodies. 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 and the head of the PR and IR office. In addition, timely disclosure is implemented should the matter require so.

(3) For information related to an occurring incident, which is covered under listing regulations for the timely disclosure of corporate information, 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 and the head of the PR and IR office. When necessary, it should also be reported to the Board of Directors and Management 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 important information up to the moment of timely disclosure and to thoroughly prevent insider trading.

Corporate Governance System (As of June 24, 2016)

