

- Chairperson of the Nominating Committee
- Member of the Nominating Committee
- ◆ Chairperson of the Audit Committee
- ◆ Member of the Audit Committee
- Chairperson of the Compensation Committee
- Member of the Compensation Committee

Directors

(As of June 25, 2019)



Director of the Board, Chairperson
Yoshimitsu Kobayashi

Dec. 1974 Joined Mitsubishi Chemical Industries Ltd.
Jun. 2003 Executive Officer, MCC
Apr. 2005 Managing Executive Officer, MCC
Jun. 2006 Director of the Board, MCHC
Feb. 2007 Director of the Board,
Managing Executive Officer, MCC
Apr. 2007 Director of the Board,
President and Chief Executive Officer, MCHC
Director of the Board,
President and Chief Executive Officer, MCC
Apr. 2012 Director of the Board, Chairperson,
MCC (until Mar. 2017)
Apr. 2015 Director of the Board, Chairperson, MCHC (current)



Director of the Board,
Corporate Executive Officer,
President and Chief Executive Officer
Hitoshi Ochi

Apr. 1977 Joined Mitsubishi Chemical Industries Ltd.
Jun. 2007 Executive Officer, MCHC
Executive Officer, MCC (until Mar. 2010)
Apr. 2009 Director of the Board, MPI (until Mar. 2011)
Jun. 2009 Director of the Board,
Executive Officer, MCHC
Jun. 2010 Director of the Board, Managing Executive Officer, MCHC
Director of the Board, MRC (until Jun. 2011)
Apr. 2011 Director of the Board, MCHC (until Jun. 2011)
Director of the Board,
Managing Executive Officer, MCC (until Mar. 2012)
Apr. 2012 Director of the Board,
President and Chief Executive Officer, MRC (until Mar. 2018)
Jun. 2012 Director of the Board, MCHC
Apr. 2015 Director of the Board,
President and Chief Executive Officer, MCHC
Jun. 2015 Director of the Board, Corporate Executive Officer,
President and Chief Executive Officer, MCHC (current)



Director of the Board,
Managing Corporate Executive Officer,
Chief Financial Officer
Hidefumi Date

Apr. 1982 Joined Mitsubishi Chemical Industries Ltd.
Apr. 2013 Executive Officer, MCC (until Mar. 2015)
Apr. 2015 Executive Officer, MCHC
Apr. 2018 Managing Corporate Executive Officer, MCHC
Jun. 2019 Director of the Board,
Managing Corporate Executive Officer, MCHC (current)
Director of the Board, TNSC (current)



Director of the Board,
Managing Corporate Executive Officer,
Chief Compliance Officer
Ken Fujiwara

Apr. 1984 Joined Mitsubishi Chemical Industries Ltd.
Apr. 2015 Executive Officer, MCHC
Apr. 2017 Executive Officer, MCC (until Mar. 2018)
Apr. 2018 Managing Corporate Executive Officer, MCHC
Jun. 2018 Director of the Board,
Managing Corporate Executive Officer, MCHC (current)



Director of the Board
Glenn H. Fredrickson

Jan. 1990 Associate Professor,
Departments of Chemical Engineering and Materials,
University of California, Santa Barbara (UCSB)
Jul. 1991 Distinguished Professor,
Departments of Chemical Engineering and Materials,
UCSB (current)
May 1998 Chairperson, Department of Chemical Engineering,
UCSB (until Jul. 2001)
Mar. 2001 Director, Mitsubishi Chemical Center for Advanced
Materials at UCSB (current)
Apr. 2014 Managing Executive Officer, MCHC
Jun. 2014 Director of the Board,
Managing Executive Officer, MCHC
Jun. 2015 Director of the Board,
Managing Corporate Executive Officer, MCHC
Apr. 2017 Director of the Board, MCHC (current)



Director of the Board
Hisao Urata

Jan. 1991 Joined Mitsubishi Kasei Corporation
Jun. 2011 Executive Officer, MCHC
Executive Officer, MCC (until Mar. 2014)
Apr. 2015 Managing Executive Officer, MCHC
Jun. 2015 Managing Corporate Executive Officer,
MCHC (until Mar. 2016)
Jun. 2016 Director of the Board, MCHC (current)
Corporate Auditor, MPI (until Mar. 2017)
Apr. 2017 Corporate Auditor, LSII (until Jun. 2019)
Jun. 2019 Corporate Auditor, MCC (current)



Director of the Board
Shigeru Kobayashi

Apr. 1980 Joined Mitsubishi Chemical Industries Ltd.
Apr. 2013 Executive Officer, MPI
Apr. 2015 Director of the Board, Executive Officer, MPI
Apr. 2016 Director of the Board,
Managing Executive Officer, MPI
Apr. 2017 Managing Executive Officer, MCC (until Mar. 2019)
Jun. 2019 Director of the Board, MCHC (current)
Corporate Auditor, LSII (current)



Outside Director of the Board
Taigi Ito

Jan. 1970 Joined Tsuji Audit Corporation
May 1973 Registered as a Certified Public Accountant
Feb. 1989 Representative Partner, MISUZU Audit Corporation
Jul. 2004 Deputy Chairperson,
the Japanese Institute of Certified Public Accountants (JICPA)
(until Jun. 2007)
May 2006 Executive Board Member,
MISUZU Audit Corporation (until Jul. 2007)
Apr. 2009 Professor, Graduate School of Accounting, Waseda
University (until Mar. 2013)
Jan. 2012 Chairperson,
Disciplinary Committee of JICPA (until Aug. 2016)
Jun. 2014 Outside Corporate Auditor, MCHC (until Jun. 2015)
Corporate Auditor, MCC (until Mar. 2017)
Jun. 2015 Outside Director of the Board, MCHC (current)



Outside Director of the Board
Hideko Kunii

May 1982 Joined Ricoh Co., Ltd.
Jun. 2005 Corporate Senior Deputy CEO,
Ricoch Co., Ltd. (until Mar. 2008)
Apr. 2008 Chairperson, Ricoh Software Co., Ltd.
(currently Ricoh IT Solutions Co., Ltd.)
Apr. 2009 Associate Director, Ricoh Co., Ltd. (until Mar. 2013)
Jul. 2009 Chairperson, Ricoh IT Solutions Co., Ltd. (until Mar. 2013)
Apr. 2012 Professor, Graduate School of Engineering Management,
Shibaura Institute of Technology
Apr. 2013 Deputy President,
Shibaura Institute of Technology (until Mar. 2018)
Oct. 2013 Head of the Office of the Gender Equality Promotion
Center, Shibaura Institute of Technology (until Mar.
2018)
Jun. 2015 Outside Director of the Board, MCHC (current)
Apr. 2018 Visiting Professor,
Graduate School of Engineering Management,
Shibaura Institute of Technology (until Mar. 2019)
Apr. 2019 Visiting Professor, Shibaura Institute of Technology (current)



Outside Director of the Board
Takayuki Hashimoto

Apr. 1978 Joined IBM Japan, Ltd.
Apr. 2000 Director of the Board, IBM Japan, Ltd.
Apr. 2003 Managing Executive Officer, IBM Japan, Ltd.
Jan. 2007 Senior Managing Executive Officer, IBM Japan, Ltd.
Apr. 2008 Director of the Board, Senior Managing Officer,
IBM Japan, Ltd.
Jan. 2009 Director of the Board, President, IBM Japan, Ltd.
May 2012 Director of the Board, Chairperson, IBM Japan, Ltd.
Apr. 2014 Chairperson, IBM Japan, Ltd.
Jan. 2015 Vice Chairperson, IBM Japan, Ltd.
Jun. 2016 Outside Director of the Board, MCHC (current)
May 2017 Honorary Executive Advisor, IBM Japan, Ltd. (current)



Outside Director of the Board
Chikatomo Hodo

Sep. 1982 Joined Accenture Japan Ltd
Sep. 2005 Representative Director, Accenture Japan Ltd
Apr. 2006 Representative Director and President,
Accenture Japan Ltd
Sep. 2015 Director and Chairperson, Accenture Japan Ltd
Sep. 2017 Director and Senior Corporate Advisor,
Accenture Japan Ltd
Jul. 2018 Senior Corporate Advisor, Accenture Japan Ltd
(current)
Jun. 2019 Outside Director of the Board, MCHC (current)



Outside Director of the Board
Kiyomi Kikuchi

Apr. 1986 Joined The Dai-ichi Kangyo Bank, Ltd.
(currently Mizuho Bank, Ltd.) (until Dec. 1990)
Apr. 1999 Registered as a lawyer
Asahi Law Offices
Sep. 2002 Allen & Overy LLP (London)
May 2003 Admitted to the bar of the State of New York
Oct. 2003 Asahi Law Offices
Sep. 2004 Taiyo Law Office
(currently Paul Hastings LLP/Gaikokuho Kyodo Jigyo)
Sep. 2006 JPMorgan Securities Japan Co., Ltd.
Apr. 2008 TMI Associates (current)
Jun. 2019 Outside Director of the Board, MCHC (current)

Corporate Governance of MCHC

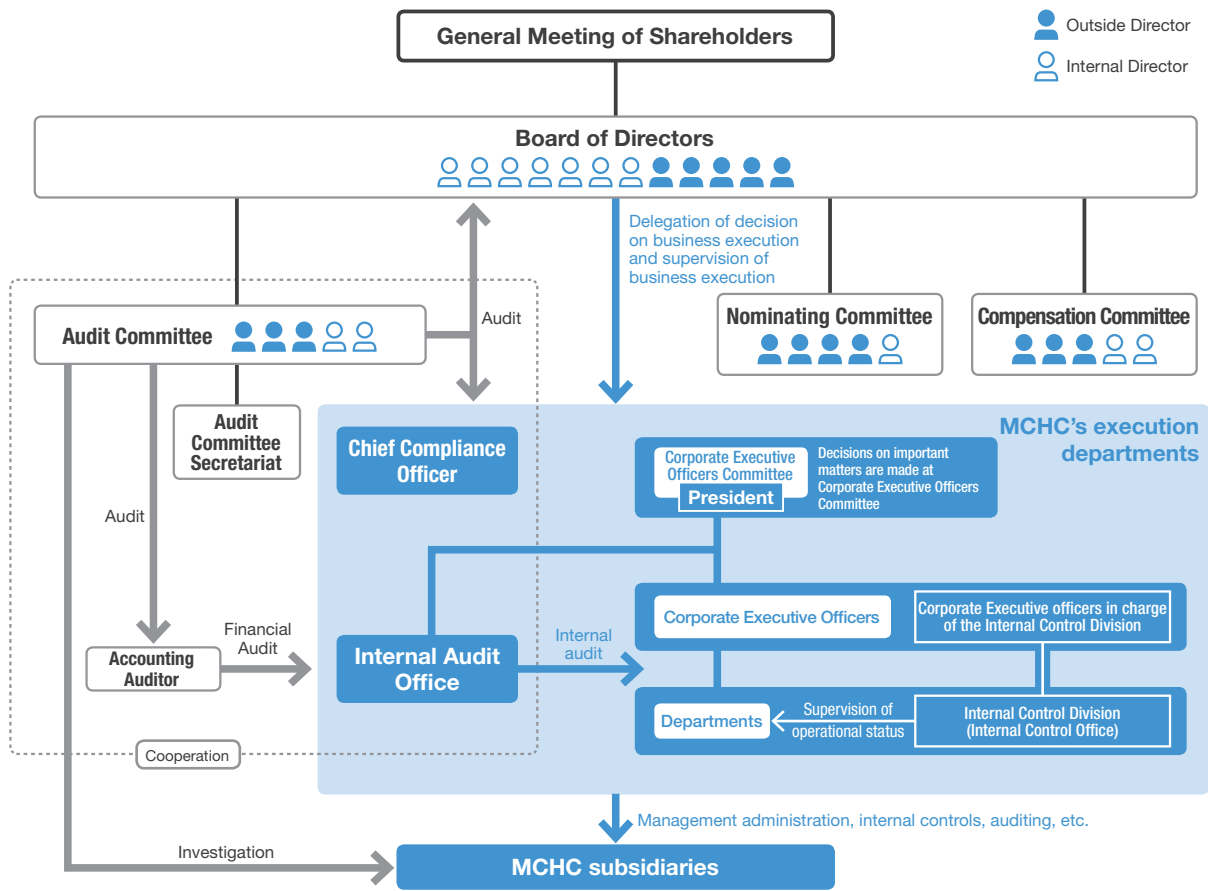
MCHC aims to contribute to the sustainable development of people, society, and the Earth, in addition to solving environmental and social issues through corporate activities for realizing KAITEKI.

With eyes on these objectives, we are focusing on establishing a better corporate governance structure by improving management transparency through proper disclosure and dialog with stakeholders, while enhancing both soundness and efficiency of management.

Corporate Governance Structure for Sound Management and Greater Efficiency

(As of June 25, 2019)

MCHC is a company with a nominating committee, etc., that is enhancing its supervision functions and speedy decision-making for greater management agility with the aim of improving its management transparency and fairness. Under this governance system, the Board of Directors and the three Committees (Nominating, Audit and Compensation Committees) oversee business management while the corporate executive officers are responsible for making decisions and operating our business.



Corporate Governance History

	June 2013	June 2014	June 2015	June 2016	June 2019
Initiatives	Appointment and inauguration of an outside director	Appointment and inauguration of a foreign director	Appointment and inauguration of a female director Transition to a company with a Nominating Committee, etc.	Increase the number of outside directors	Increase the number of female directors
Medium- to long-term targets (including those already achieved)	Strengthen management supervision functions	Increase diversity of the Board of Directors	Increase diversity of the Board of Directors Improve management transparency and fairness as well as management supervision functions	Strengthen management supervision functions	Increase diversity of the Board of Directors

Roles of the Board of Directors

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

Framework and Roles of the Committees (As of June 25, 2019)

	Nominating Committee	Audit Committee	Compensation Committee
Chairperson	Outside director	Internal director (full-time)	Outside director
Composition (including chairperson)	Outside directors - 4 Internal director - 1	Outside directors - 3 Internal directors (full-time) - 2	Outside directors - 3 Internal directors -2
Purpose	The Nominating Committee nominates candidates for director and corporate executive officer as well as potential successor for the presidents of the major directly owned subsidiaries that are not listed companies (MCC and LSII).	The Audit Committee audits the execution of duties by corporate executive officers and directors and reviews the Group's internal control systems, etc.	The Compensation Committee determines the amount of remuneration to be paid to individual directors and corporate executive officers as well as to the presidents of the major directly owned subsidiaries that are not listed companies (MCC and LSII).
Activities in FY2018	The Committee met six times in total to discuss the appointment of executives, roles expected of directors, etc.	The Committee met 13 times in total. The areas of focus for the previous year were the adequacy and effectiveness of the internal control system and the progress with the medium-term management plan, APTS/S 20. Based on the audit plan, the Committee carried out audits on the execution of duties by directors and corporate executive officers, conducted inspections on the directly owned subsidiaries and exchanged opinions with the accounting auditor.	The Committee met seven times in total to discuss the standard remuneration to be paid to the executives and to review the performance-based remuneration.

Corporate Executive Officers

The corporate executive officers decide the operational execution based on basic management policies including medium-term business strategies, annual budgets and others.

Regarding important matters in the management of the MCHC Group, deliberations are made at the Corporate Executive Officers Committee, 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 decision-making authority of the corporate executive officer in charge.

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 MCHC and the MCHC Group, and also monitors the Group's business based on basic management policies.

Audit System (Trilateral Audits)

The Audit Committee cooperates with the internal audit departments and the accounting auditor to enhance the trilateral audits (by the Audit Committee, accounting audit and the internal audit departments).

The Committee has prior discussions with the Internal Audit Office on the internal audit plans made by the office and has a regular meeting with the office to exchange opinions and receive information about the results of internal audits and other issues.

The Committee also cooperates closely with the accounting auditor. It receives reports about the audit process, plans, progress status on audit work, and the results, and exchanges information and opinions with the auditor.

Diversity of Directors

The Board of Directors decides on the MCHC Group's basic management policies and supervises the execution of business in an appropriate manner. The Board of Directors consists of diverse directors with a high expertise.

	Management experience	Finance and accounting	Science technology, IT and production	Risk management	Business strategies and marketing	Laws and regulations, etc.	Globality and diversity
Yoshimitsu Kobayashi	●		●				●
Hitoshi Ochi	●		●		●		
Hidefumi Date		●		●			●
Ken Fujiwara				●		●	●
Glenn H. Fredrickson			●		●		●
Hisao Urata			●	●	●		
Shigeru Kobayashi	●			●	●		
Taigi Ito		●		●			
Hideko Kunii			●		●		●
Takayuki Hashimoto	●				●		●
Chikatomo Hodo	●		●				●
Kiyomi Kikuchi						●	●

* Each director is expected to hold up to three fields of expertise as set the above
* In order to enhance supervisory function, a majority of the Board of Directors are non-executive directors. (◆Directors are in an executive function)

Policies on the Nomination of Director Candidates

The Nominating Committee shall appoint potential directors who meet the following criteria:

- Has high expertise, profound insights into relevant fields and can make decisions independently and fairly, which required to fulfill their duty as a director of a company with a nominating committee, etc.
- Has high ethical standards and a law-abiding spirit.
- Is healthy enough to fulfill the responsibilities of a director.
- For outside directors, meet the independence criteria set separately and are able to devote sufficient time to fulfill their duties. In addition, the Committee shall ensure diversity among outside directors.

Standards for Independence of Outside 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.

1. Related party of the Company

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

2. Major shareholder

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

3. Major business partner

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

4. Accounting Auditor

Accounting Auditor of the MCHC Group or an employee thereof

5. Transaction as an individual

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

Main Agenda Items Discussed at the Board of Directors Meeting During FY2018

- Reports on major items discussed at the Corporate Executive Officers Committee
- Acquisition of treasury stock
- Deliberation on large-scale M&A executions at the operating company
- Business monitoring
- Portfolio strategy in mid- to long-term perspective
- Outcomes of the engagement activities with institutional investors
- Effectiveness of internal control system
- Budgeting and planning of investment for the next fiscal year

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.

FY2018 Assessment of the Board's Effectiveness

The annual evaluation exercise was facilitated by questionnaires which all the Board member participated in, and its outcomes were discussed at the Board meeting. Based on the discussion, the chairperson evaluated the effectiveness of the Board.

Questionnaire

The Result of the Assessment

Next Steps for Further Improvements

Period: Questionnaire survey conducted starting at March through April, 2019
Target: All the 12 members of the Board of Directors
Method: The questionnaire asked the respondents to give an assessment on a scale of one to four and provide comments on:
• Structure of the Board of Directors
• Discussions held at the Board of Directors meeting (KAITEKI Management, portfolio management, risk management, and corporate governance)
• Roles and evaluation of individual directors (only comments were to be provided)

• Confirmed that the composition of the Board of Directors is diverse in terms of knowledge, specialty, experience, and other aspects.
• Recognized the proportion of outside directors and non-executive directors as generally appropriate.
• Found the ad-hoc Board meeting focused on the medium- to long-term strategies, such as portfolio management, created in-depth discussion.

Adequate level of Board effectiveness confirmed

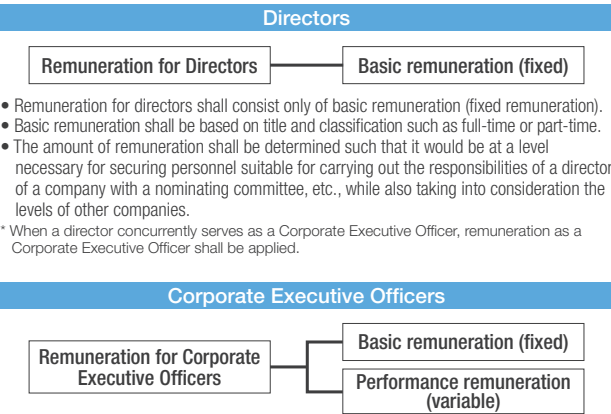
Based on the action items below, we are committed to continuously increasing the Board's effectiveness through activities such as

- Scrutinize topics that need the Board's focus, and hold an ad-hoc Board meeting to discuss those matters where appropriate
- Enhance reports and review matters for resolution by utilizing ICT
- Seek to augment the appropriate information-sharing process with outside directors of the pure holding company
- Establish a Committee composed either solely of the outside directors or mainly of the outside directors

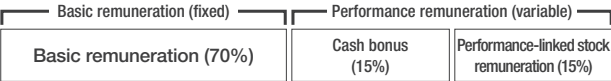
Director Remuneration

Policy on Deciding Remuneration for Directors and Corporate Executive Officers

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



- Remuneration for directors shall consist only of basic remuneration (fixed remuneration).
 - Basic remuneration shall be based on title and classification such as full-time or part-time.
 - The amount of remuneration 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 a company with a nominating committee, etc., while also taking into consideration the levels of other companies.
- * When a director concurrently serves as a Corporate Executive Officer, remuneration as a Corporate Executive Officer shall be applied.
- Remuneration for Corporate Executive Officers shall consist of basic remuneration (fixed remuneration) and performance remuneration (variable remuneration).
 - Basic remuneration shall be based on title and duties such as having the right of representation.
 - The amount of remuneration 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 remuneration shall utilize cash bonus and performance-linked stock remuneration plan* in order to improve continuously medium-to long-term corporate value as well as to create incentive for sharing shareholder value. While a base amount and the number of shares shall be variable between 0 and 200% depending on the degree of attainment of performance goals, the ratio of performance remuneration to total remuneration shall be higher for executive officers.
- *The performance-linked stock remuneration plan uses a board incentive plan (BIP) as the means to deliver shares of the Company to the Company's officers.



*In the case of President
Performance remuneration (variable remuneration) is decided at the Compensation Committee based on the following formula.

Performance remuneration (variable) = Base amount and number of shares by title × Coefficient based on evaluation* for performance remuneration

* Evaluation for performance remuneration is decided at the Corporate Executive Officers Committee meetings based on the degree of attainment of annual goals, and its validity is verified at the Compensation Committee.
— The evaluation for cash bonus is determined by adding a qualitative evaluation for the status of initiatives that tackle the management's key issues to the aggregate evaluation from the three axes of MOE indicator, MOT indicator and MOS indicator.
— The evaluation for the performance-linked, stock remuneration plan is determined by using the MOE indicator, MOT indicator and MOS indicator.
MOE indicator: Indicator for core operating income, ROE, ROIC, free cash flow, and asset compression
MOT indicator: Indicator for efficiency of research and development, superiority of technologies, and consistency with social needs
MOS indicator: Indicator determined as significant in terms of contribution of MCHC in resolving environmental and social issues

Aggregate Amount of Remuneration of Company's Officers

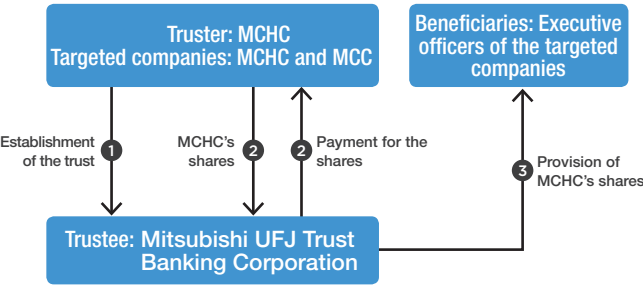
Category	No. of Persons	Amount of Remuneration, etc. Paid (in million yen)		
		Basic Remuneration	Performance Remuneration	Total
Directors (inside)	6	223	52	275
Directors (outside)	5	71	-	71
Corporate Executive Officers	7	304	144	448
Sum Total	18	598	196	794

(Notes) 1. The total amount of remuneration, etc. MCHC and its subsidiaries paid to officers is shown as the amount of remuneration, etc. paid above.
2. The amount of remuneration, etc. MCHC paid is ¥343 million to eleven Directors (of which, ¥71 million to five Outside Directors) and ¥430 million to seven Corporate Executive Officers.
3. MCHC remunerates Directors who concurrently serve as Corporate Executive Officers for their services as Corporate Executive Officers as Policy on Deciding Remuneration for Directors and Corporate Executive Officers.
4. Performance remuneration to Directors (inside) is cash bonus and stock options paid to the director who concurrently served as Corporate Executive Officer in the previous fiscal year as performance remuneration at the time of standing as a Corporate Executive Officers.
5. Performance remuneration to Corporate Executive Officers is remuneration paid by MCHC based on cash bonus and stock options, and cash bonus paid by subsidiaries of MCHC.
6. At the June 6, 2018 meeting of the Compensation Committee, MCHC decided to introduce a new stock remuneration plan with a board incentive plan (BIP) trust. With the introduction of the plan, stock remuneration-type stock options will no longer be issued from fiscal 2019 (15th Term) onward.

Board Incentive Plan (BIP) Trust

The newly introduced performance-linked stock compensation system is based on a BIP Trust. Under this incentive plan set for five consecutive fiscal years (including the three years from FY2018 to FY2020) corresponding to the period of MCHC's medium-term management plan, MCHC's corporate executive officers and executive officers as well as MCC's president and representative director, directors who also serve as executive officers, and executive officers (excluding residents outside Japan; hereinafter collectively referred to as "executive officers") will be given points according to their titles and achievement level for the fiscal year targets and the targets set in the medium-term management plan. Then, in proportion to the number of points gained, the officers will receive MCHC shares and dividends paid for the trust's shares after their resignation from their position.

Overview of the BIP Trust





Message from the Chairperson

Creating new value to contribute to a sustainable society

Yoshimitsu Kobayashi
Chairperson

Looking back at the Board meetings held in FY2018

In FY2018, the Board of Directors met 11 times to monitor the progress of the medium-term management plan and discuss the investment in future growth, among other themes. One of the meetings focused on the MCHC Group’s medium- to long-term strategies, featuring in-depth discussions about the Group’s portfolio management, proposed by Director Fredrickson.

The environment surrounding the MCHC Group

Recently, the environment issues such as climate change, depletion of natural resources, plastic waste, aging society, those are affecting people, society and the Earth are growing more serious. In the future, I believe the dominant business model will be providing solutions for a range of environmental and health issues using a combination of goods and services, backed by technological innovation. Various businesses are developing services using data, such as “mobility as a service*1,” and as digital platform providers such as GAFA*2 create new business models, the line between the “manufacturing” and “services” industries is becoming blurred.

For the sustainable development of people, society and the Earth, the MCHC Group has been channeling its innovation capacity on products and services that help solve social issues. Going forward, we plan to strategically categorize the Group’s technologies and data as either

internal or open source. This will enable us to proactively collaborate with other companies, venture firms, universities, and public organizations in Japan and abroad to create new value.

Toward realizing KAITEKI

Currently, under the leadership of President Ochi, management is creating an action plan for 2030 by backcasting from our vision of society in the year 2050. This is one of priorities that will be discussed by the Board of Directors.

In FY2019, Chikatomo Hodo, who served as president and chairperson of Accenture Japan Ltd, and Kiyomi Kikuchi, a lawyer with international experience, joined the Board as outside directors. In my capacity as chairperson of the Board of Directors, I will ensure that our discussions encompass various viewpoints and involve active participation of outside directors to improve Board effectiveness. For the realization of KAITEKI, the Board will support the management team in making bold business decisions to achieve higher corporate and shareholder value.

*1 A new concept of transportation where all modes of transportation except private vehicles are connected on the cloud to enable the provision of seamless mobility solutions.
*2 GAFA stands for the four tech giants, Google, Apple, Facebook, and Amazon.

Outside Directors' Major Activities and Attendance at Board of Directors and Committee Meetings

Name	Status of Activities	Attendance at Board of Directors and Other Meetings (FY2018)		
Takeo Kikkawa	During the Board of Directors meetings, he provided input on such matters as risks in the industrial materials domain and the portfolio management, drawing on his profound insight on company management from a view of the business history as well as his experience as an energy industry expert. At the Nominating Committee, he led meetings as its chair with respect to major agenda items such as senior management turnover and roles expected of Directors, and otherwise fulfilled his assigned duties in part by reporting outcomes of discussions to the Board of Directors. As a member of the Compensation Committee, he provided appropriate input to the committee with respect to major agenda items such as compensation levels of senior management and revision of the performance-based compensation system.	Board of Directors	11 / 11	100%
		Nominating Committee	5 / 6	83%
		Compensation Committee	7 / 7	100%
Taigi Ito	During the Board of Directors meetings, he provided input on such matters as finance and accounting as well as the risk management, drawing on his experience and profound insight as a certified public accountant. At the Audit Committee, he appropriately fulfilled his assigned duties as an outside member of the Audit Committee in terms of conducting audits based on audit plans, focusing on matters such as the development and operations of the internal control system, and intensive auditing regarding the progress of the APTSIS 20 medium-term management plan during the fiscal year under review. At the Compensation Committee, he led meetings as its chair with respect to major agenda items such as compensation levels of senior management and revision of the performance-based compensation system, and otherwise fulfilled his assigned duties in part by reporting outcomes of discussions to the Board of Directors.	Board of Directors	11 / 11	100%
		Audit Committee	13 / 13	100%
		Compensation Committee	7 / 7	100%
Kazuhiro Watanabe	During the Board of Directors meetings, he provided input on such matters as the internal control and the compliance, drawing on his experience and profound insight as a prosecutor and lawyer. At the Audit Committee, he appropriately fulfilled his assigned duties as an outside member of the Audit Committee in terms of conducting audits based on audit plans, focusing on matters such as the development and operations of the internal control system, and intensive auditing regarding the progress of the APTSIS 20 medium-term management plan during the fiscal year under review. At the Compensation Committee, he provided appropriate input to the committee with respect to major agenda items such as compensation levels of senior management and revision of the performance-based compensation system.	Board of Directors	11 / 11	100%
		Audit Committee	13 / 13	100%
		Compensation Committee	7 / 7	100%
Hideko Kunii	During the Board of Directors meetings, she provided input on matters such as woman’s empowerment promotion, science technology, and IT, drawing on her profound insight in diversity promotion as well as her extensive experience in company management and her expertise in the information processing domain. At the Nominating Committee, she provided appropriate input to the committee with respect to major agenda items such as senior management turnover and roles expected of Directors. At the Audit Committee, she appropriately fulfilled her assigned duties as an outside member of the Audit Committee in terms of conducting audits based on audit plans, focusing on matters such as the development and operations of the internal control system, and intensive auditing regarding the progress of the APTSIS 20 medium-term management plan during the fiscal year under review.	Board of Directors	11 / 11	100%
		Nominating Committee	6 / 6	100%
		Audit Committee	13 / 13	100%
Takayuki Hashimoto	During Board of Directors meetings, he provided input mainly in relation to global management, business strategy, and portfolio management, drawing on his extensive experience in company management and profound insights into digital business. At the Nominating Committee, he provided appropriate input to the committee with respect to major agenda items such as senior management turnover and roles expected of Directors.	Board of Directors	11 / 11	100%
		Nominating Committee	6 / 6	100%

Outside Director Liaison Committee

Apart from the Board of Directors meetings, the Outside Director Liaison Committee holds a monthly meeting, which is attended by outside directors, the chairperson of the Board of Directors and the president of the company, to share important management information and exchange frank opinions on management issues. The meeting provides outside directors with opportunities to utilize their talents and provide expert considered advice on the topics.

Training

Outside directors are constantly briefed on the MCHC Group’s business details and organizations and are regularly given the opportunity to visit the Group’s bases in Japan and abroad and to discuss with the management team. Internal directors are also given opportunities to develop the qualities required of directors through training sessions on compliance/internal control and a range of seminars held by external organizations.

Message from the Outside Director of the Board

Aligned with an ambition for the realization of KAITEKI, I expect MCHC will deliver its strong leadership in society for the future ahead

Hideko Kunii
Outside Director of the Board

Q1. This is your fifth year as outside director. What is your view on the present corporate governance system of MCHC?

MCHC was one of the first Japanese companies to transfer a company with a nominating committee, etc. and this has improved the transparency and efficiency of the governance system of the company. The Board of Directors encourages us to speak frankly, and the appropriate division of roles among the three committees has made governance more effective. The management policy is to accelerate the realization of KAITEKI.

Q2. Please explain your role as an outside director.

Amid this so-called “Fourth Industrial Revolution,” destructive innovation by ICT is the key to realizing KAITEKI. I believe my background of studying computer science and my experience of starting up the software company and office solution business help me contribute to the discussions. Regarding R&D, I monitor the acceleration of open innovation, and the enhancement of materials informatics and bioinformatics. Recently, deep-learning technology has been applied in many industries based on big data. With our accumulated technologies, the MCHC Group has not only the data, but also the knowledge to establish a tailored model that meets customer needs. I believe the Group will create new value by applying them. One of the characteristics of the Fourth Industrial Revolution is the speed of evolution, and I intend to help change the corporate culture from this perspective.

Regarding encouraging the participation of women, the MCHC Group companies, with the exception of Mitsubishi Tanabe Pharma Corporation, are yet to obtain the “Eruboshi (L-star)” certification* from the Ministry of Health, Labour and Welfare. We must actively work to achieve the high-level goals of KAITEKI Management. We must carefully analyze whether the working environment is truly “KAITEKI” for women, and whether working women face disadvantages in practice, including unconscious discrimination. I intend to discuss specific details from



various viewpoints such as whether an exclusive men’s society exists, and whether you would encourage your own daughter to apply to our company.

Q3. What are your expectations for the MCHC Group?

I applaud the MCHC Group for aiming to realize KAITEKI as its policy. Today, the concept of the SDGs has spread globally, and the MCHC Group has been working on this initiative for many years with great success. I expect the MCHC Group to take the lead in social reform with the aim of realizing KAITEKI, and to demonstrate stronger corporate leadership in society in the future.

* “Eruboshi” certification: This certification system started on April 1, 2016. Under it, the Minister of Health, Labour and Welfare certifies companies that have made excellent progress with initiatives for the active participation of women in the workplace from among those companies that submit action plans for such participation to their prefectural labor bureau.

Compliance

For the MCHC Group, the word “compliance” is a broad term covering corporate ethics and general social norms, not only basic adherence to laws.

We regard compliance as one of the most important managerial issues to ensure that we continue to exist as a company and be trusted by the public. Accordingly, we take various measures to instill a culture of compliance in the entire Group.

Compliance Promotion Structure

The Group’s Chief Compliance Officer (CCO) is appointed by the Board of Directors, and the Internal Control Office supports the CCO, acting as a secretariat for compliance matters.

As part of its responsibilities, the secretariat prepares standard training tools, organizes training courses, and has established hotlines and educational system for overseas Group companies. It seeks to ensure compliance in accordance with local conditions through Regional Headquarters (RHQ) established in the U.S., Europe, and China. Each operating company has its own Compliance Promotion Committee as well as an Internal Control Department that serves as secretariat. They operate hotline systems and implement training courses and seminars, business audits and compliance awareness surveys based on the MCHC Group Compliance Promotion Rules.

If an actual or potential compliance violation is found, it must be reported to and discussed with the relevant company’s Internal Control Department and the MCHC Internal Control Office, so that corrective actions and measures to prevent recurrence shall be taken.

Hotline Systems

Hotline systems are managed and operated with the Group, operating companies’ Internal Control Departments, and external lawyers serving as contact points. In FY2018, 194 cases were reported via the hotline systems. We respond to reported issues through our investigation teams, which are headed by the managers of the Internal Control Departments. Corrective measures are taken promptly in line with the relevant regulations under the CCO’s direction.

Measures and Results in FY2018

In FY2018, we commissioned an external agency to survey employees’ awareness of compliance within the Group in Japan in order to continuously monitor the spread of compliance awareness. The results are fed back to the operating companies and help raise awareness of compliance. Awareness surveys, training, and hotlines are installed and operated overseas as well. We have identified that our employees’ compliance awareness has been increasing year by year.

We will continue sharing information between Japan, the U.S., Europe, China, and other parts of Asia, and will promote compliance as a Group through this network.

Case Studies of addressing the Materiality ACTION Compliance Training

In the Group, we conducted compliance training in Japan and overseas for all officers and employees by hierarchy. To enhance the effectiveness of the training, we provide a variety of learning settings, including lecture-style training for large groups and discussion-style training for small groups.



Compliance training for managers (Japan)



Compliance training for compliance promotion staff (China)

Risk Management

The MCHC Group defines risks as “potential events that could, during the course of corporate activities, undermine public trust in or the corporate value of the MCHC Group.” We recognize, analyze, and evaluate risks and prevent materialization of significant risks. We take measures to minimize the personal, economic, and social damage arising in case of materialization.

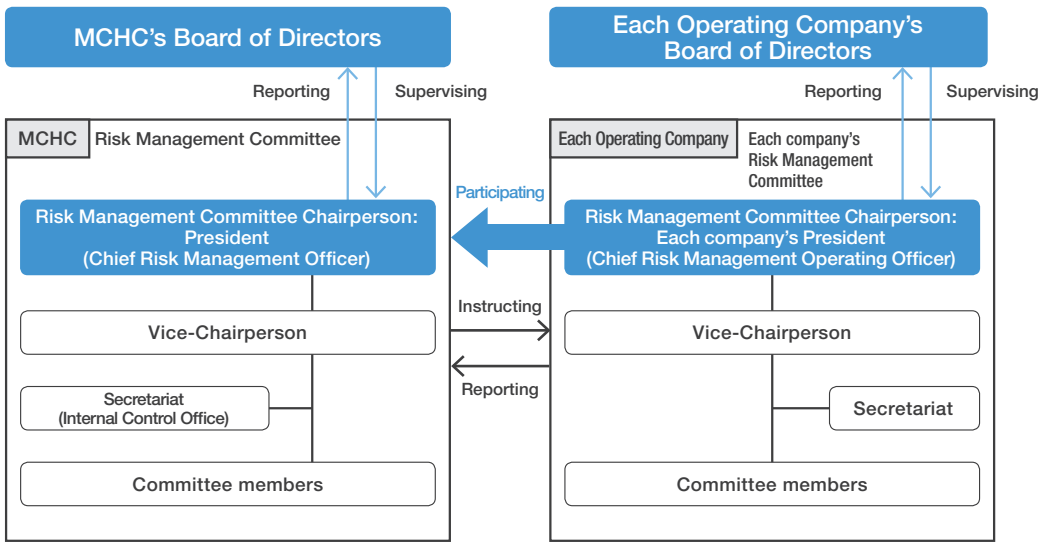
Charter of Corporate Behavior

The MCHC Group Charter of Corporate Behavior, consisting of thirteen chapters, explicitly declares that we act with sound ethics and good common sense in every aspect of our corporate activities.

It also stipulates that we share the fundamental behavioral principles for sustainable development, our approach to major issues for contributing to the realization of KAITEKI, and the basic ideas on and initiatives for the realization of KAITEKI, with our business partners and others.

MCHC Group Charter of Corporate Behavior	
01 Awareness and Responsibility	08 Fair Business Practices
02 Accountability and Transparency	09 Customer Satisfaction
03 Legal Compliance and Fairness, Equitability, and Integrity	10 Information Management
04 Valuing Stakeholders	11 Science and Technology
05 Respecting Human Rights	12 Community Involvement
06 Employment and Labor	13 Shared Standards
07 Environment and Safety	

Risk Management System Conceptual Diagram



Risk Management Process

1 Identification of Risks	2 Risk Assessment and Measures	3 Detailed Examination of Risk Measures	4 Auditing
All operating companies of the Group regularly identify both internal risks associated with business types and models, and external risks such as country specific risks and economical risks.	Each operating company prioritizes the identified risks with unified system, based on impact and frequency. Senior managers specify risks with significant impacts on the Group management (the major risks). The relevant departments then implement appropriate risk mitigation measures, as instructed.	Risk measures are periodically scrutinized. Countermeasures against the major risks, in particular, are reported to each Chief Risk Management Officer at the operating company.	To ensure the proper administration of these risk management systems, the Internal Audit Office periodically conducts audits and reports to the Chief Risk Management Officers.

Measures against Major Risks

The MCHC Group has categorized the following risks as high priority. Having identified the major risks below, we try the best endeavors either to avoid such occurrences and to minimize damages.

Compliance

In order to entrench compliance within the Group, we have taken comprehensive necessary actions such as preparing the Group Charter of Corporate Behavior and rules and standards, distributing compliance guidebook, providing trainings and seminars, implementing regular audits, as well as operating and maintaining a compliance hotline. We also strengthen compliance at oversea operations, by adjusting codes of conduct in accordance with corresponding national rules and regulations and social norms.

Accidents, work injuries, and large-scale natural disasters

As a safety measure to prevent any accidents at each operating site, we enhance quality of trainings to operators for keeping appropriate operation and maintaining facilities. In the event of accidents, we would analyze the cause, plan countermeasures and verify those effectiveness. Also, we try to prevent similar accidents by sharing technical and operational measures among Group companies.

Regarding the preparation for large-scale natural disasters, we take special trainings customized for each operating company's condition to minimize damages and to secure business continuity under such event.

Information Security

MCHC has developed the Group Information Security Policy, in order to protect information assets and to maintain corporate value as a whole. Also, we continuously reinforce information security capability at our global business sites.

We are also promoting awareness of strict follow-up of the Group Information Security Policy among all employees by providing special trainings, including practical drills against e-mails attack with virus or other trainings via e-learning system.

Overseas Business Development

While actively expand our business in overseas, we are minimizing risks to violate corresponding national rules and regulations. We have collected and disseminated cases of significant accidents and violation of laws in each country to raise awareness of those risks at overseas Group companies. In addition, we established a special communication system between regional headquarter and MCHC for sharing information related to social turmoils in the relevant country in timely manner. Moreover, regarding the governance of subsidiaries, we clarify responsibilities of corporate organizations and improve systematic approach to reduce overall group risks.



Training for a large-scale natural disaster (Left: Head office, Mitsubishi Chemical; Right: Factory, Mitsubishi Tanabe Pharma Group)

Measures against Future Risks

The MCHC Group is also tackling to future risks by planning the medium- to long-term strategy.

Climate Change

While the chemical industry is one of the high GHGs emitting industries, it is also the mitigation solution providing industry through its products.

The Group could face to a risk of losing future earnings, if we could not meet the new demand to reduce GHGs emissions from clients highly conscious with environmental compliances or energy intensity of products. For this reason, the Group has set quantitative targets for providing products and services attributable to GHGs emission reductions, and has been putting endeavors on new product development to mitigate climate change impacts.

Digital Technology

Digital technologies represented by AI and IoT show potential to create dramatic changes in the chemical industry. The Group could face to a risk of losing of competitive advantage in the market, without properly adjusting to a new digital era. In respond to this, we establish the “Advanced Technology & Business Development Office.” Under the new structure, we practically apply AI and IoT into process control, product quality inspection, automation of analysis, and development of new materials and medicines, for keeping our competitive position in the market.