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Notice on Introduction of New Performance-based Share Compensation Plan

At the June 6, 2018 meeting of the Compensation Committee of Mitsubishi Chemical Holdings Corporation (hereinafter, “the Company”) and the May 25, 2018 meeting of the Board of Directors of Mitsubishi Chemical Corporation, the Company’s core operating company, resolutions were passed on introducing a new performance-based share compensation plan (hereinafter, “the Plan”) for the Company’s corporate executive officers and executive officers (excluding non-residents in Japan; the same applies hereinafter) and Mitsubishi Chemical Corporation’s president and representative director, directors concurrently serving as executive officers, and executive officers (hereinafter collectively referred to as “executive officers”). Further details are provided below.

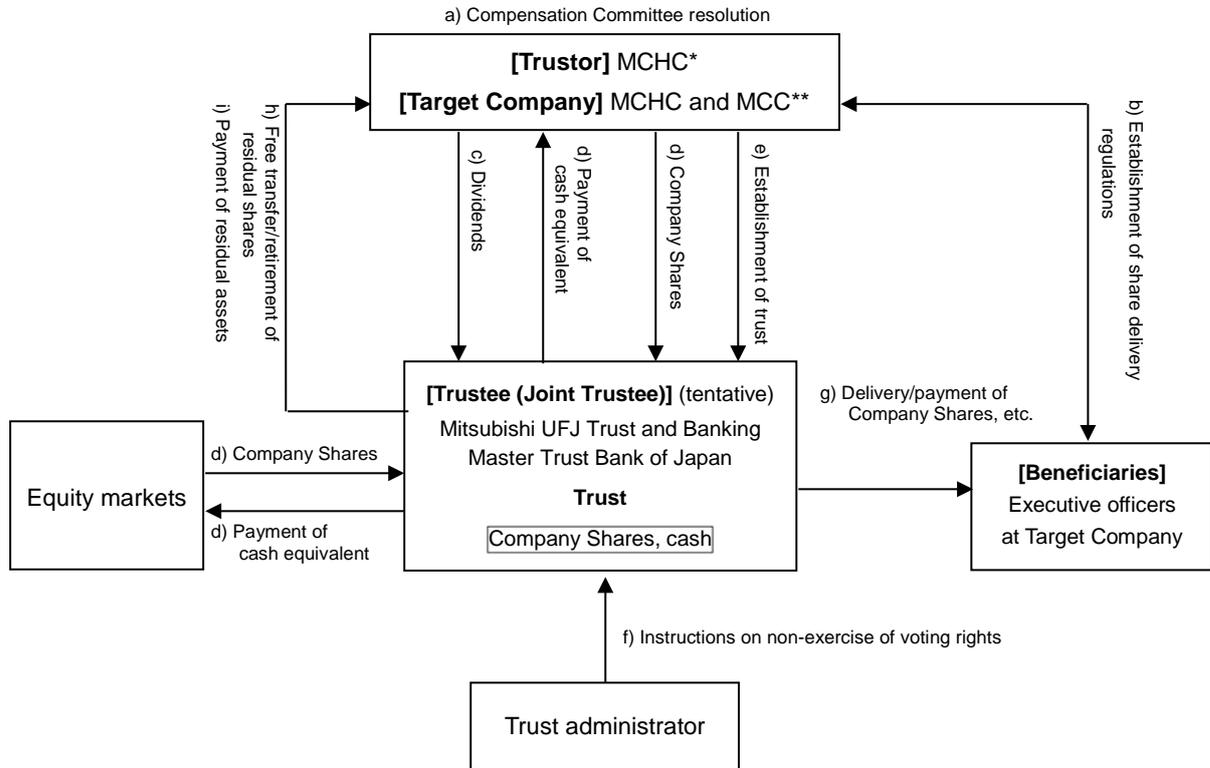
1. Purposes of introducing the Plan

- (1) The Company will introduce the Plan for the executive officers of the Company and Mitsubishi Chemical Corporation (hereinafter these two companies will be collectively referred to as “the Target Companies”) for the purposes of establishing more explicit ties between compensation for executive officers and the Company’s business results and shareholder value, further bolstering the sense of contribution to increase corporate value and management awareness focused on shareholders, and providing incentives for improving medium- to long-term corporate value.

The Company had been granting share warrants on Company Shares as share-based compensation stock options to the Company’s corporate executive officers and executive officers but, with the introduction of the Plan, new share warrants will not be issued from the fiscal year ending March 31, 2020 onward.

- (2) Mitsubishi Chemical Corporation intends to introduce the Plan through a resolution on executive compensation at its General Meeting of Shareholders (hereinafter, “General Shareholders’ Meeting”).
- (3) The Plan is a share compensation plan that utilizes a board incentive plan (BIP) trust (hereinafter, “BIP Trust”). Similar to performance-based share compensation (performance shares) and restricted stock compensation in the US, the BIP Trust is a scheme by which Company shares and the cash equivalent of Company shares (hereinafter, “Company Shares, etc.”) as well as the dividends on those Company Shares, etc., are delivered/paid in accordance with executive rank and the degree to which corporate performance targets, etc., are achieved.

2. Structure of BIP Trust



*Mitsubishi Chemical Holdings Corporation

**Mitsubishi Chemical Corporation

- a) The Company, being a company with a nomination committee, etc., will introduce the Plan by obtaining a resolution from its Compensation Committee. Mitsubishi Chemical Corporation will obtain resolutions on introduction of the Plan and on executive compensation from its General Shareholders' Meeting.
- b) Each Target Company, through its Compensation Committee or Board of Directors, will establish regulations on the delivery of shares as compensation regulations pertinent to the Plan.
- c) In establishing a trust whose beneficiaries will be the executive officers satisfying the beneficiary requirements listed in 3. (2), the Target Companies will respectively contribute cash on a prorated basis in accordance with the percentage of the funding for compensation for the executive officers of each Target Company, and establish a trust having as its beneficiaries those executive officers who satisfy the beneficiary requirements (hereinafter, "the Trust"). In addition, the cash contributed by Mitsubishi Chemical Corporation must fall within the scope stipulated in the approval resolution from the General Shareholders' Meeting noted in a) above.
- d) The Trust will use the money entrusted in c) above to obtain Company Shares from the Company (treasury share disposal) or from equity markets in accordance with the instructions of the trust administrator. Company Shares within the Trust will be managed by the Target Companies in proportion to their respective contributions.
- e) Dividends will be paid out for Company Shares within the Trust in the same fashion as for other Company Shares.
- f) Voting rights attached to Company Shares within the Trust will not be exercised during the trust period.
- g) During the trust period, points will be granted to, and accumulated by, executive officers in accordance with their executive rank and the degree to which they achieved the corporate performance targets for each fiscal year and those in the medium-term management plan. Upon the retirement of an executive officer who satisfies certain beneficiary requirements, Company Shares corresponding to a set

percentage of the cumulative number of points granted (hereinafter, “cumulative point tally”) will be delivered in accordance with the share delivery regulations set forth in b). With regard to Company Shares corresponding to the remaining points, these Company Shares will be converted to cash within the Trust and this cash equivalent will be paid to the executive officer in accordance with the provisions of the trust agreement.

The dividends paid out in line with e) above on Company Shares within the Trust will be paid to executive officers who satisfy certain beneficiary requirements in accordance with the number of Company Shares, etc., to be delivered/paid from the Trust.

- h) Residual shares in the Trust at the expiration of the trust period will become available for delivery to executive officers if use of the Plan or the Trust as a similar share compensation plan is to be continued. If the Trust is terminated upon expiration of the trust period, the residual Company Shares are to be returned to shareholders by transferring the residual Company Shares to the Company at no charge, upon which the Company will retire these shares via the prescribed procedures.
- i) Residual dividends on Company Shares within the Trust at the expiration of the trust period will be utilized to obtain shares if use of the Trust is to be continued. However, if the Trust is terminated upon expiration of the trust period, dividends beyond those needed for trust expense reserves are to be donated to a group in which neither Target Companies nor their executive officers have any vested interests.

Note:

If it appears possible during the trust period that the number of Company Shares held within the Trust will fall short of the cumulative point tallies achieved by executive officers during the trust period or that the cash held as trust assets will fall short of the amount needed to pay trust fees/expenses, the Target Companies may entrust additional cash to the Trust or obtain additional Company Shares via the Trust (with Mitsubishi Chemical Corporation doing so through the Company). Such additional entrustments by the Company will require a resolution from its Compensation Committee, while those by Mitsubishi Chemical Corporation must fall within the maximum limit for entrusted funds stipulated in 3. (6) below.

3. Details of the Plan

(1) Overview of the Plan

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

(2) Eligible persons under the Plan (beneficiary requirements)

An executive officer having satisfied the following beneficiary requirements may upon retirement receive delivery/payment from the Trust of Company Shares, etc., corresponding to the executive officer’s post-retirement cumulative point tally and of the dividends on these Company Shares, etc., via the prescribed procedures for beneficiary determination.

- 1) The executive officer served as an executive officer in each Target Company during the target period (includes persons who newly became executive officers on or after the start date of the Plan)
- 2) The executive officer in 1) above has resigned as an executive officer, and has lost his/her status as a director or corporate auditor at the subject Target Company (*)
- 3) The executive officer did not resign or was not terminated as a consequence of having committed specific illegal acts, etc., during his/her time in office
- 4) The executive officer is resident in Japan

- 5) The executive officer meets other requirements stipulated in the trust agreement and share delivery regulations deemed necessary to fulfill the aims of a share compensation plan

*However, if the trust period is extended in conjunction with the termination of the trust as stipulated in (3) c). below and persons eligible under the Plan are serving as executive officers at the expiration of the extended trust period, the Trust will be terminated at that point and the Company Shares, etc., delivered/paid to these eligible persons while these executive officers are in office.

(3) Trust period

1) Initial trust period

Approximately three years, from August 2018 (tentative) through August 2021 (tentative)

2) Continuation of the Trust

Upon expiration of the trust period, the trust period of the Trust may be continued by changing the trust agreement or entrusting additional funds. In such cases, the trust period of the Trust will be extended a further five years, with additional money to be contributed to provide compensation to executive officers for each extended trust period; points will continue to be granted to executive officers during the extended trust period.

However, if there are any Company Shares remaining among trust assets on the final day of the trust period prior to extension (excluding those Company Shares corresponding to the cumulative point tally granted to executive officers for which delivery/payment has not been completed) or cash (hereinafter, "residual shares, etc."), the total sum of the residual shares, etc., and any money additionally contributed must fall within the scope of the funding amounts approved by the Company's Compensation Committee and Mitsubishi Chemical Corporation's General Shareholders' Meeting (for Mitsubishi Chemical Corporation, the maximum limit approved).

This trust period can thereafter be extended in a similar fashion. If the trust agreement is not changed or additional money is not entrusted upon expiration of the trust period, points will not be granted to executive officers thereafter.

3) Handling of termination of the Trust (extension of trust period without additional contributions)

If the Trust is terminated upon expiration of the trust period (or the post-extension trust period if the Trust has been continued as stipulated in 2) above; the same applies hereinafter) and an executive officer who could potentially satisfy the beneficiary requirements is still in office, the Trust will not be terminated immediately and instead the trust period of the Trust will be extended for a limited time, with no new points to be granted to the executive officer during this extension.

(4) Company Shares, etc., to be delivered/paid to executive officers

Points will be granted to executive officers around July of each year during the trust period in accordance with their executive rank and the degree to which they achieved the corporate performance targets, etc., for the fiscal year ended on March 31 of that year.

The points to be granted will vary within a scope of 0%-200% (0%-220% for Mitsubishi Chemical Corporation) in accordance with the executive officers' executive ranks and the degree to which they achieved the corporate performance targets, etc., for each fiscal year and those in the medium-term management plan. The indicators to be used to evaluate the degree to which these corporate performance targets, etc., have been achieved will include "core operating income," "ROE," and "free cash flow." After the retirement of an executive officer (or, for an executive officer who retires during a fiscal year in the trust period, after the final day of that fiscal year), his/her cumulative point tally will be calculated and, if the executive officer satisfies the beneficiary requirements, Company Shares, etc., corresponding to the cumulative point tally will be delivered/paid. One point will equate to one Company Share, with the tally rounded down to the nearest point. If the Company Shares are increased or decreased by a stock split, a consolidation of shares, etc., the Target Companies will adjust the number of points to be granted and the cumulative point tallies in accordance with the split/consolidation ratio.

For executive officers who die during a fiscal year within the trust period or who are decided not to be resident in Japan, the points corresponding to the period in office until the executive officer's death/the timing when executive officers are decided not to be resident in

Japan during the fiscal year in question (corporate performance target figures, etc., will be deemed to have been 100% achieved) will be granted at that time and the cumulative point tally calculated.

(5) Methods and timing of delivery/payment of Company Shares, etc.

Executive officers who satisfy the beneficiary requirements in (2) above will, after retirement as a general rule, receive Company Shares, etc., corresponding to their cumulative point tallies by completing the prescribed beneficiary determination procedures. The executive officers will receive Company Shares (rounded down to the nearest share unit) for 70% of their cumulative point tallies, with the remainder of points to be converted within the Trust into the cash equivalent of the corresponding number of Company Shares and then paid to the executive officers.

If an executive officer who satisfied the beneficiary requirements dies while in office during the trust period, the executive officer's heir(s) will receive payment in cash in the amount of the cumulative point tally calculated at the time in question and converted within the Trust into the cash equivalent of the number of Company Shares corresponding to this tally. In addition, if it is decided that executive officers become the non-residents in Japan during the trust period, the subject executive officers will receive payment in cash in the amount of the cumulative point tally calculated at the time in question and converted within the Trust into the cash equivalent of the number of Company Shares corresponding to this tally.

Furthermore, executive officers must continue to hold Company Shares delivered by the Trust for a period of one year after retirement (or, for persons appointed as a corporate executive officer, director, executive officer, or corporate auditor at the Company or any of its subsidiaries after retirement from a Target Company, for a period of one year after they lose this status at the Company or its subsidiaries).

(6) Amount of money to be contributed to the Trust, and expected/maximum number of points to be granted to executive officers in the Trust

The tentative amount of trust money to be contributed to the Trust by the Company during the trust period and the tentative total number of points to be granted to the Company's executive officers in the Trust are as follows:

- Trust money to be contributed by the Company to the Trust (for a period of three fiscal years): 1,030 million yen (tentative)
- Total number of points to be granted by the Company to the Company's executive officers in the Trust (for each fiscal year): 253,000 points (tentative)

The maximum amount of trust money to be contributed by Mitsubishi Chemical Corporation to the Trust during the trust period and the maximum total number of points to be granted to Mitsubishi Chemical Corporation's executive officers in the Trust are as follows:

- Maximum amount of trust money to be contributed by Mitsubishi Chemical Corporation to the Trust (for a period of three fiscal years): 3,430 million yen (tentative)
- Maximum amount of trust money to be contributed to the Trust by Mitsubishi Chemical Corporation (for a period of five fiscal years): 5,710 million yen (tentative)
- Maximum total number of points to be granted to Mitsubishi Chemical Corporation's executive officers in the Trust (for each fiscal year): 845,000 points (tentative)

Notes:

1. The above amounts of trust money represent the sum of share acquisition funds in the Trust and trust fees/expenses.
2. The expected/maximum amounts of trust money have been determined in line with expectations of the aforementioned total number of points to be granted and with reference to the current share price and other factors.

(7) Methods for acquiring Company Shares by the Trust

The Company Shares to be initially acquired by the Trust are to be acquired from the Company (treasury stock disposal) or equity markets.

The Target Companies will acquire Company Shares within the scope of the share acquisition funds and the total number of points to be granted as noted in (6) above.

- (8) Exercise of voting rights attached to Company Shares in the Trust
The voting rights attached to Company Shares held in the Trust (Company Shares not yet delivered to executive officers in accordance with (5) above) will not be exercised during the trust period in order to ensure the Trust's impartiality toward management.
- (9) Handling of dividends on Company Shares in the Trust
Dividends paid on Company Shares within the Trust may be paid in accordance with the number of Company Shares, etc., to be delivered/paid from the Trust to executive officers who satisfy certain beneficiary requirements together with the Company Shares, etc., to be delivered/paid in accordance with (5) above, or may be applied to the Trust's trust fees/expenses.
- (10) Handling of residual shares/dividends upon expiration of trust period
Residual shares in the Trust at the expiration of the trust period will become available for delivery to executive officers if use of the Plan or the Trust as a similar share compensation plan is to be continued. If the Trust is terminated upon expiration of the trust period, the residual Company Shares are to be returned to shareholders by transferring the residual Company Shares to the Company at no charge, upon which the Company will retire these shares via the prescribed procedures.
Residual dividends on Company Shares within the Trust at the expiration of the trust period will be utilized to obtain shares if use of the Trust is to be continued. However, if the Trust is terminated upon expiration of the trust period, dividends beyond those needed for trust expense reserves are to be donated to a group in which neither the Company nor executive officers have any vested interests.
- (11) Other details of the Plan
Other details pertaining to the Plan, the establishment of the Trust, changes to the trust agreement, additional contributions to the Trust, etc., will be stipulated as necessary by the Compensation Committee or the Board of Directors, etc.

(Reference)

[Details of trust agreement]

- 1) Type of trust
Monetary trust other than a specified individually operated monetary trust (third-party-benefit trust)
- 2) Purpose of trust
Granting of incentives to executive officers
- 3) Trustor
Mitsubishi Chemical Holdings Corporation
- 4) Trustee
Mitsubishi UFJ Trust and Banking Corporation (tentative)
(Joint trustee: The Master Trust Bank of Japan, Ltd.)
- 5) Beneficiaries
Executive officers satisfying beneficiary requirements
- 6) Trust administrator
Third party with no vested interests in the Company (certified public accountant)
- 7) Date of trust agreement
September 20, 2018 (tentative)
- 8) Period of trust
September 20, 2018 (tentative) – August 31, 2021 (tentative)
- 9) Start date of Plan
September 20, 2018 (tentative)
- 10) Exercise of voting rights
Voting rights will not be exercised
- 11) Type of shares to be acquired
Ordinary Company shares
- 12) Maximum amount of trust money
4,460 million yen (tentative) (including trust fees/expenses)
- 13) Method for acquiring shares
Acquisition from equity markets
- 14) Holder of vested rights
Mitsubishi Chemical Holdings Corporation
- 15) Residual assets
The residual assets available to the Company as the holder of vested rights must fall within the scope of the trust expense reserve fund remaining after deducting share acquisition funds from the trust money

[Details of trust-/share-related services]

- 1) Trust-related services: Mitsubishi UFJ Trust and Banking Corporation is to provide trust-related services as the trustee of the Trust
- 2) Share-related services: Mitsubishi UFJ Morgan Stanley Securities Co., Ltd., is to deliver Company Shares to beneficiaries in accordance with an outsourcing agreement