

June 15, 2018

Mitsubishi Chemical Holdings Corporation

## Outline of results of the Evaluation on the Effectiveness of the Board of Directors in fiscal 2017

### 1. Implementation of the Board of Directors Effectiveness Evaluation

In accordance with the Mitsubishi Chemical Corporate Governance Guidelines, the Board of Directors is evaluated for their effectiveness annually and a summary of the results are disclosed. The method and results summary for the Board of Directors Effectiveness Evaluation is as follows below.

### 2. Analysis and evaluation method

In FY2017, to ensure an objective and transparent evaluation, and to conform with Japan's Corporate Governance Code (including proposed revisions), a third party consultant implemented a questionnaire and analyzed the results with the goal of comprehensively verifying the company's corporate governance overall. In addition, given that three years have passed since the transition to a company with nominating, etc., in addition to the Board of Directors, the effectiveness of the nominating, compensation and audit committees was also evaluated. The specific process is detailed below.

i) The Board of Directors, including the chairperson, was given an anonymous questionnaire with a total of 22 questions covering major areas which are ranked on a scale of one to five. In addition to the 5-scale ranking, a comment box was provided for all questions to make a quantitative and qualitative evaluation to grasp current circumstances/situations and extract issues (implemented in March-April 2018).

- Board structure
- Discussions at Board of Directors meetings
- Training for active deliberation
- Role and evaluation of individual Board of Directors
- Composition and effectiveness of each committee
- Constructive dialogues with shareholders

ii) The Board of Directors received a report on the results of the third-party consultant's questionnaire and held discussions on issues and measures for dealing with these issues based on the results (May 2018)

iii) Taking the above into account, the chairperson evaluates the effectiveness of the Board of Directors and each committee and reports the results to the Board of Directors (June 2018)

### 3. Outline of evaluation results

#### (1) Overview

According to the results of the evaluation, the Board of Directors and the nominating, compensation and audit committees are being properly operated, and the company is attaining effectiveness overall, mainly for management oversight functions. We note that a high percentage of both inside and outside directors checked "5. Effective/Appropriate" for the majority of the questions.

In particular, owing to the measures in number 4. Below (Measures based on the results of the previous evaluation), we found that discussions by the Board of Directors were constructive owing to the ample provision of information to outside directors, there was appropriate oversight of the internal control and risks management systems, and there were appropriate training opportunities for active deliberation by the Board of Directors, mainly by outside directors.

The operation of and feedback to the Board of Directors by each committee was carried out appropriately. In particular, the audit committee was sufficiently overseeing the execution of operations by corporate executive officers.

(2) Meanwhile, the following issues were uncovered by the questionnaire results and discussion by the Board of Directors. We plan to implement measures to make further improvements to the following issues.

##### i) Board of Directors materials and presentation methods

Given the role of the Board of Directors of Mitsubishi Chemical Holdings, which is a pure holding company (established basic management policies and conducts overall management oversight), the following three measures are to be carried out. (1) Board of Directors materials: Strengthen check functions from viewpoints other than execution, including points and matters pointed out during discussions carried out up to the final decision on execution. (2) Preliminary explanations to outside directors: Provide the right amount of information in advance when decisions are to be made on large-scale investments and financing, etc. to create an environment that more amply supports the decision-making process. (3) Agenda item briefing method: Clarify discussion points to facilitate essential discussions from a diverse range of perspectives.

##### ii) Oversight related to addressing risks, including natural disasters and cyber security

The Mitsubishi Chemical Holdings Risk Management Committee, chaired by the president, will be held once a year to ensure direct oversight by the Board of Directors for the handling of risks, including natural disasters and cyber security. The results of committee discussions and report details shall be reported to the Board of Directors.

#### 4. Measures based on the results of the previous evaluation

In the FY2016 effectiveness evaluation, there were two issues: (i) Extensive provision of information to outside directors and (ii) effective operation of the Board of Directors.

Regarding (i), important matters discussed and reported at corporate executive officers committee are now subject for reporting at Board of Directors meetings. Also, the content of information provided using the internal database have been expanded. The regular information exchange meetings with corporate executive officers are also being used to conduct briefings on business strategies. The briefings are given by the department in charge of managing the business strategies for the four main business domains. Moreover, efforts were made to expand the provision of information through observation tours, including visits to group companies and business sites in Japan and abroad.

Regarding (ii), the reporting format used by corporate executive officers was standardized to ensure more effective management and oversight of business execution conditions by the Board of Directors. Also progress with the medium-term management plan is being managed using a new business monitoring method.

We plan to further improve the effectiveness of its Board of Directors and committees by taking into account the results of the recent effectiveness evaluation of its Board of Directors and committees and the various opinions garnered from each director.