

Corporate Governance

Basic Approach to Corporate Governance

The MCHC Group maintains a holding company system that segregates portfolio and operational management. Under the leadership of MCHC as the holding company, the MCHC Group conducts business activities in the three business domains of Performance Products, Health Care, and Industrial Materials with Mitsubishi Chemical, Mitsubishi Tanabe Pharma, Mitsubishi Plastics, and Mitsubishi Rayon, serving as its four core operating companies. In addition, with a view to making the healthcare solutions business grow as a new business group next to the core operating companies, MCHC has established MHCS Corporation and MHCL LLC and is handling the operations and management of this business.

MCHC, as the holding company, is responsible for forming Group-wide strategies, optimally allocating management resources, supervising business management, and taking other initiatives, although it has established shared services companies and has assigned part of the functional responsibilities to them. Specifically, in addition to continuing to integrate its financing and administrative functions, in step with the MCHC Group's global business expansion, MCHC strives to drive home the significance of compliance and risk management overseas and has established regional headquarters representing the Group in North America, the PRC, and Europe. Furthermore, MCHC is pushing ahead with phased consolidation of common corporate functions at Mitsubishi Chemical, Mitsubishi Plastics, and Mitsubishi Rayon, and is working to develop a management structure that includes shared services companies.

MCHC's top priorities in Group corporate governance are to ensure that decision making and implementation are efficient and timely, to clarify management responsibility, and to maintain strict compliance and solid risk management with the aim of further increasing corporate value.

Corporate Structures

MCHC's basic management and administrative structures are the Board of Directors, the Management Committee, statutory auditors, and the Board of Corporate Auditors.

As the Board of Directors is comprised of members familiar with the Group's diverse businesses chosen from entities with different corporate cultures, a variety of opinions and viewpoints are expressed at Board of Directors' meetings and reflected in management decisions. At the June 2013 General Meeting of Shareholders, an external director was appointed to bring a wider range of opinions to bear on management decisions and to further strengthen management oversight. The health and transparency of the management structure is maintained and enhanced by the tight cooperation among statutory auditors, accounting auditors, the Internal Audit Office, and the Internal Control Office and by a bolstered auditing structure with three external auditors, all of whom MCHC appointed as independent officers.

We have adopted an executive officer system to separate management and execution and we maintain rules governing the Board of Directors and other decision-making organs as well as such areas as the authority of individual employee positions and departmental responsibilities to ensure decision making about management matters and subsequent implementation of policy is appropriate and efficient.

Board of Directors

The Board of Directors, in conformity with the regulations of the Board of Directors and other relevant rules and regulations, makes decisions on important MCHC and Group management matters and oversees the activities of directors. In principle, the Board meets once per month. The Group's Articles of Incorporation limit the number of Board members to 10. There were eight members as of the end of June 2013, including two concurrently serving as executive officers and one external director. In order to ensure appropriate decision making and fair oversight by the Board of Directors, MCHC chooses external directors for their abundant experience of corporate management, high level of specialist knowledge concerning science, technology, or social and economic conditions, and their considerable insight. Furthermore, it is also considered whether, in the light of his or her career to date, a candidate can make decisions from a fair and neutral standpoint with no conflict of interest with shareholders.

The Group's new external director has extensive experience as a university professor in business administration with great insight into the subject. He attends Board of Directors' meetings, receives regular reports on the provision and implementation of internal control systems including the state of compliance and the results of internal audits, receives reports and explanations from operating divisions, statutory auditors, and accounting auditors as necessary, and oversees Group management from a specialist perspective. He has no special interest in MCHC.

Directors serve for one year to ensure that management is flexible and that director responsibilities and roles are clear.

Management Committee

The Management Committee assists the President in decision making, and its discussion of important matters concerning the management of MCHC and the Group forms the basis for the President's decisions.

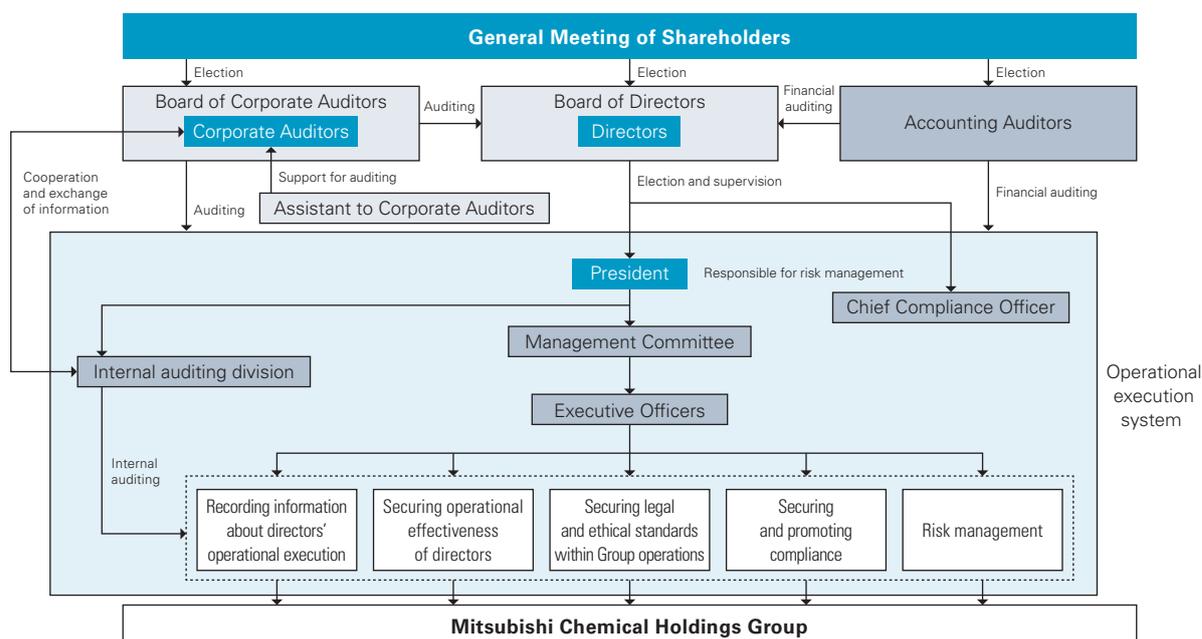
The Committee deliberates on such matters as management policies and plans as well as the commencement, adjustment, and abrogation of or cooperation concerning systems, rules, budgeting and accounts settlement, allocation of resources, capital investment, investment and financing, and operations. It also discusses compliance, risk management, safety and environmental measures, human rights education, social contributions, and other aspects of CSR.

The Committee usually gathers once a month. The President, executive officers, and executive representatives of core operating companies attend the meetings. Corporate Auditors also attend as occasion demands.

Statutory Auditors and Board of Corporate Auditors

Statutory auditors and the Board of Corporate Auditors audit MCHC. In principle, the Board of Corporate Auditors meets once monthly. As of the end of June 2013, this body had five statutory auditors, of whom three were external. To ensure fair and effective auditing and maintain a healthy management structure, external auditors are chosen from a person of high views, who has high level of specialist knowledge concerning finance and accounting or compliance issues. Furthermore, it is also considered whether, in the light of his or her career to date, a candidate can make decisions from a fair and neutral standpoint with no conflict of interest with shareholders. The present auditing system is reinforced by

Corporate Governance System (as of April 1, 2013)



the selection as external auditors of a finance and accounting specialist and a specialist with extensive knowledge of compliance issues among the external auditors. External auditors attend meetings of the Board of Directors, receive regular reports on the provision and implementation of internal control systems including the state of compliance and the results of internal audits, and conduct fair and effective audits through information exchange with the Internal Audit Office, which conducts internal audits, and accounting auditors. External auditors have no special interest in MCHC.

Remuneration of Directors and Statutory Auditors

Remuneration for directors comprises a monthly salary based on position as well as stock options which are determined by such factors as MCHC's performance in the previous fiscal year and the director's performance of duties and degree of contribution within MCHC. Remuneration for auditors also comprises a monthly salary based on whether they are full time or not.

Remuneration paid to directors and statutory auditors by MCHC in fiscal 2012 was as follows.

	Number of people	Payments (Millions of yen)
Directors	11	232
Statutory auditors	6	114

Internal Control Systems and Risk Management Systems

At the end of each fiscal year, the Board of Directors verifies the status of development and operation of internal control and risk management systems, performing a review as necessary, to bolster internal control and risk management systems.

* Please see securities reports (in Japanese only) for MCHC's basic policy regarding internal control systems.

Compliance

The MCHC Group treats the Group Charter of Corporate Behavior and the Group Compliance Code of Conduct as the basic codes on compliance matters.

Management has developed a promoting framework for compliance, training and education programs, audit/monitoring systems, hotlines, and other compliance promotion programs of the MCHC Group in accordance with Group Compliance Promotion Regulations and other relevant rules and regulations, and properly operates and manages these programs by appointing an executive officer in charge of compliance promotion (Chief Compliance Officer).

Risk Management

We have implemented a risk management system to tackle the risks inherent in business issues, which the President oversees, ensuring appropriate operation and running of this system. In accordance with the MCHC Group Risk Management Basic Policy and other relevant rules and regulations, the President is responsible for preventing serious risks from manifesting themselves in connection with or arising from MCHC Group business activities, and for minimizing damage if any risk manifests itself.

Internal and Accounts Audits

The Internal Audit Office, which has eight members on staff, including those simultaneously serving with subsidiaries, scrutinizes MCHC and domestic and overseas subsidiaries based on an annual internal auditing plan. The Office reports to statutory auditors on plans, implementation, and results for internal auditing. It also coordinates with statutory auditors, notably with General Manager of the Internal Audit Office being present at audits or attending Board of Corporate Auditors' meetings, at which statutory auditors report on progress. The Office regularly exchanges important information with the external auditing firm, on auditing policies and results, and works to strengthen collaborative ties with that firm.