

Outline of Results of the Evaluation on the Effectiveness of the Board of Directors  
in Fiscal Year 2021

1. Evaluating the effectiveness of the Board of Directors

Under the Mitsubishi Chemical Holdings Corporate Governance Guidelines, the Board of Directors is required to evaluate its effectiveness and disclose the summary of evaluation results every year. The methods and findings of the effectiveness evaluation conducted in fiscal year 2021 are summarized below.

2. Evaluation methods and processes

In fiscal year 2021, the effectiveness of the Board of Directors was evaluated by the following methods and processes.

- i) The FY 2020 evaluation was conducted by an independent external review organization (Board Advisors Japan, Inc.) in March to April 2022. The methods used for the evaluation are as follows: collecting responses from all directors through a questionnaire covering the questions listed below (answers using a 5-point scale (with some exceptions) and written comments), interviewing each director for about one hour, and providing an evaluation based on the reviewer's professional knowledge.
  - Overall assessment
  - Composition of the Board of Directors
  - Preparations before the Board of Directors' meetings
  - Operation of the Board of Directors' meetings
  - Discussions at the Board of Directors' meetings
  - Supervision of business execution
  - The way each committee ought to be
  - Analysis on the importance of agenda items/topics and the actual amount of discussion  
(Evaluate the importance and amount of discussion on a scale of one to ten, and analyze the gap.)
- ii) The Board discussed the current status of the Board of Directors and the policy for further improvement based on the results of the effectiveness evaluation, taking into account comparisons with the previous year's evaluation results and the progress of efforts to address existing issues. (June 2022)
- iii) Regarding future challenges, the chairperson of the Board reported the issues to be

addressed to the Board of Directors based on the Board's discussions (June 2022).

### 3. Outline of the evaluation findings and future challenges

#### (1) Outline of the evaluation findings

The findings from the evaluation of the Board of Directors' effectiveness conducted by the independent review organization are briefly described as follows.

As the entire company undergoes a transformation, the effectiveness of the Board of Directors has improved, particularly in terms of management, but in order to further improve its effectiveness, it is necessary for the Board of Directors to share a common understanding of its role as a company with a Nominating Committee.

- i) During the current fiscal year, the Board of Directors deliberated mainly on various measures to improve the operational aspects of the company and to transform the organization.
  - Board of Directors operations have been improved, including sending materials in advance, holding Director Liaison Committee, and setting a more robust agenda.
  - The Board oversaw the formulation of new management policies, transition to a "One Company" system, etc.
- ii) There is a common understanding that the Board of Directors is a monitoring board supervising the business execution, but there is a need for shared recognition of its role.
  - There is a difference in perceptions of the way specific "supervision" ought to be among the directors, and discussions are limited to the expression of opinions based on their own interests.
  - Many detailed points are made in response to the matters on the agenda, including discussion on medium- to long-term growth strategies, and in some cases, the discussions do not develop into big-picture discussions. Therefore, further review of the board agenda is needed.
- iii) The following issues are expected to be addressed to improve the effectiveness of the company's Board of Directors.
  - Reviewing the composition and sharing recognition of the role of the Board of Directors
  - Further commitment of independent directors
  - Strengthening Nominating Committee functions
  - Strengthening Audit Committee functions

#### (2) Future challenges

Based on the evaluation findings described above and ensuing discussions by the Board of Directors, Mitsubishi Chemical Holdings Corporation is going to take the following actions.

- i) Further redefining supervisory function of the Board of Directors and setting agenda to realize such function. Continuing discussions on the skills matrix and attributes of board members based on such function.
- ii) Promoting communication with and fostering mutual trust among corporate executive officers and outside directors to deepen the understanding of outside directors toward the Group.
- iii) Further strengthening cooperation between the Board of Directors and each committee (e.g., expanding reports to the Board of Directors, etc.)
- iv) Centralizing the Group's internal audit division in the company and conducting appropriate and more efficient organizational audits based on the expansion of the Audit Committee secretariat function.

#### 4. Efforts promoted based on the previous effectiveness evaluation

Based on the findings from the effectiveness evaluation conducted and directors' suggestions provided in fiscal year 2020, Mitsubishi Chemical Holdings Corporation implemented the following measures.

- i) Reviewing the roles of the Board of Directors and agenda-setting
  - In addition to enhancing the provision of information to outside directors through Director Liaison Committee and individual meetings, part of the agenda is reviewed in the light of the roles of the Board of Directors.
  - Outside directors selected the lead independent outside director by mutual vote, and the lead independent outside director organized the meeting attended only by outside directors and set effective agenda of the Board of Directors through close cooperation with the chairperson and secretariat.
  - In light of the transition to "One Company", outside directors discussed the "role and the way the Board of Directors ought to be" at the meeting attended only by outside directors and share their understandings.
- ii) Reviewing the composition of the Board of Directors
  - From the point of view of strengthening the supervisory function of the Board of Directors, the ratio of internal and outside directors was reviewed, and outside directors became the majority.
- iii) Further strengthening of Nominating Committee functions
  - Lively discussions were held on the establishment of a new management system in conjunction with the transition to "One Company", as well as the allocation of corporate executive officers.

Mitsubishi Chemical Holdings Corporation will continue to work toward building a more effective Board of Directors, taking into full consideration the findings from the evaluation of the Board effectiveness and various suggestions from the directors.