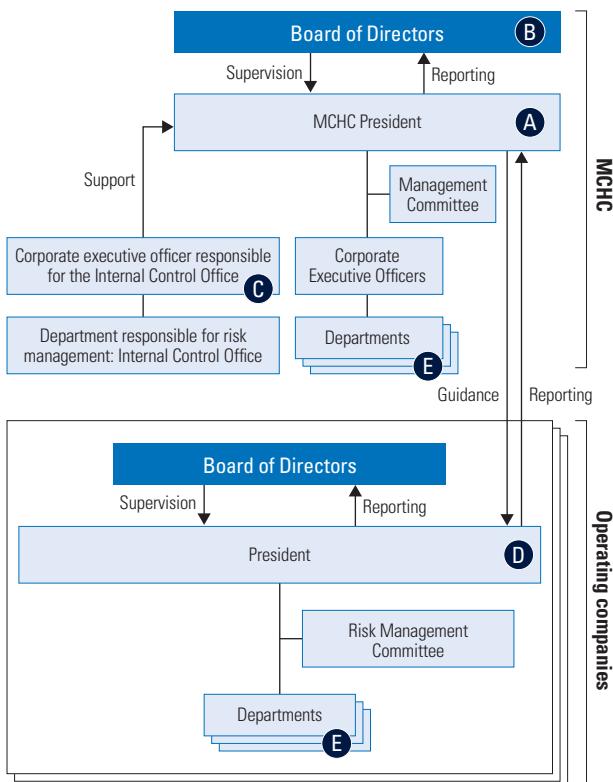


The MCHC Group defines risks as potential events that could, during the course of corporate activities, undermine public trust in or the corporate value of the MCHC Group.

We identify, 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.

Risk Management System

MCHC has in place a risk management system whereby MCHC president is responsible for risk management across the entire Group based on the MCHC Group Risk Management Basic Rule.



- A** Important matters pertaining to risk management are discussed by the Management Committee, in accordance with the basic policy and procedures for risk management at the MCHC Group. Decisions are made by MCHC president.
- B** MCHC president submits reports on risk management initiatives to the Board of Directors as needed.
- C** The corporate executive officer in charge of the Internal Control Office, which serves as the risk management secretariat at MCHC, assists MCHC president and deals with all kinds of risk management across the board.
- D** The presidents of operating companies are in charge of risk management at Group companies, embedding the risk management systems at Group companies and addressing issues through the Risk Management Committees of their respective operating companies. They also periodically report on the state of risk management to MCHC president.
- E** MCHC Group employees strive to prevent risks from materializing in their own areas of responsibility. In the event of a serious incident, managers promptly report to the department in charge of risk management.

Risk Management Process

1. Identification of risks

Identification of risks is undertaken each year at every company of the Group. It includes consideration of frequency and degree of impact from the personal, economic and public reputational perspectives. When identifying risks, due consideration is paid to risks arising from internal environments based on the type of business and characteristics of each company and their business processes. We presume certain risks, such as political and social risks in each country and global warming, while keeping an eye on rapidly changing social trends.

2. Risk assessment and measures

Identified risks are prioritized in order of importance, measures are examined, and actions are taken by relevant management departments to mitigate risks. Senior management also reviews the risks identified by each department, and screens for risks (major risks) that could have a major impact on Group management via businesses and operations under their control. The relevant departments then implement appropriate risk measures as instructed.

3. Detailed examination of risk measures

Risk measures are periodically scrutinized, and measures for major risks in particular are reported to MCHC president.

Auditing

To ensure the proper administration of risk management systems, including these related processes, the Internal Audit Office at MCHC periodically audits the risk management system, and reports its findings to MCHC president.

Risk Management Process



Major Risks Facing the MCHC Group

Through the risk management process, the MCHC Group has isolated the following categories of risk as warranting priority measures. After identification of such risks, we take measures to avoid their incidence or to minimize the resulting damage if the risks materialize.

Compliance violations

In order to entrench compliance within the Group, MCHC and its operating companies have compiled rules and standards, such as the MCHC Group Charter of Corporate Behavior, published a compliance guidebook, provided education, training and seminars on compliance, performed audits, and operated a compliance hotline. At overseas Group companies as well, we endeavor to strengthen compliance by compiling rules and codes of conduct in accordance with the laws, regulations and social norms of each country.

Accidents in our facilities and injuries in workplace

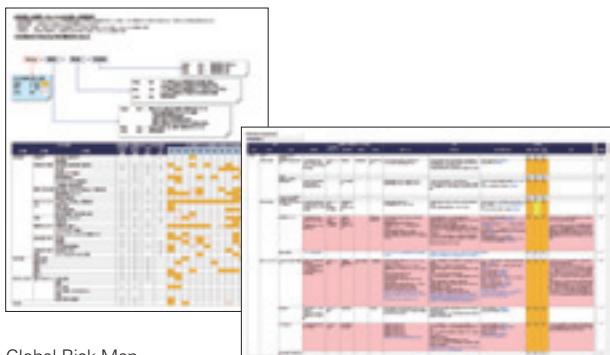
Each MCHC Group operating site endeavors to prevent facility-related accidents by ensuring the soundness of facilities and equipment and the proper operation through their appropriate maintenance as well as extensive education and training of their operators. If an accident occurs, the Group works to avoid recurrence by analyzing the cause, taking measures, and verifying their effectiveness through inspections or maintenance patrols. Moreover, the Group works to prevent accidents by applying these measures laterally to similar facilities and equipment or operations.

Information security breaches

MCHC has formulated an Information Security Policy in order to protect its information systems and assets from internal and external threats, with the aim of maintaining and improving corporate value. We have established the Information Security Committee according to this policy and charged it with reinforcing the management of information security at our business sites inside and outside Japan. We periodically conduct educational and training sessions for all employees including those overseas on our Information Security Policy to ensure employee awareness and compliance with the policy.

Overseas business development risks

As Group companies become more active overseas, we have created the Global Risk Map as a collection of publicly available case studies of significant problems and legal violations that have occurred in each country, to prevent lapses in awareness of the serious risks related to the particular laws, regulations and systems of the country in which they do business. We distribute this map to Group companies overseas, and in fiscal 2015, delivered it to 17 countries, four more than the previous fiscal year. We aim to enhance the content of the map by increasing the number of countries covered. In addition, we have established a communications system for local companies, the head offices of operating companies, and MCHC to use in the event of disruption in the country, such as political turmoil.



Global Risk Map

Natural disasters

Learning lessons from the Great East Japan Earthquake in 2011, which damaged a number of our business sites and facilities, MCHC has made improvements to its business continuity plan (BCP). In the event that it is impossible to continue operations in Tokyo where the head office of MCHC is located, we have made plans to transfer head office functions to a temporary backup site with the aim of minimizing damage and ensuring business continuity in a disaster situation. We are examining ways to maintain the procurement of raw materials and the responsibilities for supply products by procuring from several suppliers as a part of business continuity planning.

FOCUS

Training on how to deal with targeted attack emails to mitigate information security risks

In fiscal 2015, MCHC trained employees on how to identify and respond to targeted email attacks in a bid to reduce information security risks. This training was given to employees of domestic MCHC Group companies, in light of frequent incidents where important information has been leaked as a result of targeted email attacks

directed at companies and organizations. The training studies cases of confirmed cyberattacks against other companies to remind employees of what to be mindful of regarding information security. This training served well to raise awareness of information security risks among all employees.