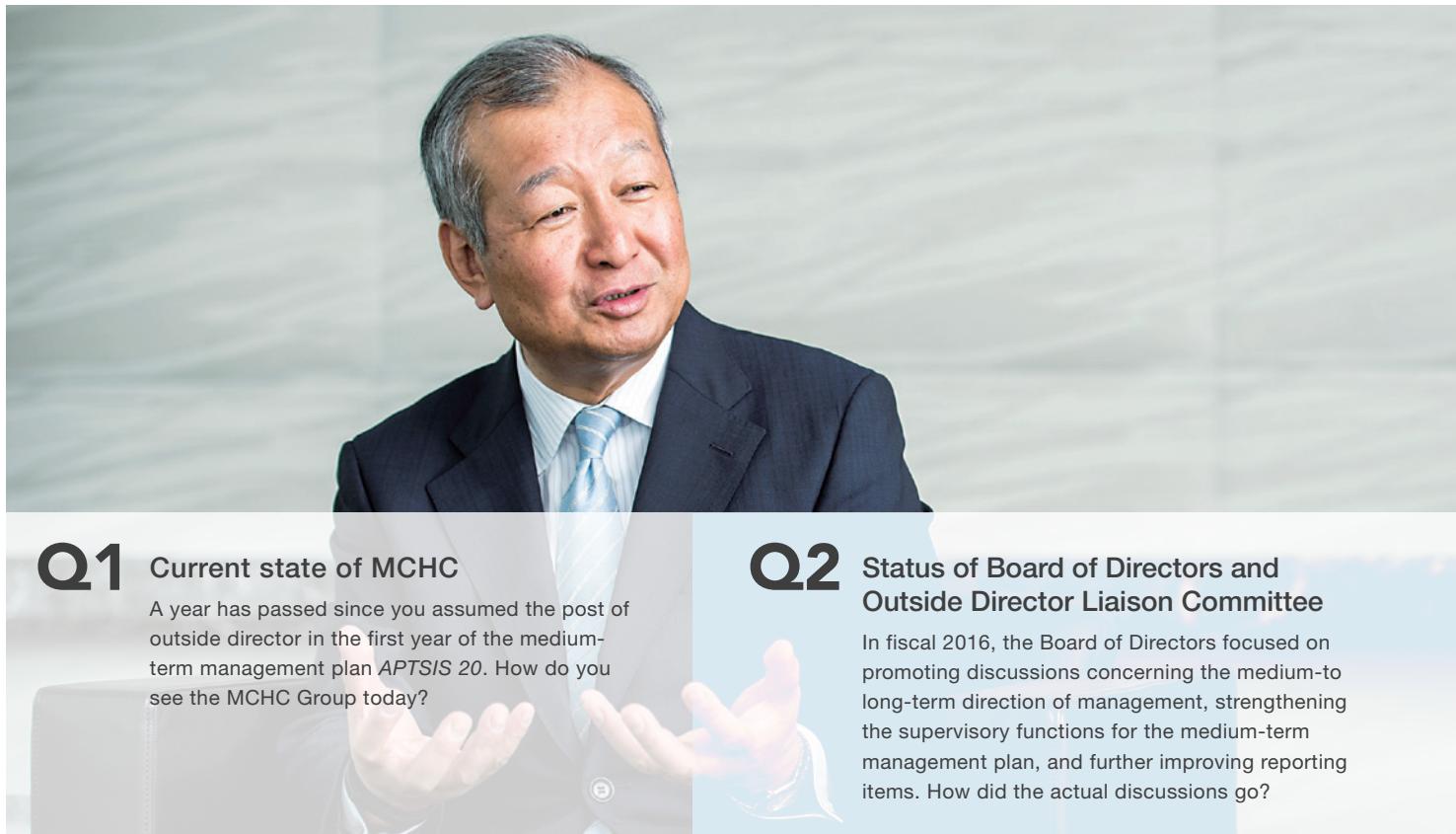


Message from Outside Director



Q1 Current state of MCHC

A year has passed since you assumed the post of outside director in the first year of the medium-term management plan APTSIS 20. How do you see the MCHC Group today?

A When I assumed this role, there were two major themes to be discussed. The first was redefining the roles of MCHC and operating companies to clarify what MCHC should do in its capacity. The second was determining how to execute management including the newly integrated company. As a holding company which owns under its umbrella the operating companies with large business scale and different industries, we have thoroughly discussed the major pillars of a growth strategy, namely, portfolio management, delegating authority to operating companies, synergies and management of overseas businesses. Now I recognize that our management framework has been developed over this past year. In that sense, we can move into the execution phase from here on out since the foundations for future growth are established.

Also, my honest impression was that MCHC has long been a bottom-up type company. Up to now, each of the operating companies has delivered various reports and it was the role of MCHC to consolidate them. However, under that structure, each operating company would only do what it was allowed. We have now devised a new management framework, in which MCHC is no longer a mere holding company; it now indicates the direction and goals of management, and plays the role of the headquarters. This is a substantial innovation. The question now is whether these management policies and goals will filter down to the front lines and function properly down the road.

Q2 Status of Board of Directors and Outside Director Liaison Committee

In fiscal 2016, the Board of Directors focused on promoting discussions concerning the medium-to long-term direction of management, strengthening the supervisory functions for the medium-term management plan, and further improving reporting items. How did the actual discussions go?

A Regarding the themes such as utilization of AI, digitization, health management and risk management, MCHC recognizes that it should determine the medium-to long-term direction of these areas and we actually discuss them. Moving forward, we will apply the discussion results across the operating companies and put them into practice.

In monitoring the progress of the medium-term management plan, we consider it indispensable to examine not only the result of KPIs but also the process of KPIs. For the businesses deviating below their targets, I have recommended that process reforms such as discussions with the executive side are necessary. Also, in the interest of enhancing the effectiveness of the Board of Directors, it is important to operate the Board of Directors more efficiently, by providing advance briefings for example, to ensure sufficient time to discuss essential issues. It is also important to thoroughly provide information by properly sharing discussions held by the Corporate Executive Officers Committee for example, in order to eliminate the asymmetry of information.

The directors discuss quite lively at the Board of Directors, where they feel comfortable to speak out. As an outside director, I should offer advice on internal common practices, and to that end, communicating with other outside directors regularly through the Outside Director Liaison Committee is productive. However, in terms of one area where the company needs to exercise caution, I think we need to discuss matters with one another thoroughly to ensure that conflicts do not develop between the inside and outside directors and create new value.

We will enhance advisory and governance functions in the Board of Directors and support persistent challenges aimed at growth.

Takayuki Hashimoto

Outside Director of the Board

Q3 Your own role as outside director

Having held positions as the President and Chairperson of IBM Japan, Ltd., in light of your insight into corporate management and the utilization of ICT, how do you see your own role as an outside director at MCHC?

A

An outside director has two roles. One is to fulfill an advisory role, and the other is a governance role. In the advisory role, I hope to create ideas related to IT, global operations and diversity based on my experiences. Generally, digitization of manufacturing sites and provision of products and services utilizing IT may have been beyond imagination of chemical companies. I would like to discuss with the newly assigned Chief Digital Officer (CDO) on how we can create new value by moving closer to those fields.

In terms of governance role, among other functions, as a member of the Nominating Committee, I proposed interviewing candidates and implementing assessments by a third-party organization as part of the process of appointing the leaders of the next generation. It is extremely important to clarify the nominating process and ensure its objectivity, and this will be the first time MCHC has incorporated third-party perspectives with regard to candidates. In the future, I also hope to explore new systems to provide education if a candidate lacks experience or skills in a certain area.

I have suggested to Chairperson Kobayashi and President Ochi that it is beneficial to make greater use of outside directors. The outside directors at MCHC are highly diverse and each is specialized in his or her own fields. I think that the knowledge of each director should be made the best of.

Q4 Expectations for MCHC Group in future

We started by asking you what you thought about the current state of the MCHC Group. Now we would like to ask you what expectations you have for the Group in the future, now that the foundations for future growth have been established.

A

The direction as the Group, to provide solutions that meet the needs of the market, has already been shown, but in any event, in the times ahead we will have to transform from a product-out approach to an issue solution-oriented approach. I think the MCHC Group is highly capable of seeking out what the issues are. It is also engaged in aspirational research such as artificial photosynthesis where solar energy and photocatalysts are used to generate hydrogen and oxygen from water. We have to investigate what technology can be applied to solve an issue, and if such a technology does not exist, acquire it from outside by way of open innovation and suchlike. I expect that kind of process will be applied more in the future.

Another expectation is diversity. Diversity needs “inclusion” (to be accepted) for the first thing. Then, it moves towards the next phase; “innovation.” An effect of the integration of the three companies is a mixture of human resources adept in different technologies and specialized fields. When this blend sparks discussion, I expect that new things will be created.

I would also like MCHC to make efforts with a mind to becoming a strong company. Chemical companies tend to be influenced by the external environment such as exchange rates and crude oil market conditions. To survive within that environment, I hope that MCHC maintains an insatiable desire to take on challenges for growth.