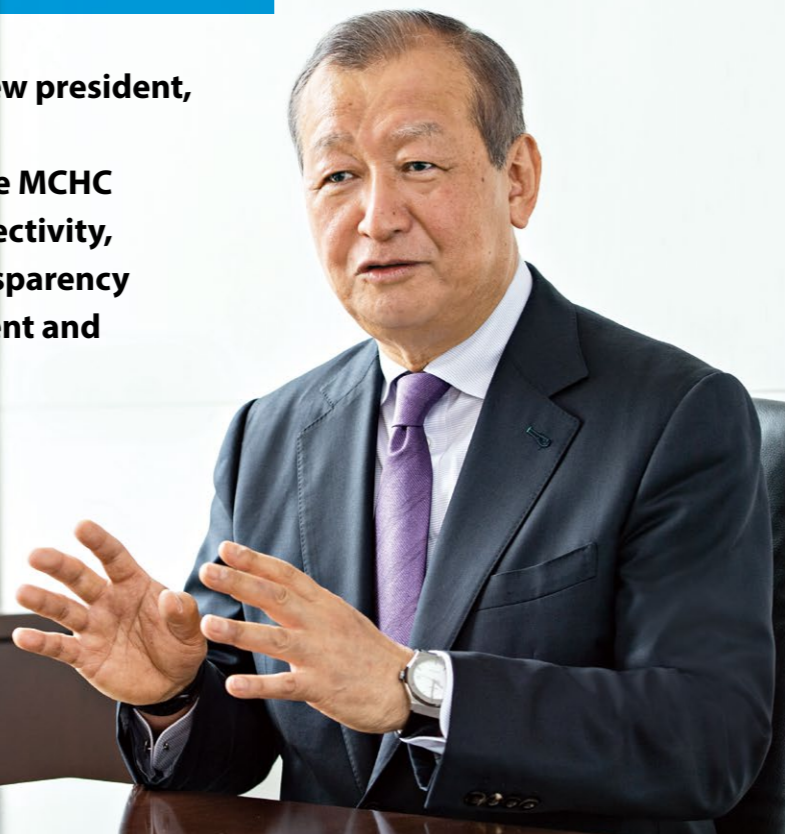


Special Feature: Selection Process for the New President

In the appointment of our new president, our concerns were to secure the sustainable growth of the MCHC Group and to ensure the objectivity, appropriate timing and transparency of the process for appointment and dismissal of the president.

Takayuki Hashimoto

Outside Director of the Board
Chairperson of the Nominating Committee



Emphasis on the objectives of the Corporate Governance Code

As MCHC has now appointed its first non-Japanese president, interest has focused on the Nominating Committee's thinking. However, in June 2015, following the publication earlier in the year of Japan's Corporate Governance Code, MCHC became one of the first in the industry to transition to the structure of a company with a nominating committee, etc., and to appoint an outside director as committee chairperson. MCHC has thus long been a pioneer in governance reform. Seen in this light, the new president's appointment can be understood as resulting from the emphasis we placed on the Code's main objectives: to secure sustainable growth and to ensure the objectivity, appropriate timing and transparency of the process for appointment and dismissal of a president.

Defining a leadership profile in anticipation of MCHC 2.0

I was first appointed in 2016 as an outside director and member of the Nominating Committee. Subsequently, following the revision of the Corporate Governance Code in 2018, the ratio of inside to outside directors on the Nominating Committee was adjusted from 2:3 to 1:4 to strengthen the committee's independence.

It was around that time that I, having been appointed chairperson of the committee in 2019, introduced

performance evaluation for the president. I considered this evaluation necessary to the appointment and dismissal of a president based on my understanding of the main objectives targeted by the revision of the Code. Taking as my reference point the medium-term management plan *APTSIS 20*, whose final year was fiscal 2020, I set the criteria for the appointment of the next president by holding interviews with the directors and corporate executive officers and by using questionnaires and other methods to gather opinions from the corporate executive officer level and below. In this way, I worked to define the profile of a leader to guide the transition from what I have named MCHC 1.0 to MCHC 2.0.

Setting out three missions

MCHC 1.0 refers to the evolutionary phase from the Company's establishment in 2005 under former president and retiring chairperson Yoshimitsu Kobayashi and retiring president Hitoshi Ochi, in which a large number of companies with similar aims came together under the holding company umbrella and, following various intermediate developments, created the present corporate group through the recent integration of the three chemical operating companies and consolidation of Mitsubishi Tanabe Pharma Corporation as a wholly owned subsidiary. MCHC 2.0 represents a vision for the post-COVID era in which the constituent operating companies, leveraging their distinctive

characteristics to respond to the rapidly changing social environment and social challenges, grow together as a corporate group that delivers new value.

I believe that our mission on the Nominating Committee is to select the leader most suited to guiding the Company toward the realization of its target future profile based on the principles of fairness and transparency. What kind of person could realize this vision? After countless discussions around this question, we set out three main criteria, or missions, for the candidate.

The first was to grasp the need for evolution toward MCHC 2.0 and possess the ability to create and explain the road map and see it through to its final destination. This would mean being strongly committed to the KAITEKI philosophy but at the same time being able to synergize the Group's management resources in chemicals, healthcare, regenerative medicine and industrial gases to create new value and promote the corporate brand.

The second was to have a strong commitment to steadily incorporating the corporate mission and the creation of social value into MCHC's business activities from an investor perspective.

The third was to have the practical ability to carry out the business portfolio reform that was vital to achieving an increase in corporate value, without feeling restrained by past loyalties and without sacrificing employee motivation.

Emphasis on commitment to reform and communicative ability

Having set out these criteria, in the spring of 2020 I learned that President Ochi intended to retire at the end of the final year of *APTSIS 20*. I therefore set about the process of selecting the next president. For the candidate interviews, in addition to the three criteria outlined above, I specified six competencies as characteristic behaviors required of a leader: (1) Ability to change, (2) Ethical standards, (3) Conceptual thinking ability, (4) Results orientation, (5) Long-term perspective, (6) Ability to communicate a vision

Our final selection based on these three criteria and six competencies was Jean-Marc, but I was gratified to find that more than 30 people nominated as candidates had expressed interest.

Eventually, seven finalists were interviewed by the members of the Nominating Committee. The choice was among a group of professionals who were all outstanding, but as long as leaders are human, there is no such thing as one who can function in any and every management environment. To identify the individual most suited to executing the missions indicated above, the members of the Nominating Committee carried on interviewing and discussing throughout the week-long August holiday period.

The deciding factor was whether the candidate, irrespective of their past successes, had the character and the determination to carry through innovative reform. On this point, the internal candidates, who were familiar with the past growth of the business and the hard work put in by employees, might have made ideal leaders of the Group operating companies, but would have been lacking in some

respects as the leader of the holding company. Although that is a great pity, it is my honest assessment.

The non-Japanese candidates meanwhile fell into two main groups. The first group comprised noted business managers who had built up extensive experience and a strong track record in major enterprises. The other group was younger and therefore did not have senior managerial experience in a company on the scale of MCHC, but had been successful in achieving results by driving steady reform. After discussing which among these candidates we should appoint, we came to the conclusion that we should ask Jean-Marc to accept.

The reasons for Jean-Marc's appointment: The four Ps

The first P is for Performance. After beginning his career at the U.S. chemical company Dow Corning, Jean-Marc became president of a company financed by an investment firm and pushed through business reform to achieve enhanced financial performance. Most recently, he transformed Roquette's commodity business into a high-value-added operation and doubled the profit margin in the space of around seven years, a success to which we gave strong positive recognition.

The second P is for Potential. The new president has wide-ranging knowledge of the global market in areas from chemicals and foods to drug discovery, which made him highly attractive to MCHC.

The third P is for Passion. None of the other candidates had prepared so thoroughly for the interview by researching the Company in advance or showed a resulting level of commitment to reform. We were highly impressed by Jean-Marc's ability to explain the importance of KAITEKI Management in his own words and by his declared commitment to enhancing financial performance.

The last P is for Personality. A remote interview provides less information than a face-to-face meeting, so we tried to compensate by giving weight to references from managers at previous employers and consultation with former colleagues. Those around Jean-Marc remembered, for instance, that he had emphasized communication and teamwork and that his approach to reform was not to simply draft in human resources from outside but to start by changing the attitudes of the existing staff. Here and on other points, their evaluations closely matched his own self-evaluation.

We continue to have high expectations of Jean-Marc, the new president appointed as a result of this process. However, our mission on the Nominating Committee is not only to support him but also to work on refining the succession plan, which is designed to continuously select and cultivate the executive human resources of the next and subsequent generations. Rather than seeking only to defend the choice made by the Nominating Committee, I am committed to strengthening the system to select the next generation of senior executives through continuous evaluation based on objectivity, appropriate timing and transparency.