

# KAITEKI Value for Tomorrow

## Mission

We create innovative solutions globally based on our core values of Sustainability, Health and Comfort, striving for the well-being of people, society and our planet Earth.

## Vision

Realize KAITEKI

## Value

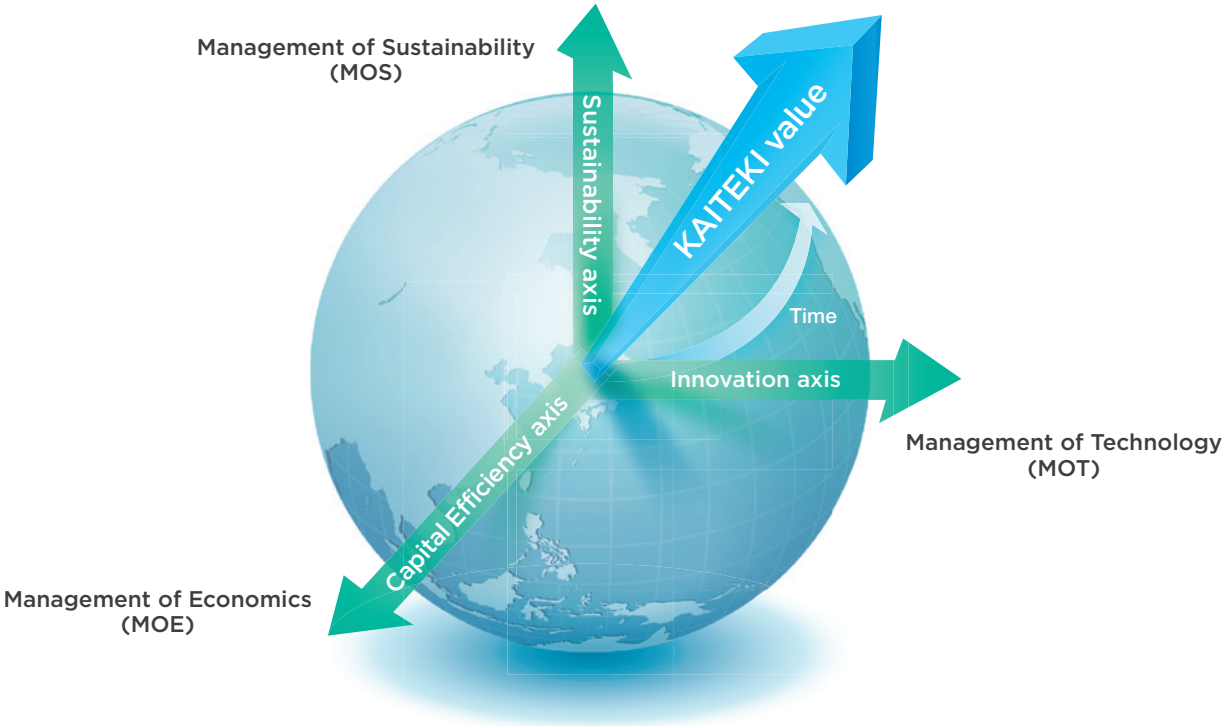
Sustainability, Health, Comfort

### KAITEKI Management

The Mitsubishi Chemical Holdings Corporation (MCHC) Group proudly introduces “KAITEKI,” our original concept that denotes “The sustainable well-being of people, society and our planet Earth.”

It also represents our intent to contribute to the global environment and the sustainable development of society as well as providing solutions of environmental and societal issues.

Based on the concept of KAITEKI, the MCHC Group implements KAITEKI Management. We work on developing our corporate value — KAITEKI value, keeping an optimal balance between social and economic values in order to realize KAITEKI.







<b>About Us</b> <b>P01</b>	<b>Value Creation</b> <b>P11</b>	<b>Strategy</b> <b>P17</b>	<b>Management</b> <b>P47</b>	<b>Performance</b> <b>P59</b>	<b>Corporate Data / Information</b> <b>P85</b>
<b>01</b> Mission / Vision <b>07</b> Numeric Data for the MCHC Group <b>08</b> History of the MCHC Group <b>09</b> Transition of Portfolio Transformation	<b>11</b> Value Creation Approach of the MCHC Group <b>11</b> Promoting a Value Creation Cycle Based on Addressing Social Issues <b>13</b> The MCHC Group's Material Issues and Selection Process of Focus Markets	<b>17</b> Update on <i>APTSIS 20</i> <b>19</b> Message from the President <b>23</b> Dialog between the President and an Investor <b>27</b> Message from the CFO <b>29</b> Innovation <b>29</b> Message from the CIO <b>30</b> Driving early commercialization of next-generation businesses in our focus markets <b>31</b> Examples of the MCHC Group Innovation <b>35</b> Sustainability <b>35</b> Message from the CSO <b>37</b> Expanding KAITEKI Value — Realizing a Recycling-oriented Society <b>41</b> Progress with Sustainability Management <b>45</b> KAITEKI Health and Productivity Management, Human Resource Development <b>45</b> Message from the CHO	<b>47</b> Directors <b>49</b> Corporate Governance <b>49</b> Corporate Governance of MCHC <b>53</b> Message from the Chairperson <b>55</b> Message from the Outside Director of the Board <b>56</b> Compliance <b>57</b> Risk Management	<b>59</b> Financial Summary <b>61</b> Financial Highlights <b>63</b> Non-Financial Highlights <b>65</b> Shareholder Information <b>67</b> Overview of Business Domains <b>67</b> Growth Measures of the Focus Markets and Updates of Actions in the Three Business Domains <b>69</b> Summary <b>71</b> FY2018 Results by Segment <b>73</b> Performance Products Domain <b>77</b> Industrial Materials Domain <b>81</b> Health Care Domain	<b>85</b> Financial Information <b>85</b> Consolidated Financial Summary <b>87</b> Segment Information <b>89</b> Management's Discussion and Analysis of Results of Operations, Financial Position, and Cash Flows <b>93</b> Business Risks <b>96</b> Consolidated Statement of Income <b>97</b> Consolidated Statement of Comprehensive Income <b>98</b> Consolidated Statement of Financial Position <b>100</b> Consolidated Statement of Changes in Equity <b>102</b> Consolidated Statement of Cash Flows <b>104</b> Notes to Consolidated Financial Statements <b>169</b> Independent Auditor's Report <b>170</b> Report on Matters Equivalent to Key Audit Matters <b>175</b> Non-Financial Information <b>175</b> Environmental Data / Social Data <b>176</b> Independent Assurance Report <b>177</b> Corporate Data <b>178</b> Main Subsidiaries and Affiliates <b>179</b> Main Businesses <b>180</b> Global Network

**Editorial Policy** The MCHC Group publishes the KAITEKI Report as a value-creation story that captures our progress and outlook of corporate activities aimed at the realization of KAITEKI. This report summarizes financial and non-financial information from the past, present and projected future based on that we have determine to be highly pertinent to our decision-making criteria and results of materiality assessments for corporate activities. In preparation of this report, we referred to the International Integrated Reporting Framework created by the International Integrated Reporting Council. Further information on the topics of this report is available on MCHC's website.

For detailed financial information, please refer to our securities reports filed with the Financial Services Agency. For detailed governance information, please refer to our corporate governance report to the Tokyo Stock Exchange.

**Reporting Period** FY2018 (April 2018 – March 2019), including some information from FY2019  
**Reporting Boundary** This report covers information relating to MCHC and the MCHC Group. For matters with a different reporting scope, we clearly specify the covered reporting scope.  
**Accounting Standards** MCHC has adopted International Financial Reporting Standards (IFRS), effective from the first quarter of FY2016, the financial year ended March 31, 2017. In this report, data in and after FY2016 are based on IFRS, while other figures are based on J-GAAP unless otherwise noted.

■ Securities Reports  
[https://www.mitsubishichem-hd.co.jp/ir/library/stock\\_security\\_report.html](https://www.mitsubishichem-hd.co.jp/ir/library/stock_security_report.html)  
 ■ Corporate Governance Report  
<https://www.mitsubishichem-hd.co.jp/english/pdf/governance.pdf>

#### Assessment Results of Corporate Value Including ESG



\* The inclusion of MCHC in any MSCI Index, and the use of MSCI logos, trademarks, service marks or index names on this page do not constitute a sponsorship, endorsement or promotion of MCHC by MSCI or any its affiliates. The MSCI Indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

(As of June 30, 2019)



# Innovation

Capture new market opportunities  
by accelerating our innovation cycle



Message from the CIO → **P29**

Driving early commercialization of next-generation businesses in our focus markets → **P30**

Examples of the MCHC Group Innovation → **P31**

# Sustainability

Realize a recycling-oriented society  
through creating value based on  
social expectations



Message from the CSO → **P35**

Expanding KAITEKI Value → **P37**  
— Realizing a Recycling-oriented Society

Progress with Sustainability Management → **P41**

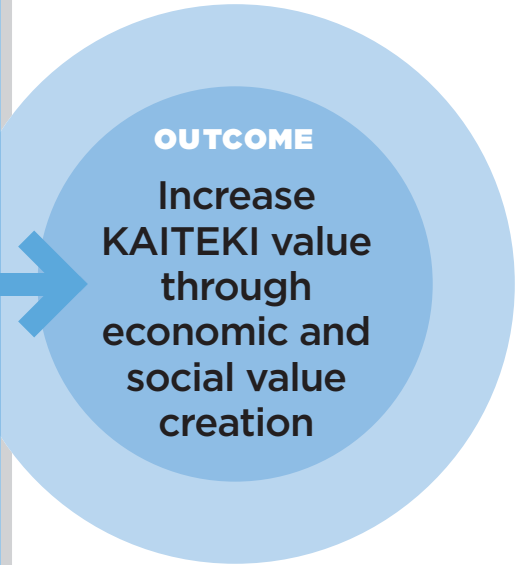
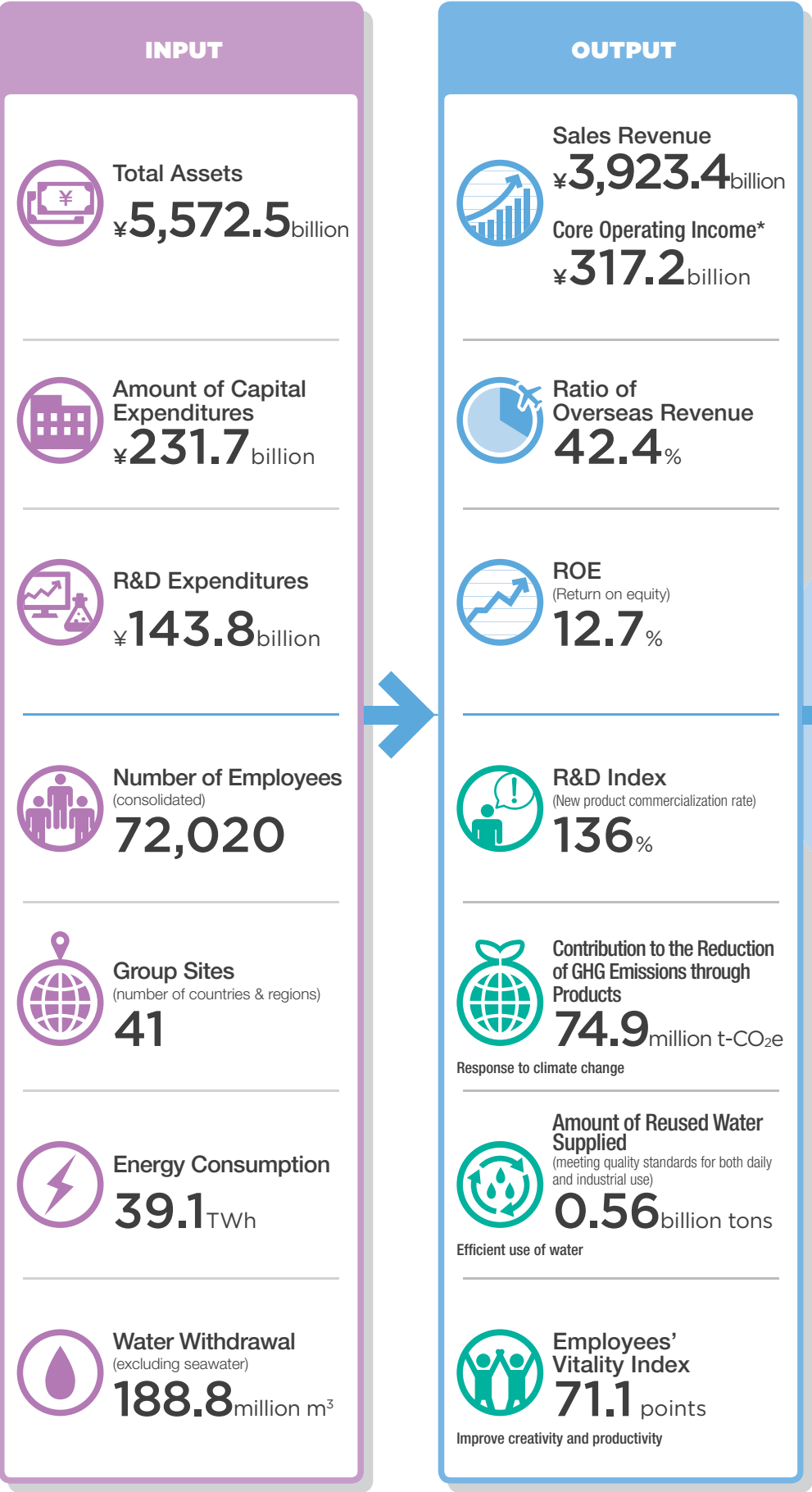
KAITEKI Health and Productivity Management, Human Resource Development → **P45**

Message from the CHO → **P45**

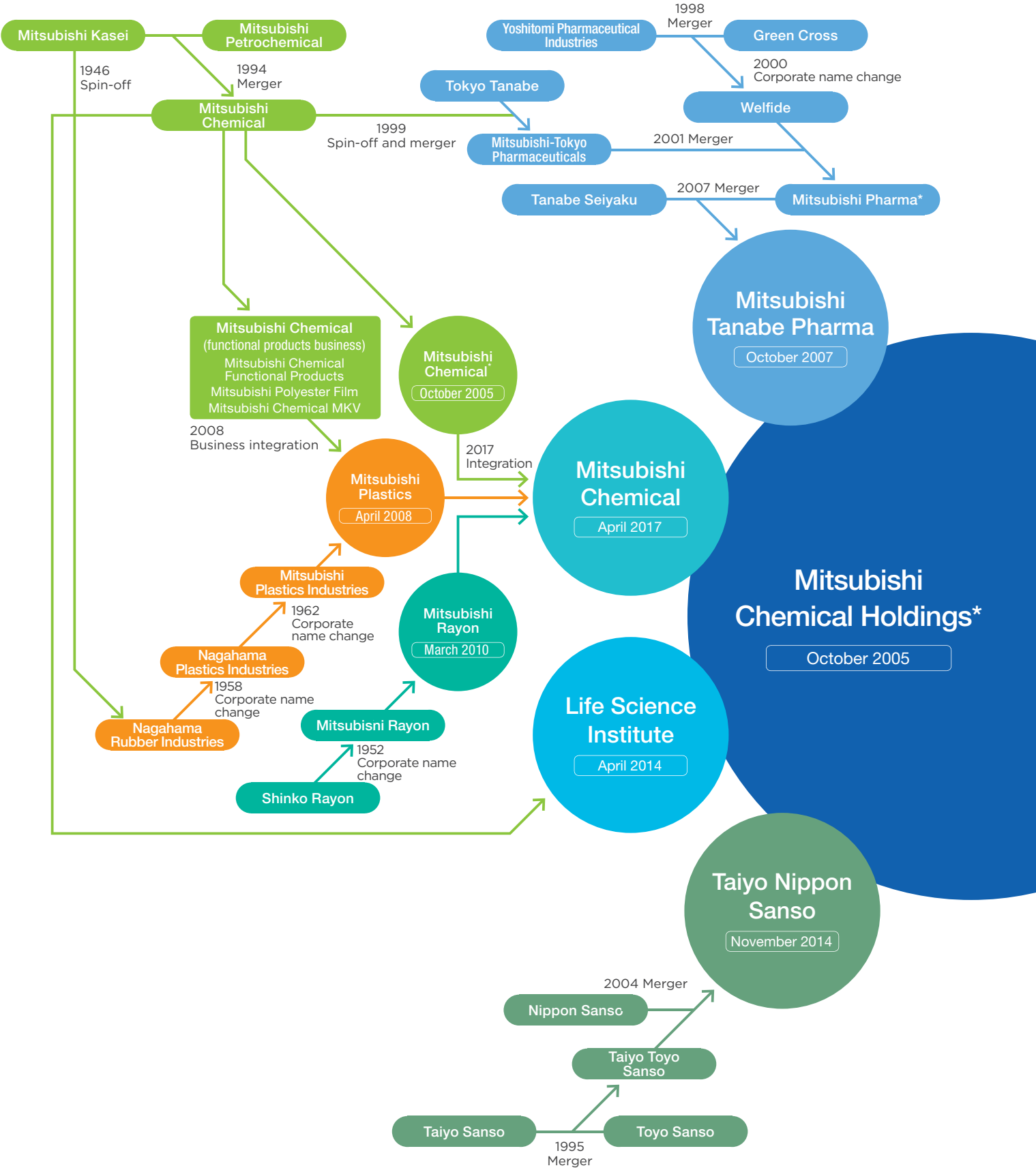


# Numeric Data for the MCHC Group

(As of the end of March 2019)



# History of the MCHC Group



\*Core operating income is calculated as operating income (loss) excluding certain gains and expenses attributable to non-recurring factors (gains and losses incurred by business withdrawal and contraction, etc.). We disclose core operating income as unique gains/losses incurred by staged gains/losses, while considering the comparability with the operating income of J-GAAP.

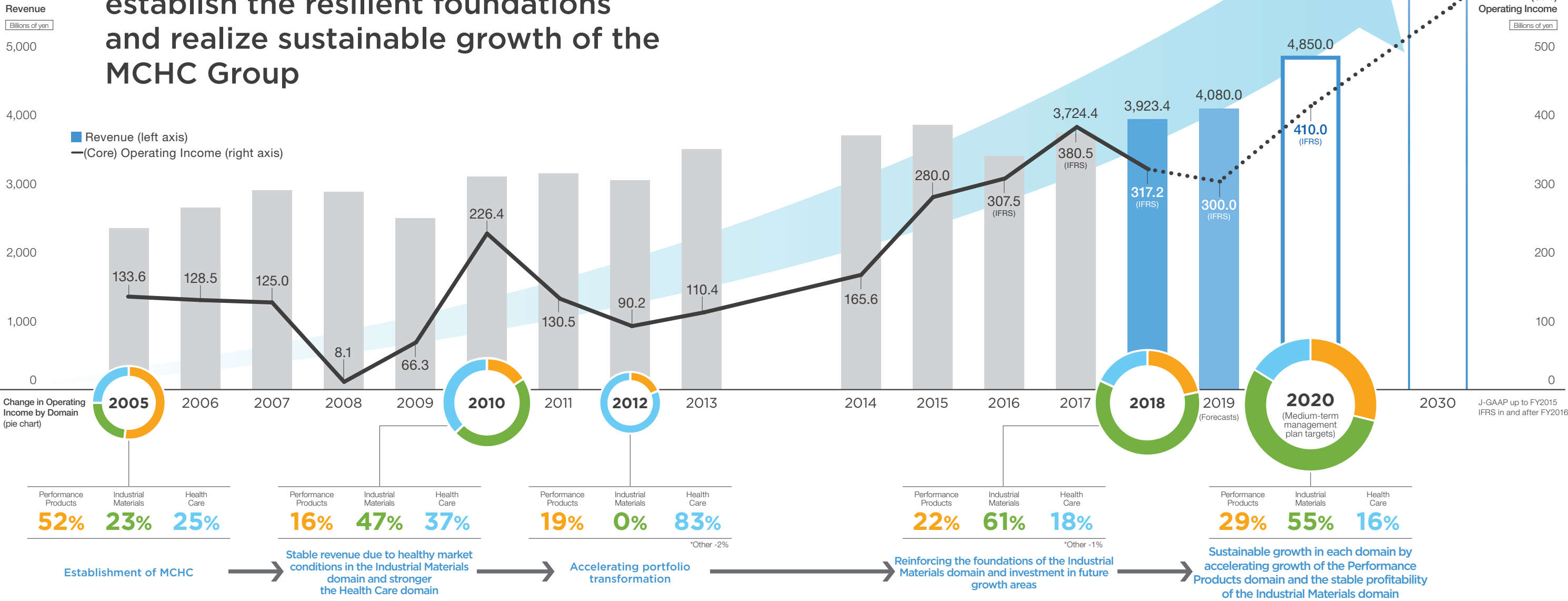
\* Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation established a joint holding company, Mitsubishi Chemical Holdings Corporation.

Pursuit of business scale through M&A and integrations  
restructuring of unprofitable businesses

Step forward to become a corporate  
group with a high growth and  
profitable business structure through  
the Performance Products, Industrial  
Materials and Health Care domains

“The Realization of KAITEKI”  
Achieve our sustainable  
growth by driving our  
value creation cycle in  
view of social trends and  
stakeholders’ requirements

Accelerating transformation to  
establish the resilient foundations  
and realize sustainable growth of the  
MCHC Group



<p><b>Raised the ratio of the pharmaceutical business and strengthened earnings less affected by economic fluctuations</b></p> <p>Oct. 2005 Establishment of MCHC</p>	<p><b>Strengthened the pharmaceutical business</b></p> <p>Oct. 2007 Establishment of MTPC</p>	<p><b>Expanded the Performance Products domain</b></p> <p>Apr. 2008 Integrated MPI, MCC's functional products business, and three affiliate companies</p> <p>May 2009 Conversion of Mitsubishi Chemical Advanced Materials Composites AG (Switzerland) in the high-performance engineering plastic business into a consolidated subsidiary</p>	<p><b>Shifted to a higher value-added business portfolio</b></p> <p>Mar. 2010 Conversion of MRC into a consolidated subsidiary</p> <p>May 2010 Withdrawal from nylon chain business</p> <p>Mar. 2011 Withdrawal from PVC chain business</p> <p>Mar. 2013 Conversion of Qualicaps Co., Ltd. in the business of manufacturing capsules and pharmaceutical equipment into a consolidated subsidiary</p>	<p><b>Stabilized profitability of the Industrial Materials domain from conversion of an industrial gas company into a consolidated subsidiary</b></p> <p>Mar. 2014 Production optimization of polyolefin (- Mar. 2015)</p> <p>Apr. 2014 Establishment of LSII</p> <p>May 2014 Retain a single naphtha cracker at the Kashima Plant (now Ibaraki Plant)</p> <p>Nov. 2014 Conversion of TNSC into a consolidated subsidiary</p> <p>Apr. 2016 Formed a joint venture to operate the naphtha cracker at the Mizushima Plant (now Okayama Plant)</p> <p>Jul. 2016 Decided on the equity interest transfer of the terephthalic acid business in India and China</p>	<p><b>Accelerated growth of performance product groups through integrations</b></p> <p>Apr. 2017 Establishment of the New-MCC Integration of the three chemical operating companies (MCC, MPI and MRC)</p>	<p><b>Reinforced the foundations of fundamental materials and invested in future growth areas</b></p> <p>Apr. 2018 Started commercial operations of the new MMA plants, The Saudi Methacrylates Company, in the Middle East</p> <p>Oct. 2018 Acquired Cleanpart Group GmbH, semiconductor-related service company in the U.S. and Europe</p> <p>Dec. 2018 Expanded the global share in the industrial gases business by M&amp;A</p>
---	---	--	--	---	--	---

MCHC: Mitsubishi Chemical Holdings Corporation  
New-MCC: Mitsubishi Chemical Corporation (Apr. 2017-)  
MCC: Mitsubishi Chemical Corporation  
MPI: Mitsubishi Plastics, Inc.  
MRC: Mitsubishi Rayon Co., Ltd.  
LSII: Life Science Institute, Inc.  
TNSC: Taiyo Nippon Sanso Corporation

PVC: Polyvinyl chloride  
SM: Styrene monomer