

Promoting a Value Creation Cycle Based on Addressing Social Issues

The starting point of MCHC's value creation model is to envision an ideal society looking at the future in consideration of people, society and the Earth. We strive to promote our value creation cycle, which starts with our attention to social issues, while taking into account the rapidly changing global environment and stakeholders' requirements. This model enables us to maintain sustainable growth while contributing to the sustainable development of the global environment and society.

1. Materiality Assessment

Identify material issues to realize KAITEKI

- › The MCHC Group's Material Issues [P13]
- › Corporate Governance [P49]
- › Consolidated Financial Summary [P85]

5. Review

- › Message from the President [P19]
- › Progress with Sustainability Management [P41]
- › Corporate Governance [P49]
- › Overview of Business Domains; Summary [P69]
- › FY2018 Results by Segment [P71]

4. Execute KAITEKI Management

Share the values of three axes and realize sustainable growth with stakeholders

- › Innovation [P29] › Sustainability [P35] › Overview of Business Domains [P67]
- › Financial Information [P85] › Non-Financial Information [P175]

KAITEKI Management

KAITEKI Management is a management method to enhance corporate value based on the three axes: sustainability (MOS), innovation (MOT), and capital efficiency (MOE) in an integrated manner. Beginning with environmental and social issues, we provide solutions through the utilization of core technologies, and economic value created by business activities to carry out a sustainable development cycle to create new values.



MOS

Contributing to the resolution of various environmental and social issues and creating a better future for the sustainability of people, society and the Earth.



MOT

Creating innovations that contribute to the enhancement of economic and social value through the development and differentiation of technologies.



MOE

Utilizing a variety of capital resources efficiently, including human resources, assets, and funds, to enhance economic value, including profit.

2. Pursuing a clear vision on what we aspire to be as the MCHC Group

Realizing KAITEKI by leveraging improved profitability, innovation capability, and contribution to sustainability.

- › Mission / Vision [P01]
- › Message from the President [P19]
- › Dialog between the President and an Investor [P23]
- › Message from the CIO [P29]
- › Message from the CSO [P35]
- › Message from the Chairperson [P53]

3. Medium-term Management Plan

Formulate and implement a medium-term management plan every 5 years as part of the KAITEKI Management approach to achieve sustainable growth.

- › Update on APTSIS 20 [P17]
- › Message from the President [P19]
- › Message from the CFO [P27]
- › Overview of Business Domains; Policies & Key Strategies [P75] [P79] [P83]

Progress in sustainability, development of digital technologies and social network, and demographic shifts

2020

Establish a foundation as a leading company driving the realization of KAITEKI

Aiming to remain a high growth / high profit-model company through businesses in the Performance Products, Industrial Materials and Health Care Domains.

Focus Markets

Providing Solutions for Social Issues



- › The MCHC Group's Material Issues and Selection Process of Focus Markets [P13]

Rapid change of industrial structure with development in Circular Economy and digital technology

2030

As a solution provider, lead to solve social issues for a sustainable future

Contribute to the sustainable growth for people, society and the Earth, and the achievement of the SDGs

Contribute to an optimized recycling-oriented society and realize sustainable well-being

Leadership in creating a recycling, circulative-oriented optimal system aimed at sustainable use of diverse energy and resources, and a scheme to enable the sustainable well-being of people, society and our planet Earth.



Earth

Address climate change and enhance energy efficiency



Society

- Live in safety, secure and comfort
- Promote Circular Economy



People

- Extend healthy-life span
- Enhance job satisfaction, creativity and productivity

Related SDGs



- › KAITEKI Vision 30 [P36]
- › Expanding KAITEKI Value [P37]

The MCHC Group’s Material Issues and Selection Process of Focus Markets

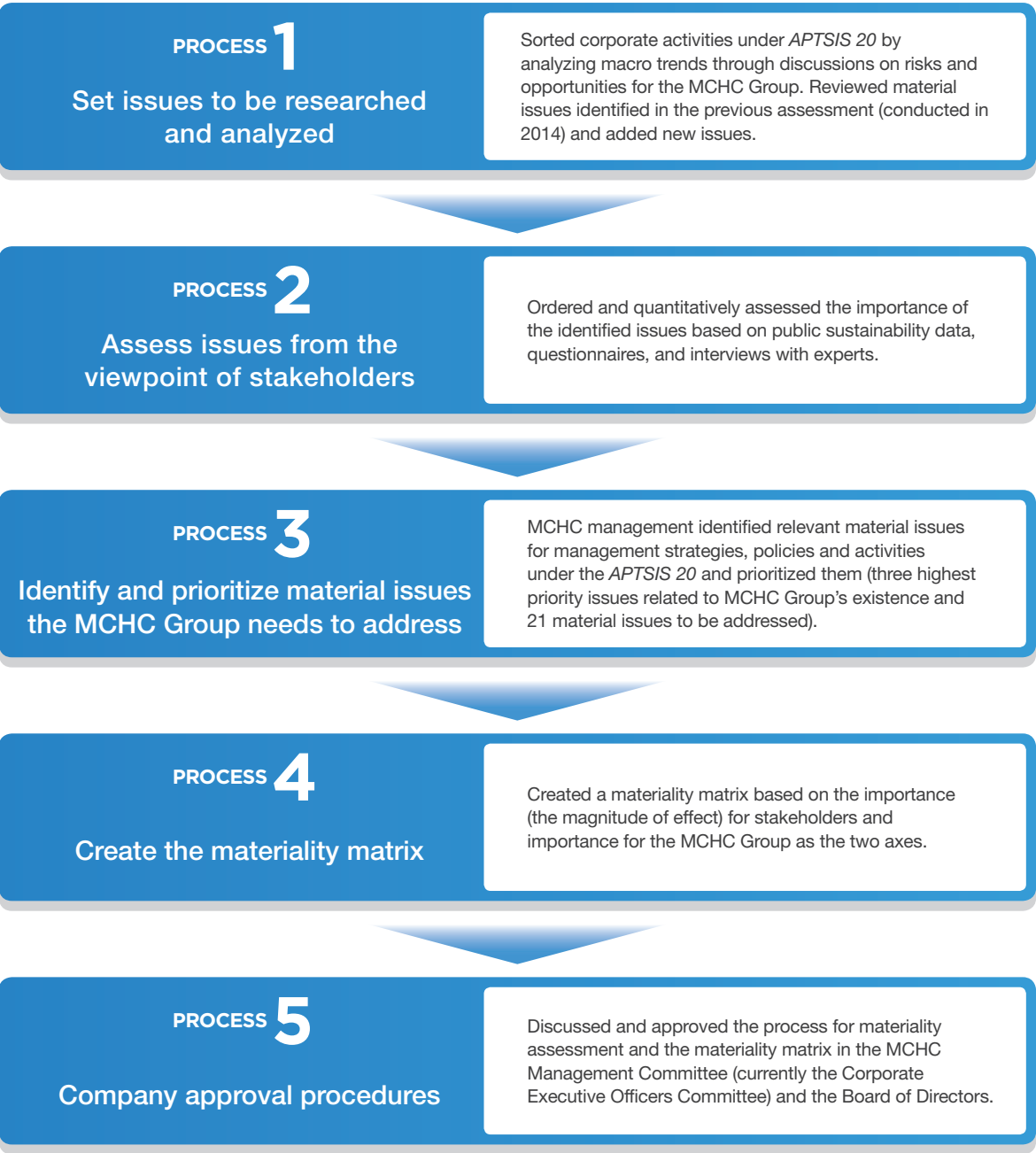
In the preparation of the medium-term Management Plan *APTSIS 20*, we conducted a materiality assessment based on macro-trends analysis, and identified important issues (the Materiality) for KAITEKI Management through discussions on the risks and opportunities of the MCHC Group. We prioritized these issues by their business impacts and utilized the Materiality to formulate medium-term and long-term corporate strategy and individual business strategies.

To address those issues with high priorities, we selected

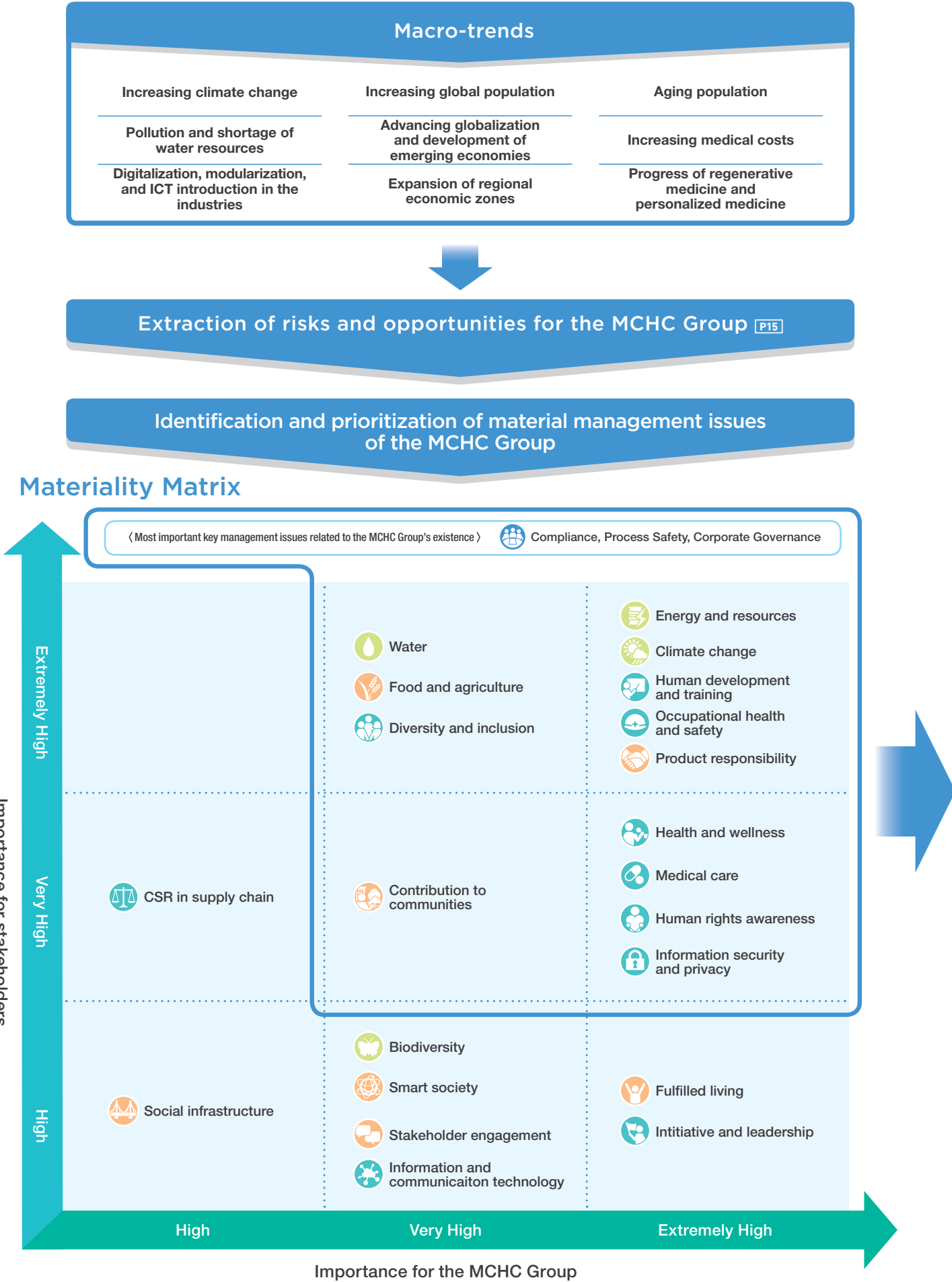
“Focus Markets” where we should focus our efforts for providing solutions by leveraging the entire MCHC Group’s innovation capabilities. We will reliably implement our growth strategy and improve sustainable growth by making the maximum use of the strengths of all business segments while collaborating each other.

Furthermore, through initiatives to address the identified Materiality of the MCHC Group, we will contribute to the Sustainable Development Goals (SDGs) adopted at the United Nations in 2015.


Identification Process of Materiality




Identification of Materiality




Classification of the Materiality

**Material issues related to the global environment**

Key management issues that the MCHC Group should address through its corporate activities, innovation, and provision of products and services with the aim of achieving a sustainable well-being of our planet Earth

**Material issues related to social systems**

Key management issues that the MCHC Group should address through its corporate activities, innovation, and provision of products and services in the aim of creating a sustainable well-being of society

**Material issues related to the company and its organizational structure**

Key management issues that the MCHC Group should address in its internal operations and social relations as a corporate group aiming to realize KAITEKI


Material Issues		Risks for the MCHC Group	Opportunities for the MCHC Group
The global environment	 Energy and resources	<ul style="list-style-type: none">• Depletion of natural resources such as fossil resources and rare metals	<ul style="list-style-type: none">• Transformation and diversification of resources and energy supply sources• Practical application of renewable energy and accelerated technological development
	 Climate change	<ul style="list-style-type: none">• Increasing risk of extreme weather events and natural disasters associated with climate change• Strengthening regulations caused by climate change	<ul style="list-style-type: none">• Expanding products to mitigate and adapt climate change• Acquiring medium- to long-term support from stakeholders
	 Water	<ul style="list-style-type: none">• Expanding water stress due to higher demand, climate change and other factors• Increasing health risk due to shortages of hygienic water	<ul style="list-style-type: none">• Expanding businesses such as water purification and recycling
Social systems	 Food and agriculture	<ul style="list-style-type: none">• Destabilization in society due to imbalance in the demand and supply of food	<ul style="list-style-type: none">• Increase of factory-production of foods
	 Product responsibility	<ul style="list-style-type: none">• Loss of social credibility due to deterioration of quality, safety, environmental performance• Interruption of the business	<ul style="list-style-type: none">• Building a relationship of trust with business partners• Customer retention and acquisition, expansion of the business
	 Contribution to communities	<ul style="list-style-type: none">• Impact on business activities due to decreased reliability	<ul style="list-style-type: none">• Building trusted relationships by actively engaging in exchanges with and contributing to the communities of business operations• Business stabilization through coexistence with the local communities
The Company and its organizational structure	 Health and wellness	<ul style="list-style-type: none">• Increasing lifestyle disease and mortality rates• Increasing failure risk of health insurance systems	<ul style="list-style-type: none">• Expanding health information service market (shifting from treatment to prevention)
	 Medical care	<ul style="list-style-type: none">• Increasing number of entries into the medical and healthcare business (increase in competition)	<ul style="list-style-type: none">• Manifestation of unmet medical needs• Advancing digitization of medical treatment and health information data through ICT
	 Human development and training	<ul style="list-style-type: none">• Labor shortage, outflow of human resources	<ul style="list-style-type: none">• Securing and training of talented human resources• Increasing creativity and vitality
	 Occupational health and safety	<ul style="list-style-type: none">• Impact on production due to physical damages and personal injuries, etc., loss of social trust• Harassment• Long working hours	<ul style="list-style-type: none">• Securement of wellness and safety of employees• Enhancement of labor productivity• Enhancement of motivation
	 Human rights awareness	<ul style="list-style-type: none">• Delay of the business due to human-rights abuse, interruption of the business	<ul style="list-style-type: none">• Building optimal supply chain management
	 Information security and privacy	<ul style="list-style-type: none">• Loss of social trust due to information leakage and falsification, interruption of the business• Interruption of the business by cyber attacks	<ul style="list-style-type: none">• Stabilization of business activities
	 Diversity and inclusion	<ul style="list-style-type: none">• Loss of competitiveness from failing to respond to diversifying needs	<ul style="list-style-type: none">• Securement and trainings of talented human resources• Enhancement of value creation process by accepting diversified human resources and values

 **Most important key management issues related to the MCHC Group's existence: Compliance, Process Safety, Corporate Governance**

Selection of Focus Markets


Automobiles, Aircraft (Mobility)

Contribute to the efficient use of resources and energy and the mitigation of climate change by reducing the weight of automobiles and aircraft, promoting electric vehicles, and offering environmentally friendly products (switching to renewable materials).




Health Care

Contribute to people's lives and health by developing ethical pharmaceuticals and regenerative medicines to meet unmet medical needs and by offering health management-related services.




IT, Electronics, Displays

Contribute to a smart society and more comfortable lifestyles by providing high-performance materials for use in next generation displays and semiconductor materials etc.




Environment, Energy

Contribute to energy conservation, the effective use of water resources, improvement of productivity in the agricultural, fishery, and livestock industries and adaptation to climate change by providing lithium-ion battery materials, water treatment-related products, plant factories, and disaster prevention and mitigation products, etc.




Medical, Food, Bio Products

Contribute to solving medical issues and promoting health maintenance by providing medical-related products, pharmaceutical materials and functional food ingredients, etc.



Packaging, Labels, Films

Contribute to the safe storage and distribution of food and the reduction of food loss by providing high gas barrier films for food and medical packaging.



Building the Resilient Foundation of the Group

ESG, Innovation, Health and productivity management, Human resources development, etc.

➤ Innovation [P29]

➤ Sustainability [P35]

➤ Corporate Governance [P49]

Targets for Medium-Term Management Plan APTSIS 20

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Growth Measures of the Focus Markets
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MOT Indices
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Sustainability (MOS) Indices
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KPIs for KAITEKI Health and Productivity Management
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Social Values (Related SDGs)

