

Sustainability

Message from the CSO

Our goal is to continuously increase corporate value by pursuing business activities with a focus on sustainability

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Our mission

In the midst of numerous global-scale issues such as climate change and resource depletion, MCHC announced its medium- to long-term basic management strategy KAITEKI Vision 30 (KV30) in February 2020, identifying the Group vision for 2030 and a path to sustainable growth (see P. 25). The spread of COVID-19 has brought about enormous change in how we live and work, but the direction and policies in KV30 remain the same, with sustainability positioned at the center of sustainable growth by the MCHC Group. Our goal is to take a hard look at what society needs and provide a range of solutions to address these social issues. This is our mission at the MCHC Group.

Recover business promptly and consider post-pandemic outlook

In February 2021, we unveiled *Step 1* of MCHC's medium-term management plan APTSIS 25, aimed at realizing KV30. Collaboration with our stakeholders is a key focus for MCHC, so we decided it was important to share our road map that describes how we will further strengthen our business foundation and achieve sustainable growth, even with the uncertain outlook caused by COVID-19.

When formulating the new medium-term management plan, we decided on a two-step approach as a rational way of reflecting the impact of COVID-19 now and in the future after the pandemic. *Step 1* runs through to 2022, when we expect uncertain economic conditions. During this *Step 1*, we will prioritize measures for business recovery, strengthened

business foundation and footholds for growth (see P. 27–32). In *Step 2* from 2023, we will pursue measures to accelerate growth.

Portfolio transformation will be essential if we are to achieve this plan. We will pick up the pace on portfolio transformation, while reflecting on the changes of social needs and future business risks, using aggregate assessments that combine perspectives of sustainability such as reduced environmental impacts, with faster technological innovation, profitability and market growth potential.

Revising material issues

When formulating the new plan, we revised, categorized and ordered the material issues from the perspectives we consider important for the MCHC Group, including our business foundation, environmental and social impacts, and accelerated business portfolio transformation (see P. 37–38). We then set MOS Indices as KPIs to measure our progress in addressing these material issues (P. 39–42). The new MOS Indices also feature indicators that measure the contribution to sustainability through our businesses, including percentage of sales revenue from the growth businesses (businesses that contribute to solving social issues) and percentage of sales revenue from products that contribute to the circular economy or mitigate and adapt to climate change.

Rather than quantifying the results as in the past, the new MOS Indices have been improved to use the numbers to give a readily understandable picture of how we are progressing. With the growing focus on corporate ESG initiatives, information disclosure on sustainability is an important element for management. We aim to disclose information in an appropriate and accessible fashion, and thereby deepen our dialogue with all our stakeholders.

Working to reach our GHG goals in 2030

To address the urgent issue of climate change, national and regional governments have proposed targets through to 2030 and the main industrialized nations, Japan included, have set a target of achieving carbon neutrality by 2050.

Through our global business, the MCHC Group is making every effort to tackle climate change and is striving to lower GHG emissions in line with national and regional government targets. The Japanese government has proposed a 46% reduction in comparison to fiscal 2013 levels by fiscal 2030. To achieve this target, the government needs to develop innovative policies on energy and industry. We will build an action plan for the MCHC Group based on scenarios and specific measures put forward by the Japanese government. At this stage, we are stepping up our initiatives to reduce GHG emissions from manufacturing, including switching fuels on in-house generators, using renewable energy, and pursuing further process rationalization, while preparing to deploy in-house carbon pricing.

Approach to achieving carbon neutrality

To be carbon neutral by 2050, we need systems to objectively evaluate CO₂ across the entire value chain. We have therefore started to develop life cycle assessment (LCA) systems in a collaboration that goes beyond our industry. Carbon neutrality will require technology development relating to the carbon cycle, where CO₂ can be utilized as a resource, as well as stable energy supplies that are basically carbon-free. The MCHC Group will strengthen partnerships with industry, government and academia, while contributing to the realization of these innovations and striving to create new businesses that provide growth opportunities for the Group.

Toward a sustainable increase in corporate value

In order to steadily make our business activities more sustainable, every single MCHC Group employee needs to hone their own transformational capabilities. To promote the execution of the MCHC Group mission, we started providing workshops for general managers in 2018 and have since expanded this program in a stepwise fashion to younger employees leading the next generation. With these workshops as a starting point, we have widely promoted the KAITEKI concept and KV30 in the Group, fostering a culture to address social challenges through business activities. Three years have passed since we started these workshops, and I am confident that our employees are now taking ownership to create new value, with visible progress in work style reforms or projects at every workplace that aim to address social issues through our business.

The COVID-19 pandemic has accelerated change in social needs. The paradigm shift brought about by the pandemic can also be seen as a great opportunity to build new social systems. We aim to continuously improve corporate value by pursuing a business strategy focused on sustainability, with every single MCHC Group employee responding flexibly to change.

Portfolio management through three-axis evaluation using MOS, MOT and MOE

