

# Innovation



## Message from the CIO

Innovation is the catalyst to dramatically increase our corporate value.

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Innovation has always been an important driver of economic growth, for companies as well as for nations. But from a practical perspective, how can we, the MCHC Group, reach beyond our established businesses to create differentiation? How can we be first to adapt to market changes and transcend outdated approaches? These questions inspire us as we move into a new era characterized by post-pandemic market shifts and the global imperative to achieve a carbon-neutral society.

### R&D as the seed of innovation

R&D is a core element of MCHC Group innovation, contributing to portfolio reform by stimulating development of new businesses (see P. 52). For example, we view GHG reduction not as a burden, but as a significant business opportunity. This drives us to strengthen our R&D capability to create next-generation structural, battery, and thermal management materials, while at the same time exploring new frontiers in material recycling and bio-based polymers. In healthcare, even as we develop new pharmaceuticals including Muse cells, we also emphasize “around the pill” digital solutions to fulfill unmet patient needs. And since completing the acquisition of MTPC in 2020, we have actively promoted synergistic R&D between our materials and healthcare business segments (see P. 54).

### Creating the future: DX and venture engagement

Maximizing the business impact of innovation across the MCHC Group requires that we continuously nurture the capabilities and attitude to stimulate new, productive lines of inquiry. We are building this innovation infrastructure through DX, corporate venture capital (CVC) initiatives, and strategic new business development.

Our Digital Transformation Group (see P. 53) provides a central core of digital expertise and drives high-value projects across the MCHC Group. In addition, to foster the “digital mindset” critical to our future success, DXG provides education and training programs (see P. 50) used by thousands of MCHC Group employees and conducts staff exchanges and shared work assignments with the operating companies.

Access to global innovation allows us to leverage our advantages of scale and domain knowledge while overcoming the constraints of conventional thinking and risk-averse processes. We therefore initiated CVC activities and founded Diamond Edge Ventures, Inc., in Silicon Valley in 2018 (see P. 55). With our first five portfolio companies, we are stimulating strategic collaborations in growth areas across the MCHC Group. We are also developing new business models that leverage cross-company strengths, including data-based solutions for customers in the food value chain.

### Winning the global race

To keep pace in the global innovation race, we emphasize objective benchmarking and measurement (see MOT Indices, P. 24). Only by constantly evaluating our strengths and weaknesses can we develop into a global innovation leader.

We are living in a period of dramatic social change due to the COVID-19 pandemic, transformational developments in digital technology and the biological sciences, and significant geopolitical shifts. In such an era, entire industries may disappear while new ones emerge. This environment does not reward timidity. As we transform our portfolio and our corporation itself over the coming years, innovation will be the catalyst that allows us to dramatically increase our value to our stakeholders and to society.