

Risk Management

The MCHC Group defines risks as “potential events that could, during the course of corporate activities, undermine public trust or damage the corporate value of the MCHC Group.”

We recognize, analyze and evaluate risks, and prevent the materialization of significant risks. We take measures to minimize the personal, economic and social damage arising if such risks materialize.

Risk management system

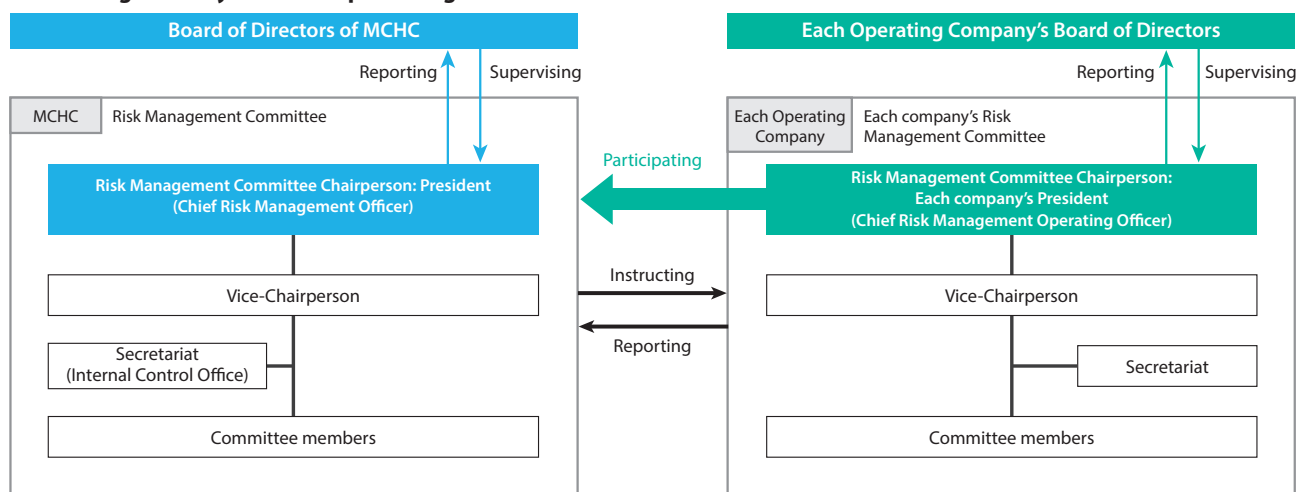
The MCHC Group is engaged in corporate activities with the objective of improving corporate value. These activities are related to social conditions, the global environment and various other externalities, and they involve potential risks.

We have in place a risk management system whereby the MCHC President is responsible for the entire risk management across the Group, in accordance with the MCHC Group Risk Management Basic Rules. The status of the management of significant risks and risk management policies that affect the entire Group are deliberated on and decided by MCHC’s Risk Management Committee. Such

deliberations and decisions are reported to the Board of Directors as needed.

The presidents of operating companies are responsible for establishing each company’s risk management system and conducting management through each Risk Management Committee. As part of our risk management system, we recognize the importance of fostering an awareness of risk management among executives, managers and employees in general. For this reason, all individuals are expected to be involved in risk management from their own standpoints.

Risk management system conceptual diagram



Solutions to environmental and social issues

COVID-19-related risk management

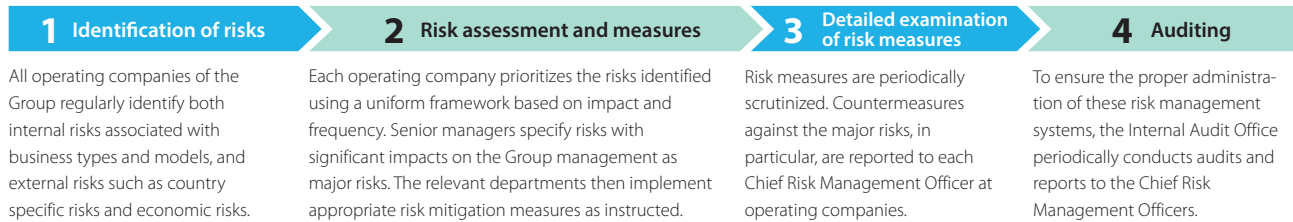
Located in Kawasaki City, Kanagawa Prefecture, LSII's Tonomachi Cell Processing Center (CPC) is an important base for the culture of Muse cells and the manufacture of related product formulations.

Although we have rolled out teleworking and online meetings, the cell culture operations require the presence of over 80% of the staff. We have therefore stationed body temperature measuring equipment and non-contact alcohol spray dispensers at room entrances and made it standard practice to check body temperature and sanitize the hands before entering. Meeting rooms and similar areas are provided with a permanent supply of sanitizer, and all staff are required to eat in silence as well as wear a mask at all times other than when taking a meal or refreshment.



Governance

Risk management process



Measures against major risks

The MCHC Group has categorized the following risks as high priority. In recognition of these risks, we strive to avoid the occurrence of such risks and minimize damage when they do occur.

Accidents, work injuries and large-scale natural disasters

As a safety measure to prevent any accidents at each operating site, we enhance the quality of training for operators for maintaining appropriate operations and safe facilities. In the event of accidents, we analyze the cause, plan countermeasures and verify the effectiveness of these countermeasures. We also strive toward advance prevention and recurrence prevention of accidents by sharing technical and operational measures among Group companies.

In preparation for large-scale natural disasters, we conduct special training customized based on the conditions for the head offices, branches and offices of each operating company to minimize damages and to secure business continuity under such an event.

Compliance

In order to instill compliance within the Group, we have taken comprehensive necessary actions such as preparing the Group Charter of Corporate Behavior and rules and standards, distributing a compliance guidebook, providing training and seminars, implementing regular audits, as well as operating and maintaining a compliance hotline. We also strengthen compliance at overseas operations, by adjusting codes of conduct and implementation rules in accordance with the rules, regulations, and social norms of the country.

Human rights issues

In line with the commitments set out in our Global Policy on Respecting Human Rights, Employment and Labor, we work through dialogue with stakeholders and other activities based

on the approach of human rights due diligence to monitor the value chain for human rights violations and high-risk situations. Where a high-risk workplace or other situation of concern is identified, we seek improvement to prevent adverse human rights outcomes. In the rare event of a human rights violation occurring, we take steps to resolve the issue at an early stage.

Subsidiary governance

MCHC clarifies the responsibilities of corporate organizations and improves systematic approaches to reduce overall Group risks in the governance of subsidiaries in Japan and overseas. For example, in order to mitigate risks arising from laws and systems specific to the countries in which we operate, we have collected and disseminated cases of significant accidents and violation of laws in each country to raise awareness of those risks at overseas Group companies. Furthermore, in preparation for political or other changes in such countries, we have established a system of communication between the local area, the operating companies and the Company to ensure awareness of governance issues.

Information security

MCHC has developed the Group Information Security Policy, in order to protect information assets and to maintain corporate value as a whole. Also, we continuously reinforce information security capabilities at our global business sites. We are also promoting awareness of strict compliance with the Group Information Security Policy among all employees by providing special training, including practical drills in response to targeted attack mails or other training via an e-learning system.

Measures against future risks

The MCHC Group is also addressing future risks by planning a medium- to long-term strategy.

Climate change

While the chemical industry is an industry with high GHG emissions, it can also contribute to the reduction of GHGs through its products. There is a risk that future earnings may be affected if we are unable to comply with customer requests for products such as automobiles and lighting fixtures, for which environmental standards and energy efficiency are important. The MCHC Group has identified GHG reduction as a material issue under APTSIS 25. As well as promoting products that contribute to improving energy efficiency, we are working on further adaptation and development.

[GHG reduction initiatives](#) ▶ P. 43

Digital technologies

The digital technologies represented by artificial intelligence (AI) and the Internet of Things (IoT) are bringing dramatic change to business models and supply chains across the whole of industry. If the MCHC Group fails to adapt appropriately to this change, it risks a decline in competitiveness. To maintain and reinforce competitiveness, we are applying AI and the IoT to digitize the customer interface for an enhanced customer experience, and using these technologies to optimize the supply chain, to automate process control and product analysis and quality inspection, and to promote new material and pharmaceutical development.