



My commitment

## Pursuing Integrated Thinking-based Management

Fulfilling our social responsibility and cultivating our business to help solve environmental and social issues in solidarity with our stakeholders

Sustainability is not just a trend or fad but is the strategy for survival. By transforming ourselves through integrated thinking-based management, Mitsui Kinzoku Group will be resilient against not just the coronavirus crisis but also any possible future crises.

President and Representative Director

*Keiji Nishida*

NISHIDA Keiji <Profile >

1980 Joined Mitsui Kinzoku  
2008 Head of Finance Department  
2011 Director and Chief Financial Officer  
2014 Representative Director and Senior Managing Director  
2016 President and Representative Director



I would first like to offer my sincere condolences for people who passed away from COVID-19, as well as my heartfelt sympathy to everyone affected by the infection. I would also like to express my gratitude and respect to the medical staff and many other individuals who are combating the spread of the infection.

The global economy in FY2019 had been recovering moderately overall despite the concerns about the adverse impact of U.S.–China trade friction and the decelerating Chinese economy until the outbreak of the pandemic in 2020, which put a brake on economic activities and plunged the economy into rapid decline. The future has become increasingly uncertain, and the world is confronted with unprecedented economic and social crises – coronavirus crisis.

Mitsui Kinzoku Group has also been affected by the pandemic as the state of emergency was declared in Japan and other countries in which we operate. The impact on our business activities was significant particularly in China, Peru, Malaysia, India, the United States, and Mexico due to shut-down of manufacturing sites. We have taken emergency measures promptly at our sites and in our supply chain to address the crisis. We put the lives, health, and safety of our employees and their families first and strive for continuing our operations. I would like to express my deep appreciation to our stakeholders, such as customers, suppliers and our employees, for understanding our emergency measures and supporting us in minimizing the impact on our business.

#### **Business management integrated with sustainability**

In the 2019 medium-term management plan (the 19 Medium Plan), Mitsui Kinzoku Group envisages – by 2024, the year of the 150th anniversary of its founding – to “be a corporate group that continually creates and develops growth products and businesses in our three core business domains (Engineered Materials, Metals, and Automotive Components).”

To realize this vision for 2024, we have declared our commitment to “Transformation for Sustainable Growth,” which represents pursuing business management integrated with sustainability or, in other words, integrated thinking-based management.

For us, sustainability means sustainability not just of Mitsui Kinzoku Group but also of society and the earth. We, therefore, need to meet the triple bottom line of economic, environmental, and social sustainability.

In addition to the declaration, we also published the Integrated Report 2019 and presented an overall picture of how we can realize the vision in our value creation process. By a backcasting approach for the vision, we clarified the basic direction of the transformation for sustainable growth through integrated thinking-based management, as well as the specific management strategy.

Our goal is clear; we will transform ourselves into a company that continuously enhances its value. We will achieve this goal with the strategy built on the two pillars of business and social responsibility: offering products and services from our three core business domains, that will contribute to solving environmental and social issues, and endeavoring to minimize negative impact (risks) of our business activities, which could arise anywhere in our value chain in the long term. While outputs from business profits (economic value) and from fulfilling social responsibility will generate new corporate value and help us realize our vision, they will also generate social value in external environments. Our social value should contribute to the United Nations Sustainable Development Goals (SDGs), particularly SDG 8 “Decent work and economic growth,” SDG 9 “Industry, innovation and infrastructure,” SDG 12 “Responsible consumption and production,” and SDG 13 “Climate action.”

Based on this management strategy, in FY2019, we implemented measures to develop and expand sales of MicroThin™ and other 5G-related products and catalysts for automobile

exhaust gases; recycle nonferrous metals; and adopt ICT for automotive components production and site management. When it comes to measures to fulfill social responsibility, we addressed material environmental, social and governance risks with high financial impact.

While we were making these efforts, however, we had to revise down the FY2019 results and FY2020 targets set out in the 19 Medium Plan due to the below-plan sales of our main products and the impact of the pandemic. It is uncertain when the pandemic will end, and we are facing extreme difficulty in maneuvering the corporate group get through this crisis.

#### **Big-picture perspective**

Some say that the unexpected pandemic is causing the greatest ever post-war global recession. There is also an opinion that the ‘SDGs boom’ is over and company management is to focus on addressing the crisis with short-term measures.

However, as President, I believe that, to overcome this crisis, it is more critical in business management to take long-term measures based on the essence of the company and issues of every level around the world. Therefore, the big-picture perspective is indispensable for us in order to reaffirm our Group’s identity which remains unchanged regardless of the external environment as well as underlying global issues.

#### **Redefining our identity**

Our business model positioned at the center of our value creation process involves creating products and services based on the six capitals. This business model is sustained by our two main strengths: Core technologies, such as those for separation and purification, powder control, and composite materials, and the diverse skilled employees who utilize those technologies. With these strengths, the business domains operate in their respective positions in value chains. When taking an overview of these

positions, it can be said that they draw a closed value chain loop where resources are circulated from the arterial industry to the venous industry and back to the arterial industry within the one corporate group. This means we have a core competence in material cycling and the potential to help realize a circular economy which is the world’s ambitious challenge. We must fully leverage this core competence to create growth products and businesses that will help solve environmental and social issues. This represents the crux of our business model and what our slogan “Material Intelligence” means. This is Mitsui Kinzoku Group’s identity.

#### **Global issues and solidarity**

While the pandemic hit the world hard, 2019 and 2020 also saw many disasters likely caused by progressing climate change. We may be facing a crisis in which climate change is intertwined with other issues in a complicated way. I feel the sense of crisis behind the SDGs; if humans continue economic activities in the same way, it will bring the earth to the brink of destruction. In the coronavirus crisis, if companies only focus on the pandemic issue of SDG 3 and think about the trade-offs on the axis of confrontation between health and the economy, they may misjudge the intertwined underlying issues and fail to take correct actions. The SDGs raise underlying global issues inclusively and they are linked with each other. We need to examine and address the SDGs in an inclusive and integrated manner.

The SDGs also require all stakeholders to participate and cooperate with each other. As the world faces the pandemic, the word “solidarity” is attracting attention. Solidarity means uniting efforts among different levels of society, rather than conflict with each other, in order to overcome the crisis together. Based on this spirit of solidarity, ambitious initiatives such as “Recover Better” and “Green Recovery” have also been launched.

**What we can do NOW**

Mitsui Kinzoku Group will advance its transformation and take long-term measures through integrated thinking-based management to achieve our vision. We will examine and address global issues under the SDGs through leveraging our identity and reinforcing solidarity with our stakeholders by promoting market co-creation and engagement with them. By considering changes of the external environment due to the coronavirus crisis, we have revised the measures taken under the management strategy and come up with the following four measures that we will be implementing NOW.

Firstly, we have revised risk management and the material issues (materiality) related to sustainability. We started working on the improvement of our risk management this April and have identified, from an integrated perspective, long- and short-term business risks and business risks in an emergency with potentially high financial impact. We also have rebuilt our risk management system that includes actions against the identified risks, risk assessment and results review. We will continue to revise the risk management system in FY2020 as well.

We also have reviewed material issues related to sustainability in accordance with our management strategy of business and social responsibility. More specifically, from among the long-term environmental and social issues raised by the SDGs and other initiatives, we have selected those for which expectations are high among our stakeholders for us and which pose a high financial risk to us. They were defined as materiality that may provide us with long-term business opportunities and cause long-term business risks. With these revisions, we have clarified the basic direction of our sustainability initiatives and identified financial risks and opportunities.

Secondly, as part of our specific efforts for SDG 13 “Climate action,” to which we aim to contribute, we take part in the “Challenge Zero”

initiative by Keidanren (Japan Business Federation) and are currently tackling four innovation challenges. All these challenges take advantage of our core competence, i.e. our identity. Their objectives are to deliver innovations to achieve the production of CO gas, a useful starting material, from CO2 gas; development of an all-solid-state battery for renewable energy storage; better demand response; and use of alternative fuels to coke in the imperial smelting process. While endeavoring to mitigate climate change, we will beef up our efforts toward a circular economy, which will lead to achieving SDG 12 “Responsible consumption and production.”

The third measure concerns SDG 8 “Decent work and economic growth” and SDG 9 “Industry, innovation and infrastructure.” Because of the pandemic, the traditional business model in cities where profits are generated from mass consumption by people who physically meet is becoming ineffective. As structural and demand changes occur in cities and urban innovation advances, some experts forecast that 5G will be the future infrastructure of massive innovations in cities. The 5G-related market is therefore expected to expand further, and we will re-examine our plans to make them more responsive to demand mainly in the copper foil and engineered powders businesses. We are working to create new businesses with growth opportunities and get them into the market.

We also expect that the current movement toward the future mobility society will continue. In the automotive components business, we make sure to respond to the new domains of CASE (connected, autonomous/automated, shared, and electric). As urban innovations advance, base materials, which make up the structural framework, will remain essential. In the metals business, we will add copper smelting to the existing lead, zinc, and precious metals smelting and refining network to increase synergies and intensify recycling smelting.

Fourthly, we have placed the R&D and market co-creation functions, which were formerly a

part of the Engineered Materials Sector, under corporate control by establishing the Business Creation Sector in April this year. Our core competence supported by the two strengths of core technologies and employees and market co-creation with stakeholders is the source of above-mentioned innovations. Our purpose behind this transfer is to concentrate the two strengths for business creation and to strengthen collaboration with stakeholders. By solidifying the foundation for business creation, we will establish overwhelming core competence and deepen our solidarity with stakeholders to create innovations to address environmental and social issues.

**More resilient and sustainable in a crisis**

The coronavirus crisis has been bringing a significant change to our value chain and may have a great impact on our business. At the

same time, as the crisis is also changing traditional mindsets across all levels of society around the world, we have been more pressed to put “Transforming Our World,” the core principle of the SDGs, into action than ever before. Now is the time the world should implement drastic reforms to solve issues and achieve the SDGs by 2030.

Mitsui Kinzoku Group believes that, by transforming ourselves through integrated thinking-based management with a long-term perspective based on global issues, we can make the Group resilient against not just COVID-19 pandemic but also any possible future crises. Sustainability is not just a trend or fad but is the strategy for survival. Whatever crisis may occur, we will act together with our stakeholders without pandering to short-termism. We desire to be a more sustainable corporate group that cares for all workers in our value chains, the earth, and future generations of people and all living things.



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