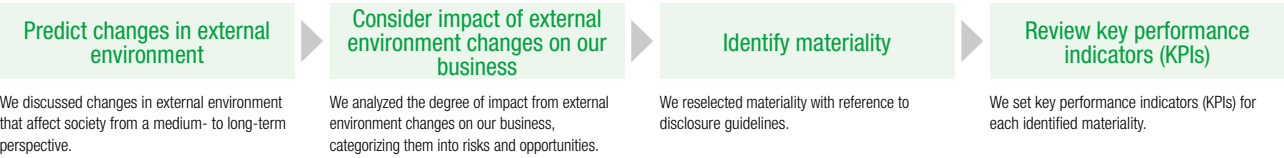


Introduction

# Materiality (Key Issues)

To achieve “What we want to be in 2030” set forth in our medium- to long-term strategy, the Sustainability Promotion Committee has reviewed the materiality and key performance indicators (KPIs) to be addressed through the process shown on the next page, taking into account internal and external opinions. We will monitor the progress made with regard to the identified materiality annually as indicators of sustainability management in our Medium-Term Business Plan (2024–2026).

Materiality Review Process



	External environment	Risks	Opportunities	Materiality	Background of importance	Results			KPI*	Corresponding SDGs
						FY2022	FY2023	FY2024		
Environment	● Need for the further acceleration of efforts towards reducing greenhouse gases given that the movement towards realizing a decarbonized society is spreading worldwide	● Increase in the costs due to stricter regulations related to the prevention of global warming ● Increase in capital investments in response to the greater severity of natural disasters	● Improve competitiveness through the establishment of new low-carbon and decarbonization technologies for manufacturing ● Improve corporate value and reputation through a proactive stance for the attaining a decarbonized society	Reduction of greenhouse gas emissions	● Climate change and global warming are major issues that are also tied to the continuity of our business ● Initiatives to determine and reduce greenhouse gas emissions are important in terms of measures to combat global warming	5% reduction	20% reduction	19% reduction	● Reduce GHG emissions in FY 2030 by 23% over FY 2020	
	● Active engagement in global environmental conservation is an important social responsibility that companies must fulfill	● Serious environmental accidents have a significant impact on the environment and society and hinder business continuity	● Improve corporate value and reputation through promoting environmental analysis and assessments, impact reduction, and environmental conservation activities	Environmental conservation	● Environmental accidents: incidents in which the discharge of hazardous substances exceeding regulatory or agreement values, or offensive odors, noise, or vibration, caused damage to the lives of third parties or the natural environment	Number of environmental accidents 1	Number of environmental accidents 1	Number of environmental accidents 0	● Achieve zero environmental accidents	
Society	● Shift in perspective for evaluating listed companies' investment value to non-financial information, including ESG ● Mandatory disclosure of human capital information in securities reports starting in FY 2023	● Insufficient disclosure of non-financial information makes the company unattractive to investors ● Insufficient human capital securing and development negatively impacts company growth by failing to improve employee motivation	● Enhanced disclosure of non-financial information increases investor recognition and increases corporate value ● Securing diverse human resources and promoting human resource development increases employee motivation	Strengthening of human capital	● To enable the company to achieve sustainable growth and create new value, it is necessary that we secure a diverse range of individuals and cultivate such human resources accordingly. ● Need to build workplace environments where people can work with psychological security by enhancing work-life balance and promoting health management and occupational safety and health	16%	22%	16%	● Ratio of female graduates in new university graduate hiring 30% or higher	
	● Recognition that contribution to local communities is an important issue for corporate management	● Lose the trust the local community in which the company is based makes it impossible to continue business activities	● Earn the trust of the local community in which the company is based, stabilize our business, and increase our corporate value	Contributing to local communities	● In order to coexist with local communities, we are responsible as a company to engage in community-rooted activities that contribute to society and communications at our business locations and cultivate a relationship of trust with local communities.	Implemented	Implemented	Implemented	● Carry out activities to contribute to society (Clean-up activities, factory tours, etc.) (At least once per year for each location)	
Governance	● Recognition that continuously working to reinforce corporate governance and risk management functions is important for a company	● The inability to quickly and flexibly accommodate the increasing sophistication of corporate governance leads to an impairment of corporate value in the medium to long term ● Violations of the law and scandals cause significant damage and, in some cases, negatively affect the company continuation ● Loss of profitability ● Deterioration of investment profitability ● Increased funding costs	● Increase our corporate value by promoting corporate governance in line with the Corporate Governance Code ● Prevent legal violations and misconduct in advance through thorough compliance, leading to increased corporate value ● Increase our corporate value by increasing profitability through the further monitoring of important management metrics ● Ensure the future viability and soundness of investments ● Efficiently manage funds by studying optimal financing that takes financial soundness into account and curtailing our policy-based shareholdings	Strengthening corporate governance	● We need to reinforce our system of governance by accurately ascertaining changes in the external and internal environments, rapidly proceeding with decision making and the execution of operations, and aiming to realize management that is fair and highly transparent. ● We should improve the operations of our company-wide risk management system.	—	Number of times implemented per year 8 times	Number of times implemented per year 11 times	● Carry out officer training (At least once per year for each officer)	
	● Revision of the Corporate Governance Code in 2021 ● Continuation of the occurrence of quality fraud issues and material defects in terms of internal controls at listed companies			Thorough compliance	● It is important because violations of the law and scandals cause significant damage and, in some cases, negatively affect the company continuation.	Implemented	Implemented	Implemented	● Distribution of compliance-related email newsletters to managers ● Implementation of Internal Control Briefings for newly appointed managers ● Holding of Ethics Committee meetings	
Value Provided	● Need for a robust supply chain to be built through cooperation transcending corporate and organizational barriers	● Instability in terms of the supply of raw materials due to climate changes, geopolitical risks, changes in the world order, resource nationalism, and other factors	● Improve the level of trust customers have in the company by maintaining a stable supply ● Reduce costs through planned production	Supply chain management	● In order to stably provide higher quality products and services, we will need to build a robust supply chain extending from the suppliers of raw materials to the customers to whom we sell. ● We need to lessen risks to society and the environment throughout the supply chain and realize business sustainability. ● We should promote our BCP.	—	Administer CSR questionnaires to suppliers	Provided feedback to all 28 companies that responded to the CSR questionnaire	● Feedback on CSR questionnaires to suppliers	
	● The market in the future will demand not just products that are competitive in terms of price and quality but also products that contribute significantly to the environment and society	● Difficulty in securing sustainable sales as a result of misjudging next-generation market needs	● Propose products and solutions that meet the specific needs of each customer ● Promote innovation that supports sustainable society	Promoting value-generating development	● It is important that the provision to the market of products and solutions that are environmentally-friendly and that meet the needs of clients help realizing a sustainable society, differentiates what we offer from what our competitors sell, and enhances the profitability of our business.	● Ratio of sales of environmental contribution products to total sales: 8.5% ● Number of patent applications per year: 35	● Ratio of sales of environmental contribution products to total sales: 10.3% ● Number of patent applications per year: 39	● Ratio of sales of environmental contribution products to total sales: 11.3% ● Number of patent applications per year: 45	● Ratio of sales of environmental contribution products to total sales: 14% or more ● Number of patent applications per year: At least 40	
	● Demand for ROE exceeding cost of capital and efficient management of capital	● Deterioration of credit rating due to worsened financial condition ● Increased funding costs	● Stable funding through good relationships with financial institutions ● Business expansion through active investment in growth fields	Building and maintaining a sound financial foundation	● Enhancement of corporate value and shareholder returns	ROE: 2.0% Ratio of cross-shareholdings: 17.6% Inventory turnover period: 4.1 months Operating profit: 1.3 billion yen	ROE: 3.6% Ratio of cross-shareholdings: 18.6% Inventory turnover period: 3.5 months Operating profit: 2.3 billion yen	ROE: 5.6% Ratio of cross-shareholdings: 16.8% Inventory turnover period: 3.8 months Operating profit: 3.3 billion yen	● ROE: 8% (2030) ● Ratio of cross-shareholdings: 10% or less (2030) ● Inventory turnover period: Maintained 3.0-3.5 months ● Operating profit: 3.3 billion yen (2026)	
	● Acceleration of globalization through world economic integration ● Rising geopolitical risks	● Dependence solely on shrinking domestic business ● Delayed response to diversifying consumer needs	● Acquisition of new customers and expansion of earnings through entry into overseas markets ● Building new business models through global human resource development and cross-cultural human exchange	Promotion of globalization	● Expansion into overseas markets with high growth expectations ● Shrinking domestic market due to persistently low birth rate, aging population, and population decrease	Overseas sales ratio: 10%	Overseas sales ratio: 13%	Overseas sales ratio: 12%	● Overseas sales ratio: 14% (2026)	

\*KPI target period is FY 2025 unless otherwise noted