Materiality (Key Issues)

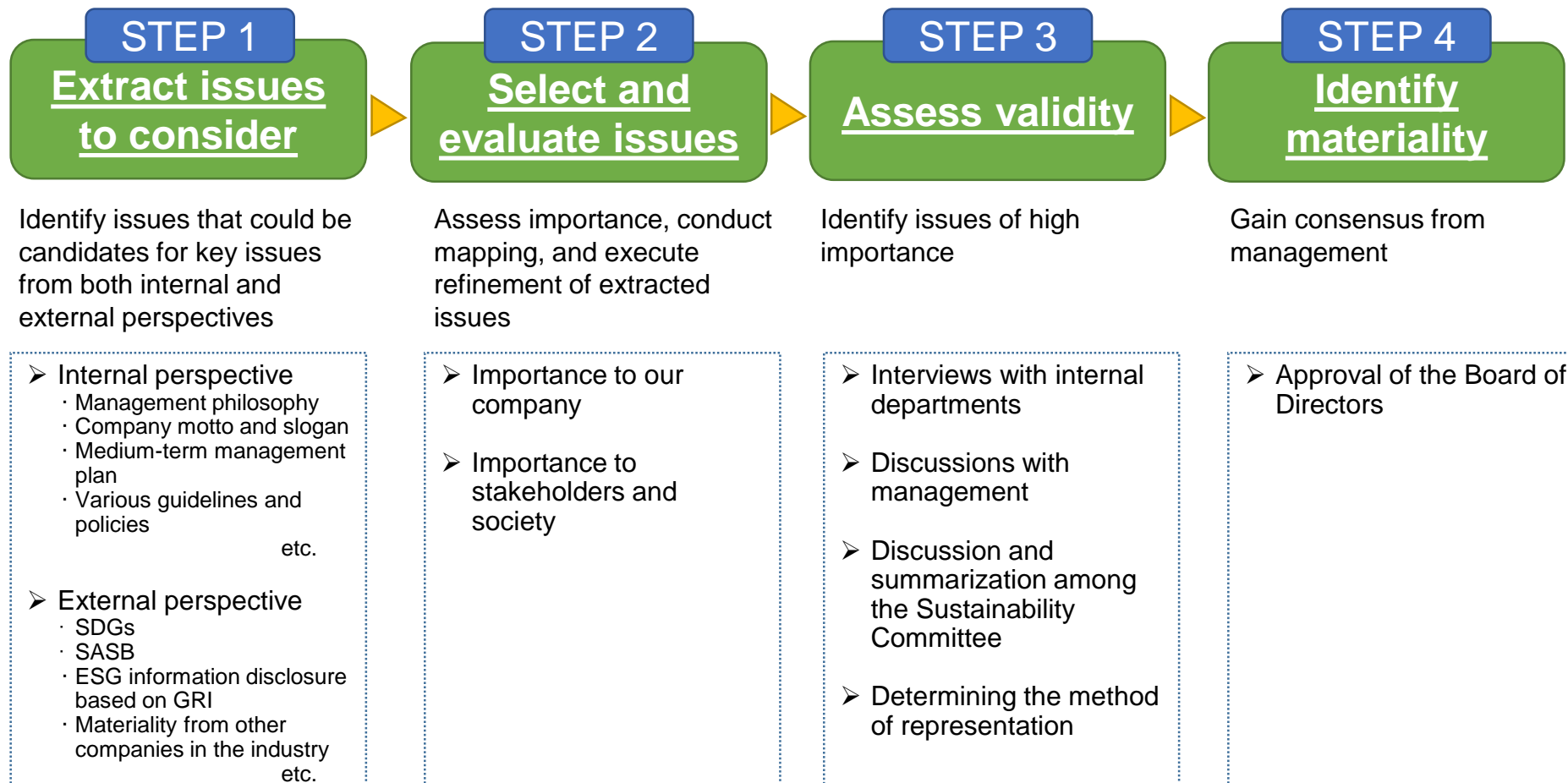December 20, 2023

Introduction

   To realize a sustainable society and sustainable corporate growth, we have selected priority issues to be addressed from the viewpoint of their importance to our company's management and the company itself and identified materiality (key issues) based on their importance and impact.

   The materiality that our company should address is described later. Our company will proceed with our activities, including the review of each materiality and the formulation of countermeasures and plans, centered around the Sustainability Committee.
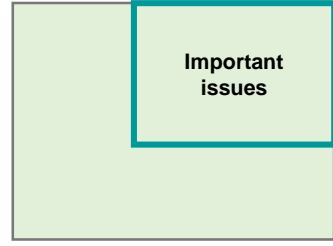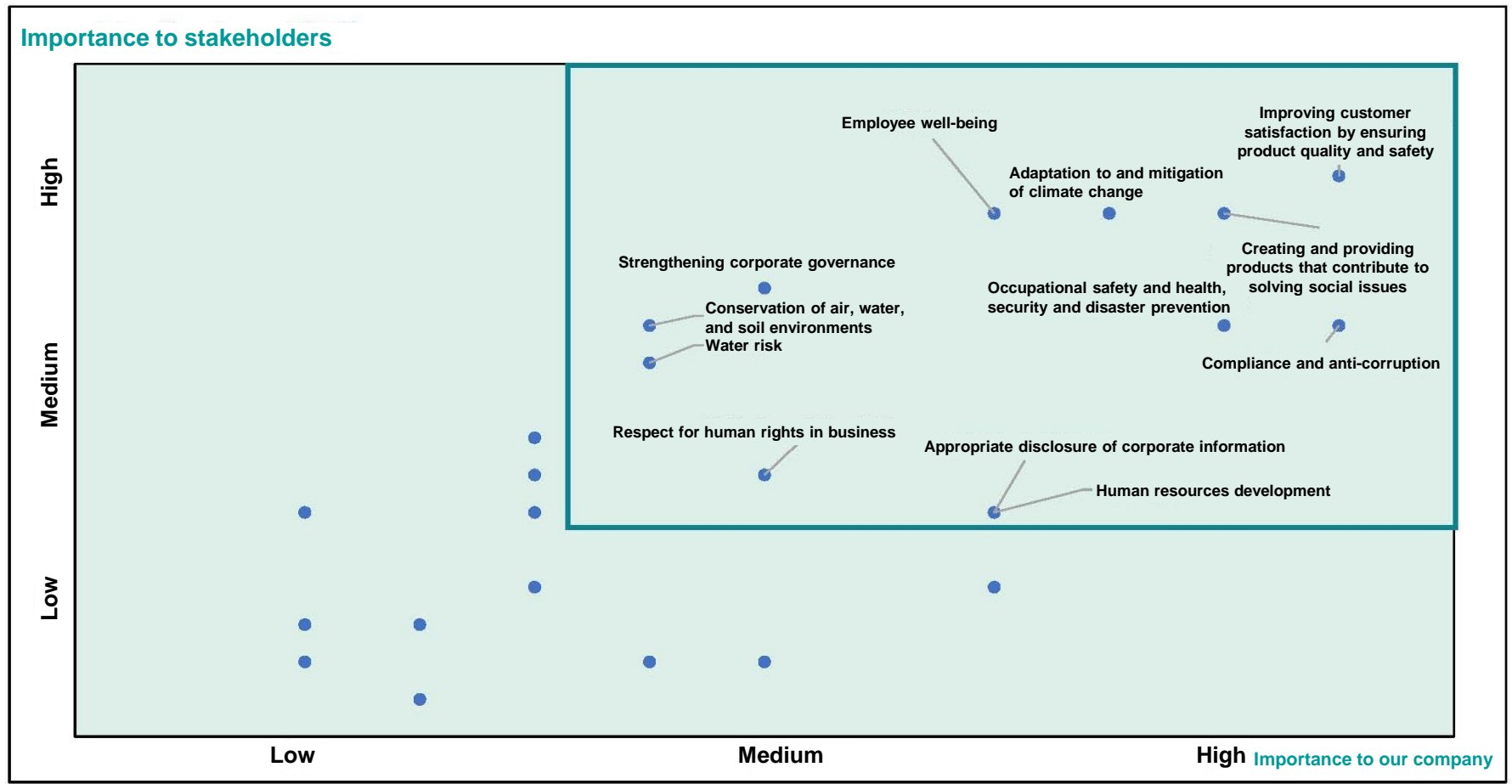
1. Identification Process

In identifying materiality, we extracted social issues based on our corporate philosophy, medium-to-long-term vision, as well as various guidelines and policies, and then extracted target materiality from the perspective of their importance to both stakeholders and our company.

STEP 1	STEP 2	STEP 3	STEP 4
Extract issues to consider	**Select and evaluate issues**	**Assess validity**	**Identify materiality**

Identify issues that could be candidates for key issues from both internal and external perspectives	Assess importance, conduct mapping, and execute refinement of extracted issues	Identify issues of high importance	Gain consensus from management

➢ Internal perspective
· Management philosophy
· Company motto and slogan
· Medium-term management plan
· Various guidelines and policies
            etc.
 	
➢ External perspective
· SDGs
· SASB
· ESG information disclosure based on GRI
· Materiality from other companies in the industry
            etc.
	➢ Importance to our company
	
	➢ Importance to stakeholders and society
		➢ Interviews with internal departments
		
		➢ Discussions with management
		
		➢ Discussion and summarization among the Sustainability Committee
		
		➢ Determining the method of representation
			➢ Approval of the Board of Directors

2. Materiality Map

Importance to stakeholders

High

Medium

Low

Low — Medium — High **Importance to our company**

- Employee well-being
- Improving customer satisfaction by ensuring product quality and safety
- Adaptation to and mitigation of climate change
- Strengthening corporate governance
- Creating and providing products that contribute to solving social issues
- Conservation of air, water, and soil environments
- Water risk
- Occupational safety and health, security and disaster prevention
- Compliance and anti-corruption
- Respect for human rights in business
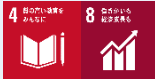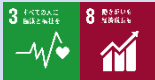- Appropriate disclosure of corporate information
- Human resources development

Important issues

Beyond the Chemical

3. Details on Materiality (Key Issues) I

Materiality	Themes/Related SDGs	Desired State	KPI	Target Level
Contribute through business	Creating and providing products that contribute to solving social issues	A state where we engage in creative approaches to next-generation research and development themes to contribute to solving social issues and can provide new products utilizing our cultivated proprietary technologies	✓ Investment amount: 1.2 billion yen	✓ Establishment and improvement of enriched boric acid production facilities ✓ Increased tin fluoride production
			✓ Promotion of next-generation materials development ✓ Release of newly developed products	✓ Chemicals that lead to improvements in the semiconductor manufacturing process ✓ Materials that contribute to the higher performance of Li-ion batteries ✓ Inorganic fluorine compounds or products using fluorine technology
	Improving customer satisfaction by ensuring product quality and safety	A state where customer satisfaction is improved by the stable supply of high-quality, safe products that capture customer needs	✓ Customer satisfaction (quality) ✓ Holding safety training sessions with customers	✓ 2024: Customer satisfaction rate of at least 50% as the annual average for the top 20 largest customers ✓ 100% compliance with holding safety training sessions based on customer requests
Respond to climate change and conserve the environment	Adaptation to and mitigation of climate change	A state where we have achieved carbon neutrality by 2050	✓ Reduction of Scopes 1 and 2 emissions	✓ 46% reduction in emissions from FY2013 levels by FY2030
	Conservation of air, water, and soil environments	A state where we have managed and reduced the emission of chemical substances from our business activities and have reduced our impact on the natural environment	✓ Strict observance of legal standards for the prevention of air, water, and soil pollution	✓ Continuation of zero exceedances of legal standards
	Responding to water risk	A state where the efficient use of water is being conducted to improve the quality of water we discharge and reduce water risk	✓ Reduction of water intake	✓ 10% water intake reduction from FY2017 levels at 3 major factories

Beyond the Chemical

3. Details on Materiality (Key Issues) II

Materiality	Themes/Related SDGs	Desired State	KPI	Target Level
Create a safe and rewarding environment	Employee well-being	A state where employees have achieved work-life balance and feel rewarded by their work	✓ Annual paid leave utilization rate ✓ Childcare leave utilization rate ✓ Reemployment rate	✓ Maintain an annual paid leave utilization rate of at least 80% ✓ A male childcare leave utilization rate of at least 50% ✓ Maintain the current high rate of reemployment after retirement (at least 80%)
	Strengthen human capital	A state where employees' work awareness, knowledge, and skills are being improved through training and certification	✓ Training ✓ Average annual salary (men and women)	✓ Planned participation in external training and courses, qualification training, and internal training ✓ Maintain a gender gap for total base pay and bonuses of no less than 90% (with regular employment for men set at 100%)
	Occupational safety and health, security and disaster prevention	A state where employees can work safely and healthily	✓ Work accident rate ✓ Severity rate	✓ [Accident rate: 1.25] ✓ [Severity rate: 0.08]
Respect for human rights	Respect for human rights in business	A state where we respect human rights in the operation of our business and do not engage in unjust discrimination based on race, gender, ethnicity, nationality, or any other grounds, including among our suppliers	✓ Implementation of measures to prevent discrimination and harassment ✓ Development of human rights policies	✓ We will advance qualitative initiatives related to the prevention of discrimination and harassment and on human rights. ✓ Development and disclosure of human rights policies

3. Details on Materiality (Key Issues) III

Materiality	Themes/Related SDGs	Desired State	KPI	Target Level
Strengthen governance to enhance corporate value	Compliance and anti-corruption	A state where employees can recognize and observe compliance and related laws and regulations	✓ Number of compliance violations	✓ Number of major compliance violations: 0
	Strengthen corporate governance	A state where the soundness of management is ensured through the prompt implementation of management decisions	✓ Qualitative initiatives for strengthening corporate governance	✓ Evaluation of the effectiveness of the Board of Directors (third-party evaluation) ✓ Clarification of criteria for selecting outside directors ✓ Number of major information security accidents: 0
	Appropriate disclosure of corporate information	A state where expected information is promptly and accurately disclosed to stakeholders	✓ Appropriate disclosure of information	✓ Same-day disclosure in Japanese and English simultaneously ✓ Disclosure of sustainability information

Beyond the Chemical