

Material Issues

Classification		Material issues on the business domain	Opportunities and risks (○ Opportunity / ● Risk)	Our approach (Goal) / [KPI (achievement)]	Related page
E	CN	Achieve carbon neutrality as Interface Innovator	<ul style="list-style-type: none"> ○ Demand shift to materials suitable for decarbonization ○ Accelerated transition to a circular economy and the emergence of innovative technologies for a decarbonized society ● Deteriorating business performance due to stricter regulations caused by policies such as carbon pricing to combat climate change 	Contribute to carbon neutrality with the interface control technology →MTP 2025	→P13 Message from the President
L	QOL	Improve QOL by performance through chemistry	<ul style="list-style-type: none"> ○ Growing needs for preventive medical care and health promotion ● Deteriorating business performance due to insufficient response to social needs 	Create value in the medical field through new technologies Create new value closely linked to people's lives →MTP 2025	

Classification		Material issues on the management domain	Opportunities and risks (○ Opportunity / ● Risk)	Our approach (Goal) / [KPI (achievement)]	Related page
S	In	Create innovations by supporting value creation of industry, culture and education	<ul style="list-style-type: none"> ○ Coexistence with the local community and the creation of business opportunities through interdisciplinary communication ● Deteriorating business performance due to a decline in Japan's competitiveness and market shrinkage caused by decreasing chemical capabilities and ailing local industry 	Challenge beyond the boundaries of chemistry with our chemical capabilities <ul style="list-style-type: none"> ● Utilize the matching platform which called "UQ Chem" services to link unused chemical knowhow to untapped needs ● Support various traditional Kyoto industries through technical and financial contributions (Sanyo Chemical Foundation for Social Contribution) ● Promote collaboration and alliances with different fields and investment on startups ● Promote DX and MI ● Carry out on-site chemical classes at elementary and junior high schools ● Participate in the Kyoto beyond SDGs Consortium with Kyoto University 	→P37 Digital Transformation (DX) Strategy
	HC	Develop human resources and improve work environment by recognizing diversity	<ul style="list-style-type: none"> ○ New value creation through diversification ○ Improved employee engagement through workplace culture reform ● Decreased employee engagement due to insufficient response to diversifying values and work styles, and difficulty in personnel acquisition and personnel outflow 	Diversity, equity & inclusion (DEI): Facilitate culture, which all employees can be excited ("WakuWaku") <ul style="list-style-type: none"> ● Promote women's empowerment [Female leadership ratio: 15% or more by FY2023 (FY2023: 15.3%); Female manager ratio: 6% or more by FY2023 (FY2023: 4.9%)] ● Promote LGBTQ understanding ● Make the Ikuboss declaration and join the Ikuboss Corporate Alliance [Ratio of male childcare leave takers: 100% by FY2025 (FY2023: 92.4%)] ● Promote health and productivity management ● Enhance communication between management and employees: Morning meeting (lecture to all employees), Training camp (discussion with general managers), Dojo (handing down to executive assistants, etc.), and Salon (dialogue with mid-level and young employees, etc.) ● Create a work environment where employees with disabilities can work [Employment rate of people with disabilities: 2.7% or more by FY2026 (2.71% as of June 1, 2024)] 	→P39 Diversity, equity & inclusion (DEI) →P40 Work Style Reform →P41 Health and Productivity Management
G	RM	Conduct the risk management thoroughly by strengthening the Guardian function	<ul style="list-style-type: none"> ○ Improved business performance through stable supply of high-quality products ○ Improved corporate value through the gaining of stakeholder trust ● Business continuity risks, unexpected losses, and loss of credibility due to internal control failure 	<ul style="list-style-type: none"> ● Strengthen quality governance by isolating quality assurance from production ● Establish a management system for significant risks that may be critical to corporate value ● Strengthen the legal compliance system ● Strengthen the safe and healthy system by using the safety education center 	→P53 Risk Management
	TM	Implement challenge-oriented and transparent management	<ul style="list-style-type: none"> ○ Improved corporate value through the gaining of stakeholder trust ● Decline in corporate credibility and value due to corporate governance failure 	<ul style="list-style-type: none"> ● Promote WakuWaku Management: Every department shall be profit-oriented. ● Diversify directors [Raise the female ratio to 30% or more (25% as of June 21, 2024)] [Ratio of independent outside directors: 1/3 or more of the Board of Directors (3/8 as of June 21, 2024)] ● Enhance disclosure of non-financial information and corporate governance ● Enhance dialogue with shareholders, investors, employees, and other stakeholders ● Strengthen sustainable management 	→P47 Corporate Governance

Recognition of the future business environment

- Resource and energy prices are expected to remain high due to the worsening situation in Russia and Ukraine as well as the Middle East. The increased use of electricity and water resources due to the spread of AI will also move society further toward environmental improvement and carbon neutrality.
- The declining birthrate and aging population are not just issues in developed countries but also global issues. From a societal perspective, there is a growing need for longevity and health industries, while companies need to address a decline in the productive population.
- As values become more diverse, the pace of change in business is accelerating, and independent businesses and various networks are actively being created. This leads to the decline of some industries. There are concerns that traditional and local industries will fade due to a lack of successors.
- Due to recent quality compliance issues, society is looking at companies more strictly, making it essential for companies to strengthen their risk management systems and corporate governance. They are also expected to make appropriate disclosures in response to stakeholder requests.

Approach to materiality identification

The Sanyo Chemical Group defines material issues as "important issues that have a significant impact on the medium- to long-term value creation of the Sanyo Chemical Group." To create value for all stakeholders, we have identified material issues by following the processes 1 to 4 below, considering that identifying and prioritizing medium- to long-term themes is the shortest route to value creation.

1	Identification of issues	Issues have been selected with reference to various guidelines, such as the SASB Standards for the chemical industry, the GRI Guidelines, the Sustainable Development Goals (SDGs), and the World Economic Forum (WEF) core metrics, as well as communication with stakeholders and a questionnaire on our company mission for all employees and officers.
2	Prioritization of the issues and creation of the materiality matrix	The identified issues have been prioritized through dialogue with major shareholders and employees about their impacts on our corporate identity and finance, opportunities to create innovation, and the Sanyo Chemical Group's uniqueness. The issues were then plotted on a matrix with management and business perspectives placed on the horizontal axis and expectations and contributions to resolving social and environmental issues placed on the vertical axis.
3	Identification of material issues	Six material issues have been identified, with issues related to the Environment field and the Life field as material issues on the business domain and issues related to the Society field and the Governance field as material issues on the management domain. (The Life field has been separated from the conventional ESG portfolio and categorized as a symbol of expectations and contributions to the improvement of QOL.)
4	Validation of the material issues and board approval	The material issues have been validated through deliberations at the Sustainable Management Committee, which is chaired by the President and CEO, and have been approved by the Board of Directors. The issues will be reviewed according to changes in the business environment that may occur in the future.