

# Reidentify as important management issue

In FY2021, we changed the material issues from “important CSR issues” to “important management issues” to analyze and manage financial and non-financial management issues in a more integrated way. The material issues thus defined have been clearly linked to the strategy of the medium-term management plan and have been developed into a more dynamic management system.

## Steps in Material Issue Analysis



### Step 1

#### Extract management issues

##### Analyze the external and internal environment

- Analyze in conjunction with the formulation of the medium-term management plan
- Organize the expectations of stakeholders
- Refer to ISO 26000, ESG disclosure criteria, etc. for CSR issues

##### Extract issues to realize the long-term vision

- Analyze gaps between the vision and current state

### Step 2

#### Define the priority issues

##### Classify and analyze the importance of issues to stakeholders and business from the following perspectives:

- Opportunity for value creation
- Foundation for value creation
- Value preservation (erosion risks)

#### Deliberation structure

- Deliberated by the Board of Directors, at Management Meetings, and by all division managers (e.g., Research and Development, Sales and Marketing, Quality Assurance, Manufacturing, and Administration)
- Managed by the secretariat of the medium-term management plan (Corporate Planning Department) and the secretariat of the CSR Committee (CSR Promotion Department) as a company-wide cross-departmental project during the period from June 2021 to March 2022

#### Stakeholder issues

- Opinions of stakeholders are extracted from the issues confirmed by each division in the course of business activities, dialogues with investors, evaluations by the ESG-rating agencies, etc.

## Step 1: Extract management issues

In the material issue analysis conducted in FY2021, we analyzed the management environment in conjunction with the formulation of the medium-term management plan to extract potential management issues. This analysis identified important opportunities and risks for creating value and achieving sustainable growth of our company. Our directors, executive officers, and senior management from all divisions participated in the analysis of the external and internal management environment, which included analysis of the management environment surrounding the business and analysis of gaps between our long-term vision and current status. In addition, management issues were extracted based on requests and expectations of stakeholders that were confirmed by each division in its daily business activities.

Non-financial issues were updated based on ISO 26000, the GRI Standards, the SASB Standards, the Ten Principles of the United Nations Global Compact, evaluations by ESG-rating agencies, dialogues with investors, etc. Analysis of issues was conducted while the progress of deliberation was reported to and confirmed by the Board of Directors.

## Step 2: Define the priority issues

In defining material issues, we first classified the issues extracted in Step 1 into “value creation,” “foundation for value creation,” or “value preservation (erosion risks).” “Value creation” and “foundation for value creation” are opportunities and “value preservation” is a risk for our company. Furthermore, at the Management Meeting and other occasions, 18 material issues were defined as the most important issues from the perspective of importance to stakeholders and business. Material issues were deliberated and finalized by the Board of Directors.

## After identification: Run through management cycle

For each material issue that was redefined in FY2021, we established medium-term targets and plans, and confirmed the progress. Furthermore, in conjunction with the medium-term management plan, each issue is linked to a corresponding division, organization, and committee, and a company-wide PDCA management cycle has been established and is managed by the Board of Directors and via Management Meetings. Check pp. 32 and after for information on progress.