

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	○ 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 through interface control technology → MTP 2025	→ P17 Message from the President
L	QOL	Improve QOL by performance through chemistry	○ 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 innovation by supporting the value creation of industry, culture and education	○ 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 ● Utilize the matching platform “UQ Chem” services to connect distinctive chemicals with 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 in startups ● Promote DX and MI (Materials Informatics) ● Carry out on-site chemical classes at elementary and junior high schools, and participate in the Kyoto beyond SDGs Consortium with Kyoto University	—
	HC	Develop human resources and improve work environment by recognizing diversity	○ 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 a culture where all employees can be excited (“WakuWaku”) ● Promote women's empowerment [Female manager ratio: 6% or more by FY2025 (FY2024: 5.0%)] ● Promote LGBTQ understanding ● Make the Ikuboss declaration and join the Ikuboss Corporate Alliance [Ratio of male childcare leave takers: 100% by FY2025 (FY2024: 92.5%)] ● 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.), Salon (dialogue with mid-level and young employees, etc.), and Roundtable discussion (a place where opinions can be freely exchanged regardless of rank) ● Create a work environment where employees with disabilities can work [Employment rate of people with disabilities: 2.7% or more by FY2026 (2.5% as of June 1, 2025)]	→ P45 Diversity, equity & inclusion (DEI) → P46 Work Style Reform → P47 Health and Productivity Management
	RM	Conduct the risk management thoroughly by strengthening the Guardian function	○ 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	● 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	→ P55 Risk Management
G	TM	Implement challenge-oriented and transparent management	○ Improved corporate value through the gaining of stakeholder trust ● Decline in corporate credibility and value due to corporate governance failure	● Promote WakuWaku management Put the spotlight on each employee to create a strong framework for “One Team” with a focus on profits, inspiring WakuWaku feeling from all stakeholders ● Diversify directors [Raise the female ratio to 30% or more (22.2% as of June 20, 2025)] [Ratio of independent outside directors: 1/3 or more of the Board of Directors (3/9 as of June 20, 2025)] ● Enhance disclosure of non-financial information and corporate governance ● Enhance dialogue with shareholders, investors, employees, and other stakeholders ● Strengthen sustainability management	→ P5-6 Management Policy and Management Approach → P49 Corporate Governance

Recognition of the future business environment

- Although the U.S. withdrawal from the Paris Agreement may have an impact on the international alignment and pace of progress toward decarbonization, the global trend toward carbon neutrality to realize a sustainable society is expected to remain unchanged.
- In today's society with a declining birthrate and an aging population, the shrinking labor force and the increasing burden of medical and nursing care are becoming serious issues. Therefore, it is becoming increasingly important not only to extend lifespans, but also to improve QOL so that all people, including the elderly, can live healthy and fulfilling lives both physically and mentally.
- As globalization and technological innovation accelerate, values, work styles, and customer needs are becoming increasingly diverse. We recognize that it will be difficult to achieve sustainable growth with traditional uniform organizations and ways of thinking. By actively incorporating diverse human resources and perspectives, we can respond flexibly to change and continue to create innovation, which will become the source of our corporate competitiveness.
- Recent quality fraud issues have led to increasingly strict public scrutiny of companies. Moreover, society and the market are changing rapidly, and unpredictable risks are expected to increase. Therefore, strengthening risk management systems and corporate governance will continue to be essential, and companies are asked to disclose corporate information appropriately 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, 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.