

Materiality (Key Issues)

With “Boundless Creativity and Social Contribution” as our Company Creed, we aim to contribute to the realization of a sustainable society through our growth by achieving both social value and economic value. In order to realize the vision for the Company and the delivered value set forth in the 2030 Business Plan, we have designated and worked on several key areas as “materiality” where we can make a particular contribution from among various social issues, such as social forecasts and SDGs, taking into consideration the changing business environment.

Materiality Identification Process

1 Selection of materiality candidates

Selection of issues to be considered (59 items) by sustainability implementation members with reference to social issues, market and social trends, GRI standards, SDGs, and the materiality of other companies etc.

2 Evaluation and analysis of materiality candidates

Analysis and evaluation based on our materiality (management philosophy, management capital, interaction with competitive advantages and strengths, etc.) and the materiality of our stakeholders (contribution to social issues, promotion of ESG activities, etc.)

3 Assessment of appropriateness by management

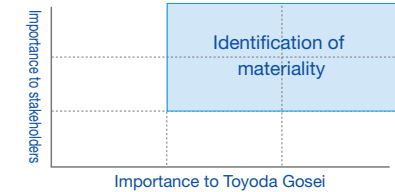
Interviews with outside directors, executives, and investors on identified material issues to evaluate the appropriateness of materiality

4 Identification of materiality

Selection of priority topics to be addressed through deliberations by the Management Council

5 Review

Review of initiatives linked to corporate policies, confirmation at Sustainability Council, and periodic review of materiality



Business Operations	Social Issues/Megatrends	Opportunities and Risks	Timeframe			Corporate Impact	
			Short	Medium	Long	Positive (Opportunities)	Negative (Risks)
Business Operations	<ul style="list-style-type: none"> Achieving both innovations in automotive technology (electrification and intelligence) and a safer mobility society Changes in company competitiveness due to accelerating digital/IT transformation 	Expansion of CASE (BEV/FCEV) market	Strategic market entry of new technologies and products driven by BEV adoption (OEM and supply chain evolution)			● ● ●	↑↑ ↓↓
			Expansion of BEV-leading markets and the rise of BEV-leading OEMs (shifts in market and power dynamics)			● ● ●	↑ ↓↓
			Increased demand for environmentally friendly HEVs and PHEVs			● ● ●	↑↑↑ ↓↓
			Expansion of FCEV market			● ● ●	↑↑↑↑
			Advancement of technology for preventing traffic accidents			● ● ●	↑↑↑
			Reduced demand for fuel system components			● ● ●	↓ ↓↓
	Expansion of MaaS market	Changes in user values on vehicle and vehicle usage (development of transportation infrastructure, demand for a more comfortable cabin environment)			● ● ●	↑↑	↓ ↓↓
		Automotive market expansion due to infrastructure improvements and laws and regulations in emerging countries			● ● ●	↑↑↑	
	Accelerate adoption of digitalization, IoT, and DX	Optimization from production to delivery (real-time monitoring, predictive maintenance, automation, etc.)			● ● ●	↑↑↑	
					● ● ●	↑↑↑	
Management Base	<ul style="list-style-type: none"> Increasingly serious problems in the global environment Business transformation due to climate change and resource shortages (tighter regulations) 	Environment and resources	Market expansion in new fields through green technology* and green transformation			● ● ●	↑↑↑ ↓↓
			Change in competitiveness due to adoption of carbon pricing			● ● ●	↑↑↑ ↓↓
			Full utilization of rubber and plastic materials and development of materials (recycled materials, lighter weight, material replacement, and new materials)			● ● ●	↑↑↑ ↓↓
			Large-scale disasters due to extreme weather conditions			● ● ●	↑↑↑ ↓↓
			Promotion of energy efficiency and renewable energy (reducing energy costs, GHG emissions)			● ● ●	↑↑↑
	<ul style="list-style-type: none"> Demographic changes (declining birthrate and aging population) Changing values and diversifying work styles 	Human capital	DE&I promotion for diversification of thinking, skills, and experience			● ● ●	↑↑↑
			Human resource portfolios for efficient use of human capital			● ● ●	↑↑↑
			Rising labor costs, hiring difficulties			● ● ●	↓ ↓↓
	<ul style="list-style-type: none"> BCP risks Rising geopolitical risks 	Supply chain	Fluctuations in production, disrupted supply chains, and human casualties due to escalating national/regional conflicts, infectious diseases, and natural disasters			● ● ●	↑↑ ↓↓
			Shortages and rising costs of parts and raw materials, along with increasing logistics costs			● ● ●	↓ ↓↓
			Serious quality issues and recalls			(●) (●) (●)	↓ ↓↓
	Governance	Governance	Cyberattacks and scam emails			(●) (●) (●)	↓ ↓↓
			Leakage of confidential information			(●) (●) (●)	↓ ↓↓
			Antitrust law violations (bid rigging and cartels)			(●) (●) (●)	↓ ↓↓









* Green technology:
Technologies and products that solve or mitigate environmental problems (e.g., technologies and products that contribute to more lightweight designs and decarbonization)

Short term: Within 3 years
Medium term: Up to 2029
Long term: After 2030

↑: Positive impact
↓: Negative impact

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	Key Sustainability Issues (Materiality)	Main Initiatives (Social Issues/Opportunities and Risks to Be Addressed)	KPIs and Medium- to Long-term Targets (FY2030)	Relevant SDGs Most Important Areas
Business Operations	<ul style="list-style-type: none"> Responding to the changing nature of cars Reducing traffic fatalities for realizing a safer and more comfortable mobility society 	<ul style="list-style-type: none"> Development of new products for BEVs Expanding sales to BEV leading markets and OEMs 	<ul style="list-style-type: none"> BEV-related share of revenue: 40% Target Setting Formula BEV production volume/Car production volume * Based on S&P Global Information 	 <p>Achieving a safer and more comfortable mobility society</p>
	<ul style="list-style-type: none"> Creating new businesses utilizing core technologies 	<ul style="list-style-type: none"> Expanding new businesses by leveraging experience in new business development Deployment of corporate venture capital Business innovation through the promotion of digitalization 	<ul style="list-style-type: none"> Based on cash allocation (Allocating funds mainly for R&D, human resources, and strategic investments with the aim of expanding fields that contribute to safety, comfort, and decarbonization) 	 <p>Solving social issues by creating innovations</p>
	<ul style="list-style-type: none"> Creating a decarbonized society by reducing CO₂ and greenhouse gas emissions Creating a recycling-oriented society through waste reduction and water risk reduction 	<ul style="list-style-type: none"> Creating environmentally-friendly businesses by leveraging our knowledge in the rubber and plastics fields Globally integrated operations to achieve carbon neutrality Contribution to a recycling-oriented society (Car-to-car recycling) 	<ul style="list-style-type: none"> Scopes 1 and 2: Carbon neutral Scope 3: -27.5% (compared to 2019) Renewable energy adoption rate: 100% Waste volume (total) (non-consolidated): -50% (compared to 2012) Waste volume (unit) (overseas): -55% (compared to 2015) Development of technology for more lightweight designs: -5.0 kg or more per unit Utilization of recycled rubber (non-consolidated): 1,200 tons/year of commercial production 	   <p>Realizing a decarbonized, recycling-oriented society</p>
Management Base	<ul style="list-style-type: none"> Living together with local communities Use of diverse human resources and respect for human rights 	<ul style="list-style-type: none"> Initiatives rooted in local communities (local self-reliant management, Center of Excellence) Diversity, equity & inclusion Safety and health management Enhancing quality and supply chain to support sustainability management Responding to geopolitical and economic risks 	<ul style="list-style-type: none"> Percentage of employees receiving training on human rights: 100% Employee engagement affirmation rate (non-consolidated): 75% Ratio of national staff in executive positions (vice presidents and above) at overseas locations: 60% or more Number (ratio) of female managers (non-consolidated): 100 (8.8%) Ratio of mid-career hires in management positions (non-consolidated): 30% or more Number of serious accidents: 0 Percentage of suppliers implementing sustainability activities: 100% Talent portfolio: Fulfillment rate of 15 required talent types (non-consolidated): 100% Number of people trained in citizen development (non-consolidated): 2000 (cumulative) "Health Challenge 8" average score* (non-consolidated): 6.1 * Average scores for healthy weight, exercise, alcohol consumption, abstaining from smoking, eating breakfast, snacking, sleep, and stress 	  <p>Sustainable growth through diverse workforce</p>
	<ul style="list-style-type: none"> Corporate governance as a company with integrity Ensuring compliance 	<ul style="list-style-type: none"> Enhancing of BCP resilience Enhancing of internal controls 	<ul style="list-style-type: none"> Number of major legal violations: 0 Major cyber security incidents: 0 	 <p>Fair and transparent corporate governance system</p>