

# 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

### STEP 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.

### STEP 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.)

### STEP 3 Assessment of appropriateness by management

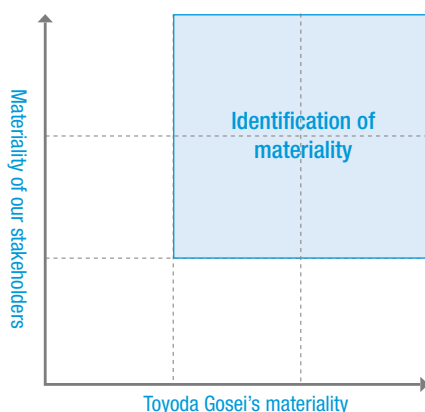
Interviews with outside directors, executives, and investors on identified material issues, including identification processes, to evaluate the appropriateness of materiality

### STEP 4 Identification of materiality

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


### STEP 5 Review

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



Business Operations

Management Base

Social Issues/Megatrends		
	<ul style="list-style-type: none"> <li>Provide both innovations in automotive technology (electrification and intelligence) and a safer mobility society</li> <li>Changes in company competitiveness with accelerating digital/IT transformation</li> </ul>	Expansion of CASE (BEV/FCEV) market Expansion of MaaS market Market changes Accelerate adoption of digitalization, IoT, and DX
	<ul style="list-style-type: none"> <li>Increasingly serious problems in the global environment</li> <li>Business transformation due to climate change and resource shortages (tightening of regulations)</li> </ul>	Environment and resources
	<ul style="list-style-type: none"> <li>Demographic changes (declining birthrate and aging population)</li> <li>Changing values and diversifying work styles</li> </ul>	Human capital
	<ul style="list-style-type: none"> <li>BCP risks</li> <li>Rising geopolitical risks</li> </ul>	Supply chain Governance

Opportunities and Risks	Time of occurrence			Corporate impact	
	Short-term	Medium-term	Long-term	Positive (Opportunities)	Negative (Risks)
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		●	●		↓↓
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	●	●	●	↑↑↑	
Optimization from production to delivery (real-time monitoring, predictive maintenance, automation, etc.)	●	●	●	↑↑↑	
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)	●	●	●	↑↑↑	
DE&I promotion for diversification of thinking, skills, and experience	●	●	●	↑↑↑	
Human resource portfolios for efficient use of human capital	●	●	●	↑↑↑	
Rising labor costs, hiring difficulties	●	●	●		↓↓
Production impact, supply chain disruptions, and human casualties due to geopolitical risks, infectious diseases and disasters	●	●	●	↑↑	↓↓↓
Shortages and rising costs of parts and raw materials, along with increasing logistics costs	●	●	●		↓↓↓
Serious quality issues and recalls	(●)	(●)	(●)		↓↓↓
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 (until 2029),  
long-term (after 2030)

↑ : Positive impact,  
↓ : Negative impact

# Materiality (Key Issues)

	Social Issues/ Megatrends	Key Sustainability Issues (Materiality)	Main Initiatives (Social Issues/ Opportunities and Risks to Be Addressed)
Business Operations		<ul style="list-style-type: none"> <li>Responding to the transformation of the automobiles</li> <li>Reducing traffic fatalities for realizing a safer and comfortable mobility society</li> </ul>	<ul style="list-style-type: none"> <li>Development of new products for BEVs</li> <li>Expanding sales to BEV leading markets and OEMs</li> </ul>
		<ul style="list-style-type: none"> <li>Creating new businesses utilizing core technologies</li> </ul>	<ul style="list-style-type: none"> <li>Development and sales expansion of airbag products to deliver safety and comfort to all</li> <li>Expanding new businesses by leveraging experience in new business development</li> <li>Deployment of corporate venture capital</li> <li>Business innovation through the promotion of digitalization</li> </ul>
Management Base		<ul style="list-style-type: none"> <li>Creating a decarbonized society by reducing CO<sub>2</sub> emissions and greenhouse gas emissions</li> <li>Creating a recycling-oriented society through waste reduction and water risk reduction</li> </ul>	<ul style="list-style-type: none"> <li>Creating environmentally-friendly businesses by leveraging our knowledge in the rubber and plastics fields</li> <li>Globally integrated operations to achieve carbon neutrality</li> <li>Contribution to a recycling-oriented society (Car to Car recycling)</li> </ul>
		<ul style="list-style-type: none"> <li>Living together with local communities</li> <li>Use of diverse human resources and respect for human rights</li> </ul>	<ul style="list-style-type: none"> <li>Initiatives rooted in local communities (local self-reliant management, Center of Excellence)</li> <li>Diversity, equity &amp; inclusion</li> <li>Safety and health management</li> <li>Enhancing quality and supply chain to support sustainability management</li> <li>Responding to geopolitical and economic risks</li> </ul>
		<ul style="list-style-type: none"> <li>Corporate governance as a company with integrity</li> <li>Ensuring compliance</li> </ul>	<ul style="list-style-type: none"> <li>Enhancing of BCP resilience</li> <li>Enhancing of internal controls</li> </ul>

## KPIs and Medium- to Long-term Targets (FY2030)

- BEV-related share of revenue: 40%
- Target Setting Formula  
BEV production volume/Car production volume  
\* Based on S&P Global Information

- Airbag production volume: +1.5 fold increase (compared to 2022)

- 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)

- 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)

- 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%

- Number of major legal violations: 0
- Major cyber security incidents: 0

Relevant SDGs  
Most Important Areas

Achieving a safer and more comfortable mobility society



Solving social issues by creating innovations



Realization of a decarbonized, recycling-oriented society



Sustainable growth through diverse workforce



Fair and transparent corporate governance system