

# Materiality and KPIs

Materiality means issues that a company should focus on, identified from among a wide range of CSR activities. While the Lintec Group identified its materiality in 2014, the Group has reviewed the related themes in light of ever changing social issues, and through a series of dialogues with stakeholders. We incorporated the long-term

vision, LINTEC SUSTAINABILITY VISION 2030, launched in April 2021, as well as the perspective of SDGs, into our new materiality focus and set key performance indicators (KPIs)\*1. We will work on the newly identified materiality themes and promote related activities across the Lintec Group.

	Materiality	Risks related to materiality	Opportunities related to materiality
Overall business	Contribution through business	<ul style="list-style-type: none"> <li>Risks in raw material procurement and distribution</li> <li>Loss of business opportunities due to delay in technological innovation</li> </ul>	<ul style="list-style-type: none"> <li>Creation of new products with the introduction of new innovative production equipment and new manufacturing processes pursuing cost reduction</li> <li>Creation of new products and business and diversification of business due to technological innovation</li> <li>Improved efficiency and accuracy in R&amp;D and improved inspection system and technology due to DX</li> </ul>
	Contribution to a sustainable global environment	<ul style="list-style-type: none"> <li>Increased investment costs for becoming environmentally friendly</li> <li>Impact on procurement, including costs with high dependence on chemicals and petrochemical raw materials</li> <li>Decrease in usable raw materials due to tightening of environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>Development of a smart factory that is self-sufficient in terms of electricity, etc.</li> <li>Expanded market with the provision of environment-friendly products and services</li> <li>Conversion from petrochemical raw materials to biomass materials</li> <li>Acceleration of search for and conversion to substitutes and promotion of development of raw materials based on unique recipes</li> <li>Product development using raw materials in the positive list</li> </ul>
Society	Respect for human rights	<ul style="list-style-type: none"> <li>Suspension of business or payment of monetary compensation due to human rights considerations in supply chains</li> <li>Loss of opportunity to secure excellent global human resources and loss of such resources</li> <li>Fall in labor productivity and loss of human resources</li> </ul>	<ul style="list-style-type: none"> <li>Higher employee awareness and recognition of contributions made to the development of a sustainable world due to penetration of corporate culture</li> <li>Enhanced employee motivation due to the development of safe and secure workplace environments</li> <li>Multifaceted business decisions made by diverse teams</li> </ul>
	Enhanced value chain management	<ul style="list-style-type: none"> <li>Loss of trust from customers due to a lack of proper quality control</li> </ul>	<ul style="list-style-type: none"> <li>Safe and secure business activities due to proper information gathering and system development</li> </ul>
	Better communication with stakeholders	<ul style="list-style-type: none"> <li>Loss of trust from local communities due to a lack of communication</li> <li>Damage to corporate reputation due to failure to provide full information disclosure (reputation risk)</li> </ul>	<ul style="list-style-type: none"> <li>Co-existence and co-prosperity with local communities</li> <li>Incorporation of issues recognized by stakeholders into business activities</li> </ul>
Governance	Promotion of governance across the entire Group	<ul style="list-style-type: none"> <li>Impact on business due to failure to make business decisions from an objective perspective</li> <li>Impact on corporate activities due to a lack of governance over group companies outside Japan</li> <li>Damage to corporate value due to a compliance violation</li> </ul>	<ul style="list-style-type: none"> <li>Business expansion due to good business decisions</li> <li>Prevention of illegal, fraudulent, or unjust acts due to an improved internal control system</li> <li>Improved stakeholder credibility and satisfaction</li> </ul>

\*1 Key performance indicators (KPIs): KPIs are important indicators related to organizational strategies, and quantitatively measure progress toward targets.

## Process of reviewing materiality\*



Issues to work on	KPI	Related SDGs
	Key items	
<ul style="list-style-type: none"> <li>● Strengthening of corporate structure through innovation</li> <li>● Creation of new products and businesses for sustainable growth</li> </ul>	<ul style="list-style-type: none"> <li>● Percentage of developed products in sales (20% by 2030)</li> <li>● Number of patent applications/patents held</li> </ul>	
<ul style="list-style-type: none"> <li>● Response to climate change</li> <li>● Realization of a recycling-oriented world</li> <li>● Sustainable procurement of raw materials</li> <li>● Preservation of biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>● Reduction in CO<sub>2</sub> emissions</li> <li>● Landfill disposal rate</li> <li>● Response rate of raw material supplier survey</li> </ul>	
<ul style="list-style-type: none"> <li>● Human rights due diligence</li> <li>● Ensuring occupational health and safety</li> <li>● Promotion of diversity</li> <li>● Promotion of work style reform initiatives</li> </ul>	<ul style="list-style-type: none"> <li>● Number of consultations regarding harassment</li> <li>● Occupational accident frequency rate</li> <li>● Occupational accident severity rate</li> <li>● Percentage of female employees</li> <li>● Percentage of childcare leave taken by male employees</li> </ul>	
<ul style="list-style-type: none"> <li>● Comprehensive customer-first approach</li> <li>● Improvement in terms of quality, cost, and customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>● Number of responses to CSR survey</li> <li>● Percentage of quality incidents</li> </ul>	
<ul style="list-style-type: none"> <li>● Harmonious co-existence with local communities</li> </ul>	<ul style="list-style-type: none"> <li>● Number of site tours offered</li> </ul>	
<ul style="list-style-type: none"> <li>● Organizational governance</li> <li>● Fair business activities</li> </ul>	<ul style="list-style-type: none"> <li>● Attendance at Board of Directors meetings</li> <li>● Attendance at Audit and Supervisory Committee meetings</li> <li>● Periodic publication of Legal News</li> </ul>	

\*2 ESG: See page 1.