

Taikisha's Materiality

Taikisha believes it is important to determine, assess and verify "materiality" in terms of "material matters" at the management level that should be addressed as a matter of priority, and run the PDCA cycle for CSR activities without fail.

Review of Materiality

In consideration of changes in society that have taken place since the determination of "materiality" in June 2017, Taikisha conducted a materiality assessment afresh in view of both sustainability of society (i.e., stakeholders' expectations) and sustainability of Taikisha (i.e., the extent of the impact on long-term growth).

This time, the top management played a central role in reviewing materiality, following discussion and confirmation of appropriateness (based on a questionnaire survey) by members of the Board of Directors.

The key focus of discussions was "shifting from CSR materiality to management materiality," and the biggest objective was to "build a business model that would enable the realization of sustained value creation" by envisioning Taikisha in its ideal form from a long-term perspective and its roadmap/direction to realize it.

Key aspects of the latest review

- (1) **Internal viewpoint: Made members of the Board of Directors' understanding visible**
Members of the Board of Directors' understanding of material management issues at present were made visible based on discussions of Directors and Audit & Supervisory Board Members.
- (2) **Viewpoint based on external yardstick: Added economic value aspect to list of candidate material issues**
ESG factors were added to the list of candidate material issues from the viewpoint of corporate value by taking financial impact into account as well, not just ESG factors related to social responsibility.
- (3) **Viewpoint of the post-COVID-19 world: Factors based on a "vision of the post-COVID-19 world" were added as a long-term point of view that will be required especially due to dramatic changes.**

● Evolution of Materiality at Taikisha

From 2017 To present

CSR materiality

Started as materiality for seeking higher corporate value at the same time as well as fulfilling corporate social responsibility

From 2020 In the present

Materiality based on a vision of Taikisha in its ideal form from a long-term perspective

Seek materiality in "building a business model that enables the realization of sustained value creation," review materiality, hold ongoing discussions at the management level including Directors, sort the

From 2020 Into the future

relationship among material issues that have been determined, and consider setting key performance indicators (KPIs), etc.

Materiality Determination Process

Taikisha specified the candidate material issues by broadly taking into consideration the International Integrated Reporting Framework, the viewpoint of Socially Responsible Investment (SRI), global risks, Sustainable Development Goals (SDGs) and other new issues surrounding sustainability, in addition to various conventional frameworks and guidelines related to social responsibility from an all-encompassing viewpoint.

Taikisha quantified and visualized weighting from its clients' perspectives based on the materiality to its major clients, in addition to weighting as recognized by society in general based on external frameworks and guidelines in terms of weighting evaluation by external standards.

Formulation of a list of candidates (selection of issues)

Materiality assessment (at two levels, i.e., viewpoint of external stakeholders and viewpoint in terms of impact on business)

Confirmation of appropriateness and discussion

Determination (updating)

Comments by Directors and Audit & Supervisory Board Members (excerpt)

- It is important to have the viewpoint of effectively utilizing current management resources for the future, in order to realize the Corporate Philosophy of "Establish a company which can continuously grow and contribute to society."
- Priority issues for Taikisha should be specified in consideration of importance based on external standards and from clients' point of view. For example, SDGs, ESG and other such matters that are highly required by society need to be adopted further.
- Items that are important but too obvious and items that are already deemed important may not be pointed out deliberately, but it is those defensive (foundational) factors that make it possible to go on the offensive (growth factors). What about treating it as a two-story building, in which growth factors are stacked on top of the foundation?
- We should aim at making a unique, convincing and spearheading commitment in terms of the "next-generation business model."
- Amid the ever-growing awareness of global environmental problems, if Taikisha includes initiatives related to energy, air and water into its list of material issues as "progressive concepts in business domains" that go beyond "social contribution efforts," it should help Taikisha gain an advantage.

New Materiality Scheme

Taikisha determined eight material issues that leverage its strengths and DNA to build a business model that would enable the "realization of sustained value creation" by dividing them into: (1) items directly related to management and business strategies; and (2) items that create social value. Additionally, Taikisha sorted items that are indispensable for realizing them into (3) "management infrastructure."

<Direction sought> Build a business model that enables the "realization of sustained value creation."

1

- **Enhancement of technological competitiveness and ability to innovate**
Enhance technological competitiveness and the ability to innovate, which are the sources of corporate competitiveness and customer satisfaction and also serve as the driving force for creating new businesses.
- **Initiatives for global social issues**
Strategically adopt such initiatives as opportunities to create new businesses such as ESG and enhance the business model.
- **Digital innovation and productivity improvement**
Introduce and utilize technology as a business and as part of efforts to improve labor productivity (promotion of work style reform).

2

Creation of social value in each ESG domain

Environment (E)

- **Climate change mitigation and adaptation**
Take a two-pronged approach: "mitigation," which involves taking measures to reduce and absorb greenhouse gas emissions; and "adaptation," which involves making preparations to prevent and alleviate the impact of climate change that is already occurring and using the new climate conditions.
- **Initiatives to prevent pollution and reduce environmental impact**
Prevent air pollution, manage chemical substances, etc.

Social (S)

- **Securing and developing human resources**
Secure, retain and develop capable human resources that create value (innovation) and support competitiveness.
- **Creation of pleasant working environment**
Make improvements in terms of diversity, a wide range of flexible work styles, work-life balance, job satisfaction and employee satisfaction.

Governance (G)

- **Highly effective corporate governance**
A mechanism of corporate governance to prevent impairment of brand value and financial losses, steadily execute strategies for fulfilling own business model and increase corporate value in a sustained manner.



3

"Management infrastructure" indispensable for realizing sustained value creation
Foundation that needs to be developed in view of the sustainability of the business model.

- Compliance
- Risk management
- Quality/safety
- Information security
- Contributions to community

Main SDGs to which the Taikisha Group contributes through its businesses

The Taikisha Group upholds Sustainable Development Goals (SDGs), which are common goals being tackled by the world as a whole to realize a sustainable society. Taikisha is engaging in initiatives to achieve SDGs, focusing on goals that have a stronger connection to its businesses.

