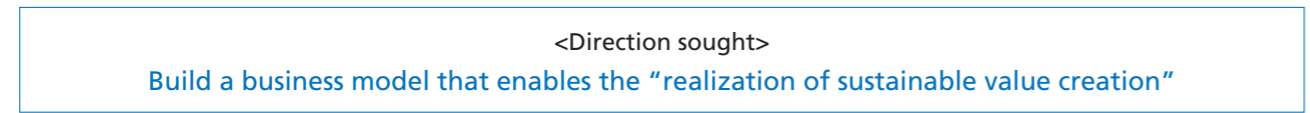# Materiality

Taikisha identifies material issues as important issues that should be prioritized in its management.
Taikisha determined eight material issues that leverage its strengths and DNA to build a business model that would enable the "realization of sustainable 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 five items that are indispensable for realizing them into (3) "management infrastructure." We conduct evaluation and verification based on the above, aiming to resolve social issues and achieve sustainable growth.
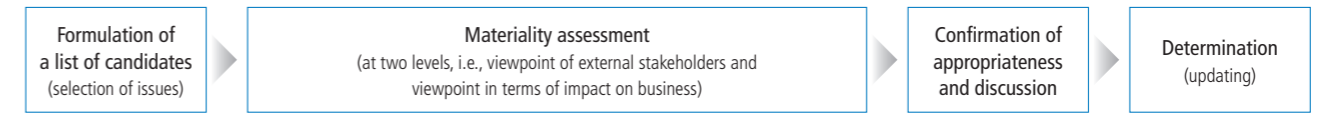
Materiality determination process

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.

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

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)

Category	Materiality		Risk and opportunity	Vision
Management and business strategy	**Enhancement of technological competitiveness and ability to innovate**	Risk	• As technological innovation advances, existing technologies and business models become obsolete • Loss of competitive advantage due to entry by other industries	Enhance technological competitiveness and the ability to create innovation, which are the sources of corporate competitiveness and customer satisfaction and also serve as the driving force for creating new businesses.
		Opportunity	• Differentiate us from competitors and enhancement of corporate value by providing innovative technologies and services • Expand co-creation opportunities with partner companies	
	Initiatives for global social issues	Risk	• Decreased ability to create innovation and delayed response to new markets	Strategically incorporate ESGs and other social issues as opportunities to create new businesses and enhance the business model.
		Opportunity	• Pursue sustainability and increase profits by addressing social issues as a core business • Create new businesses based on solving social issues	
	Digital innovation and productivity improvement	Risk	• Decline in corporate competitiveness due to delays in responding to digital technologies	Reform the business model and improve labor productivity through the use of digital technologies.
		Opportunity	• Create new value through digital application, etc. • Promote improved productivity and operational efficiency through DX promotion	
Environment (E)	**Climate change mitigation and adaptation**	Risk	• Increased costs associated with implementing and changing policies and laws and regulations, including the introduction of a carbon tax, and strategic review • Loss of business opportunities due to delays in responding to changes in customer behavior due to climate change	To address the challenges of climate change, tackle it from the two points of "mitigation," to reduce and absorb greenhouse gas emissions, and "adaptation," to prepare for damage from climate change.
		Opportunity	• Increasing business opportunities due to the growing need for low carbon and decarbonization • Create new businesses by contributing to climate change issues	
	Initiatives to prevent pollution and reduce environmental impact	Risk	• Deterioration of the natural environment and adverse effects on human health due to hazardous chemical substances, air pollution, etc.	Work to reduce and remove VOCs and other air pollutants and make them harmless by using unique exhaust treatment technology.
		Opportunity	• Respond to air pollution prevention and environmental impact reduction needs	
Social (S)	**Securing and developing human resources**	Risk	• Outflow of human resources due to intensifying competition for talent • Lack of human resources that can create innovation	Secure, retain and develop capable human resources that create value (innovation) and support our competitiveness.
		Opportunity	• Expand human capital by securing and developing talented human resources • Lead to the creation of new businesses and the provision of innovative services	
	Creation of pleasant working environment	Risk	• Poor response leads to loss of talent, stagnation and decrease of employee engagement, and decrease in labor productivity • Loss of business opportunities	Aim to improve diversity, work-life balance, and job/employee satisfaction, while introducing a wide range of flexible work styles.
		Opportunity	• Raise labor productivity, improve health and motivation, and enhance responsiveness to changes and business opportunities	
Governance (G)	**Highly effective corporate governance**	Risk	• Decline in social trust • Business continuity risks associated with corporate governance malfunctions	Prevent impairment of brand value and financial losses, steadily execute strategies for fulfilling own business model to increase corporate value in a sustained manner.
		Opportunity	• Gain trust from capital markets • Appropriately respond to changes and establish a stable growth foundation	

Connection with strategies	Major initiatives	Relevance to SDGs
[Core business] [Green Technology] Business development that continues to create added value and strengthen Taikisha, the technology company [Paint Finishing] Development with an awareness of global social issues [General] Improve business operation systems and productivity [Creating new value] Intellectual property strategy R&D/open innovation Creation of new businesses [Management base] Developing/securing human capital Digital strategies to provide new value	• Focus on the industrial HVAC field where we can demonstrate our advanced technology. Strengthen customer connectivity and actively keep pace with customers' technological innovation in their production processes. • Identify customer needs and engage in joint development by utilizing the new Research and Development Center and the R&D Satellite • Promote innovative technology development through integration with academic institutions/start-up companies • Promote the acquisition of technologies and development of products that can contribute to the transformation of customers' painting processes, such as the development of dry decoration technologies • Expand areas of automation business by utilizing robot control technology and know-how • Pursue technologies required by SDGs/Society 5.0 • Expand orders from non-Japanese customers • Diversification of technologies to meet the needs of non-Japanese companies • Business development rooted in local communities utilizing overseas networks • Establish a development structure linked to overseas bases • Digitalization and DX of business operation to improve ease of work • Implement BIM and various on-site management support tools • Remote and automated on-site operations through digitalization of business processes	
[Core business] [Green Technology] Business development that continues to create added value [Paint Finishing] Rebuilding customer portfolio, development with an awareness of global social issues [Creating new value] R&D/open innovation for the creation of new business	• Initiatives to reduce GHG emissions • Promote energy savings by mini-environmental control of HVAC equipment (small-scale environmental control) • Downsize facilities through the improvement of coating efficiency and development of energy-saving technologies to achieve carbon neutrality • Develop and examine equipment with low environmental impact, such as the introduction of hydrogen fuel burners • Conduct scenario analysis based on TCFD and respond to risks and opportunities • Direct Air Capture (DAC) of CO_2 using exhaust gas treatment technology, use in plant growth, etc. • Develop new water treatment and generation technologies (such as MOF) from the viewpoint of maintenance and effective use of water resources • Reduce waste in construction sites, and manage chemicals appropriately	
[Core business] Improve business operation systems and productivity [Management base] Developing/securing human capital Digital strategies to provide new value	• Develop knowledgeable and experienced professionals • Systematically develop human resource value (management and professional human resources) • Design global educational programs • Support for career advancement and acquisition of certifications • Promote health management • Promote work style reform • Create an organizational culture that fosters innovation • Improve employee engagement • Optimize human resources by reviewing the project management structure • Improve the labor environment by promoting equalization of work volume and productivity improvement	
[Management base] Strengthen the Group governance structure	• Strengthen the corporate governance structure • Business portfolio management based on capital costs • Enhance the effectiveness of the board of directors and auditing functions of affiliated companies • Digital strategies to provide new value • Build employee awareness of compliance	

"Management infrastructure" indispensable for realization of sustainable value creation
● Compliance ● Risk management

Foundation that needs to be developed in view of the sustainability of the business model.
● Quality/safety ● Information security ● Contributions to community