

Materiality

Identification of 11 materiality issues (important issues)

The NOF Group has set KPIs and their targets for each issue in order to realize the ideal conditions contained in the NOF VISION 2030. Gaps between target figures and actual results are evaluated, and targets are re-set for the following year and beyond to achieve them.

Process of identifying materiality



We will draw up a list of potential themes by adding new social issues and high-profile issues to the themes considered in the previous process. We will classify and consolidate the themes as materiality factors with reference to various guidelines.

Reference material

- ISO26000
- GRI Standards
- SASB CHEMICALS
- SDGs
- Competitors' materiality issues
- In-house workshops

We will assess the priority levels with which to tackle the materiality factors based on the two axes of “degree of impact on society” and “degree of impact on the company.” We will also add the following elements to our considerations.

- ① Results of evaluation of NOF by ESG rating agencies
- ② ESG-related opinions received from shareholders in the past twelve months
- ③ Perspectives of issues pursued by the NOF Group in the past

After summing up the opinions of the individual divisions that handle the promotion of CSR activities, we will hold discussions at Strategic Meetings, which comprise Operating Officers with a title, and in the Sustainability Committee chaired by the President, and select the important issues. The lead divisions and divisions tasked with handling the important issues will also draft KPIs and numerical targets.

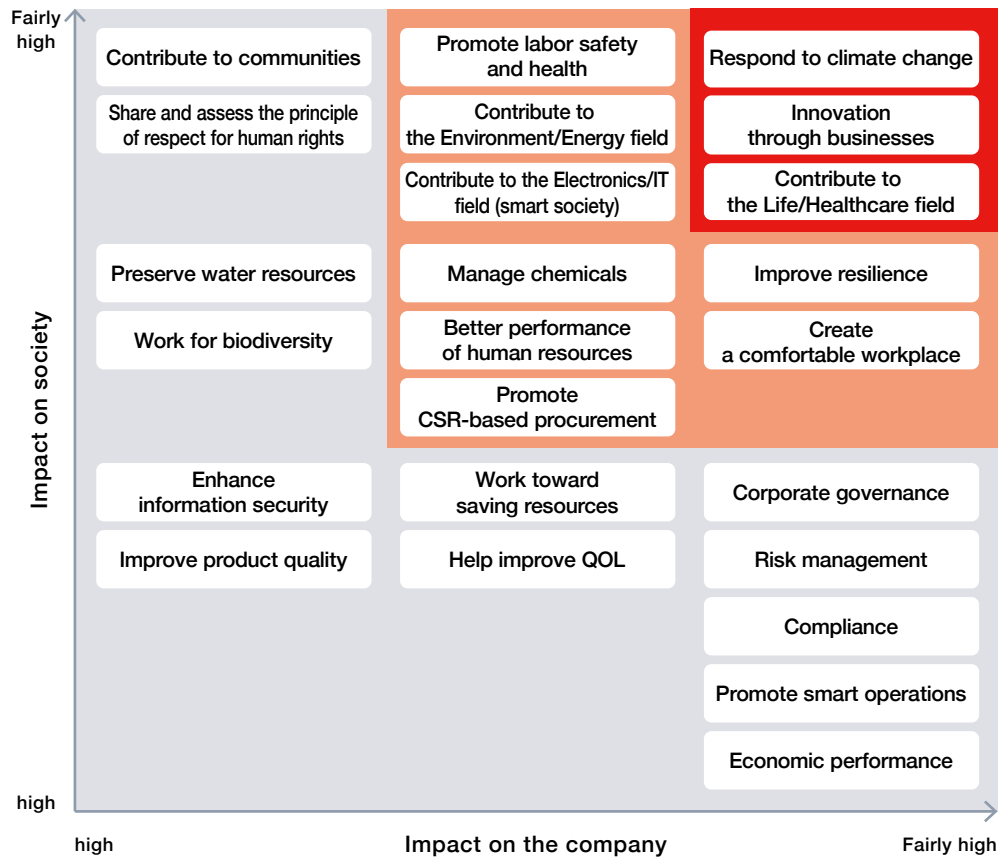
The Board of Directors will approve the important issues. The KPIs and numerical targets of each important issue will be adjusted as required based on the opinions of the Board of Directors. Based on this, the individual divisions will carry out their respective activities.

The important issues will undergo periodic reviews. Each of the important issues will be reviewed annually by following Steps 1-3 while incorporating internal and external stakeholders' opinions.

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Materiality matrix

The 24 materiality factors were mapped according to the two axes of “degree of impact on society” and “degree of impact on the company” to create a materiality matrix. The 11 items shown in the top right domain were identified as materiality issues.



FY2022 review

All Directors and Operating Officers, including Outside Directors, in the Sustainability Committee, which is chaired by the President, participated in conducting the materiality review based on the FY2022 actual results for each materiality issue. Two meetings of the Committee were held to confirm the FY2022 results and set the goals for FY2023. As a result of the review, the following changes were made.

- 1 By directly referring to the materiality issues in the three prioritized business fields as “Contribute to the three prioritized business fields,” we clearly showed the relationship between our corporate vision and the 2025 Mid-Term Management Plan. As for contributions to the Electronics/IT field, due to the broad scope, we added “smart society” in parentheses to clarify the direction we are aiming for.

Three prioritized business fields	Before revision	After revision
Life/Healthcare	Contribute to medicine, medical care and health	Contribute to the Life/Healthcare field
Environment/Energy	Contribute through environmentally-friendly products (reduction of environmental burden)	Contribute to the Environment/Energy field
Electronics/IT	Contribute to smart society	Contribute to the Electronics/IT field (smart society)

- 2 As for the creation of a comfortable workplace and better performance of human resources, we set nine KPIs, compared to the three KPIs before the review.

▶ P.049-050

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Three categories and the main initiatives

The 11 important issues arranged in the Materiality Matrix were divided into three activity categories.

Provide new values to realize a prosperous and sustainable society

Targeting the three prioritized business fields, we will aim to offer new value by combining the core technologies we have cultivated through our diverse business development.



▶ P.044-047

Strengthen the business foundation

As well as building a corporate culture that accepts diversity of values, we will appropriately identify changes in the environment and technological progress and enhance our resilience.



▶ P.048-053

Promote responsible care activities

By securing the environment, safety, and health in all processes, from product development and manufacture to disposal, we will aim to be a corporate group that is trusted by the whole of society.



▶ P.054-067

Provide new values to realize a prosperous and sustainable society

Materiality	FY2022					FY2023			
	Goals (KPIs)	Numerical targets	Target year	Results	Details of major initiatives	Goals (KPI)	Numerical targets	Target year	Details of major initiatives
Innovation through businesses	R&D investment <small>NOF Group</small>	¥21.6 billion (3-year cumulative total)	2022	¥6.6 billion (Cumulative total: ¥18.5 billion)	<ul style="list-style-type: none"> • Call for commissioned industry-academia research • Promotion of joint research • Enhancement of R&D capabilities 	R&D investment <small>NOF Group</small>	¥25.6 billion (3-year cumulative total)	2025	Enhancement of R&D capabilities <ul style="list-style-type: none"> • Call for commissioned industry-academia research • Promotion of joint research • Intellectual property strategy formulation and strategic applications
	Number of patent applications <small>NOF</small>	450 (3-year cumulative total)	2022	175 (Cumulative total: 494)		Number of patent applications <small>NOF</small>	500 (3-year cumulative total)	2025	
Contribute to the Life/Healthcare field <small>NOF Group</small>	Net sales of high-function and high-value added products to the Life/Healthcare field	Up 5% (year-on-year)	Every year	116.6 *If the previous year is 100	• Supply high-function and high-value added products to the Life/Healthcare field	Net sales of strategic products in the Life/Healthcare field	UP 15% (compared to FY2022 results)	2025	• Supply strategic products to the Life/Healthcare field
Contribute to the Environment/Energy field <small>NOF Group</small>	Net sales of high-function and high-value added products to the Environment/Energy field	Up 5% (year-on-year)	Every year	117.2 *If the previous year is 100	• Supply high-function and high-value added products to the Environment/Energy field	Net sales of strategic products in the Environment/Energy field	UP 15% (compared to FY2022 results)	2025	• Supply strategic products to the Environment/Energy field
Contribute to the Electronics/IT field (smart society) <small>NOF Group</small>	Net sales of high-function and high-value added products to the Electronics/IT field	Up 5% (year-on-year)	Every year	120.5 *If the previous year is 100	• Supply high-function and high-value added products to the Electronics/IT field	Net sales of strategic products in the Electronics/IT field	UP 15% (compared to FY2022 results)	2025	• Supply strategic products to the Electronics/IT field

Strengthen the business foundation

Materiality	FY2022					FY2023				
	Goals (KPIs)	Numerical targets	Target year	Results	Details of major initiatives	Goals (KPI)	Numerical targets	Target year	Details of major initiatives	
Creation of comfortable workplace • employee engagement (NOF)	Utilization rate of yearly paid holidays	70% or more	2022	73.4%	<ul style="list-style-type: none"> Promotion of work-life balance Promotion of health-conscious management Support for childcare and nursing care 	Utilization rate of yearly paid holidays	75% or more	2025	<ul style="list-style-type: none"> Promotion of utilization of yearly paid holidays Execution of measures using employee engagement surveys as a starting point 	
	—	—	—	—		—	Overall employee engagement score	50 or more		2025
Better performance of human resources • Human resources development • Diversity (NOF)	—	—	—	—	—	Training costs	Over 2.5-fold (compared with FY2022)	2025	<ul style="list-style-type: none"> Strengthening of the human resources development support system 	
	Percentage of women among career-track hires	30% or more	Every year	36.1% (Entering company in April 2023)	<ul style="list-style-type: none"> Promotion of the active participation of women 	Percentage of women among career-track hires	30% or more	Every year	<ul style="list-style-type: none"> Expansion of hiring of female new graduates recruited for career-track positions Increase of the rate of female management-level employees 	
	—	—	—	—		—	Rate of female management-level employees	Over 3-fold (compared with FY2021)		2030
	Percentage of employees with disabilities	2.30% or more	By March 2023	2.46% (As of the end of March 2023)	<ul style="list-style-type: none"> Promotion of employment of people with disabilities 	Percentage of employees with disabilities	3.0% or more	2030	<ul style="list-style-type: none"> Promotion of employment of people with disabilities Reduction in the pay gap between male and female employees 	
	—	—	—	—		—	Pay gap between male and female full-time employees	75% or more		2030
	—	—	—	—	—	—	Rate of male employees utilizing childcare leave	100%	2030	<ul style="list-style-type: none"> Increase of the rate of male employees utilizing childcare leave
	—	—	—	—	—	—	Rate of hiring of mid-career workers	25% or more	Every year	<ul style="list-style-type: none"> Hiring of mid-career human resources
Promotion of CSR-based procurement (NOF)	Coverage rate of CSR questionnaire (based on value of purchases)	70% or more	2022	84% Cumulative total over 2022	<ul style="list-style-type: none"> Implementation of the CSR questionnaire for business partners 	Coverage rate of CSR questionnaire (based on value of purchases)	85% or more	2025	<ul style="list-style-type: none"> Implementation of the CSR questionnaire for suppliers Review of target suppliers and polishing of interview content 	
	—	—	—	—		—	Improvement requests via interviews with target suppliers in order to firmly establish CSR-based procurement (based on number of companies)	85% or more		2025
Improvement of resilience (NOF Group)	BCP education and training hours	Total of 3,000 hours or more	Every year	Total of 5,200 hours	<ul style="list-style-type: none"> Revision and dissemination of the BCP manual Implementation of BCP training Confirmation of location activities through BCP audits 	BCP education and training hours	Total of 4,000 hours or more	Every year	<ul style="list-style-type: none"> Enhancement of various BCP manuals Improvement of response capabilities through expanded training scenarios Inspection and confirmation of location activities through audits 	

Promote responsible care activities

Materiality	FY2022					FY2023			
	Goals (KPIs)	Numerical targets	Target year	Results	Details of major initiatives	Goals (KPI)	Numerical targets	Target year	Details of major initiatives
Responses to climate change	CO₂ emissions Domestic Group	40% reduction (compared with FY2013)	2030	144,000 tons /year	<ul style="list-style-type: none"> Planning and implementation of greenhouse gas reduction measures Grasp the status of energy management Dissemination of the carbon neutrality policy Purchase of electricity certified to come from non-fossil fuel sources 	CO₂ emissions Domestic Group	40% reduction (compared with FY2013)	2030	<ul style="list-style-type: none"> Promotion of a shift to energy sources with low environmental impact Promotion of introduction of energy-saving facilities Promotion of efficient energy use and visualization
	Carbon neutrality NOF Group	Aim for achievement	2050	20.0% reduction (compared with FY2013)		Carbon neutrality NOF Group	Aim for achievement	2050	
Management of chemicals	Emissions of substances subject to PRTR Act after revision in FY2021 Domestic Group	under 170 tons/year	Every year	148 tons/year	<ul style="list-style-type: none"> Respond to revisions in the PRTR Act and regulations, as well as planning and implementation of reduction measures Implementation of emissions forecasts following the revision Survey of statuses of other companies and NOF 	Emissions of substances subject to PRTR Act after revision in FY2021 Domestic Group	under 170 tons/year	Every year	<ul style="list-style-type: none"> Creation and execution of emission reduction measures Reevaluation of production processes
Promotion of labor safety and health	Number of lost workday-involving accidents Domestic Group	0	Every year	1		<ul style="list-style-type: none"> Enhancement of sensitivity toward danger and thorough enforcement of safety actions <ul style="list-style-type: none"> Provision of occupational safety education and training Strengthening of hazard prediction skills Reduction of disaster risks <ul style="list-style-type: none"> Removal of unsafe behavior and unsafe conditions and strengthening of safety measures 	Number of lost workday-involving accidents Domestic Group	0	Every year