

Risks and Opportunities / Materialities

Amid the enormous changes taking place in the social environment encompassing our Group, we have identified key issues (materialities) that we need to address through efforts prioritized for each area of the ESGs, upon considering the risks and opportunities that impact our sustained growth. Where materialities are concerned, we will promote sustainability management in each ESG area through specifying KPIs by theme and working to make progress toward them, and through improving connectivity with management issues.



Business

The environment surrounding the business



Company Management

The environment surrounding company management



Work Style

How we work
The environment surrounding the working people

Risks and opportunities involved in business activities		Key countermeasures
A decrease in automobiles equipped with internal combustion engines	Risk	Optimize production to improve competitiveness and increase market share Development and sales expansion of EV and alternative fuel products
Growth of EVs	Opportunities	Entry to the EV market by expanding sales of aluminum die-casting products for EVs and diverting our core technologies such as sliding* parts rooted in tribology * the action of moving something by slipping it
Increased demand for automobiles in emerging countries	Opportunities	Strengthening existing businesses and expanding sales opportunities through increased demand
Popularization of AI and IoT	Opportunities	Progress in labor saving of facilities, production innovation and efficiency improvement by promotion of DX
Responding to climate change	Risk Opportunities	Establish new businesses such as bearings for wind power generation, and step-by-step and concrete CO ₂ reductions through energy-saving measures, the use of renewable energy, and the promotion of innovation with the aim of achieving carbon neutrality by 2050
Tighter environmental regulations	Risk Opportunities	Develop new materials that do not contain environmentally hazardous substances, and conduct surveys of the inclusion of environmentally hazardous substances in purchased products
Strengthened ESG and SDGs	Risk Opportunities	Promote sustainability management with enhanced linkage with management issues by identifying materiality and setting KPIs
Strengthened corporate governance	Risk Opportunities	Establish a risk management system in line with the actual business conditions of overseas affiliates and strengthen internal controls, and promotion of human rights due diligence
Compliance Practices	Risk	Reorganize the compliance education system and enhance the whistle blowing and reporting consultation scheme, and thorough dissemination of information
Responding to information security	Risk	Build a backup system and information management system utilizing external data centers, and educate employees Establish in-house CSIRT*, and join the Japan Sea Cert Council * CSIRT: Computer Security Incident Response Team
Risk from natural disasters	Risk	Formulate BCP and implement disaster prevention drills, and purchasing fire, wind, flood, and earthquake insurance
Diversification of human resources	Risk Opportunities	Promotion of recruitment and career recruitment of women and foreign employees
Diversification of work styles and values	Risk Opportunities	Support for remote work, revitalization of communication, and promotion of dynamic organization and work style reform
Improving the safety and health of employees	Risk	Promote health management (raising health awareness, health challenges, smoking cessation measures, etc.), and health and safety activities

Identification of Materialities (Important Issues)

STEP

1 Extraction of issues

From DAIDO METAL GROUP policies and business plans, and matters relating to risks, SDGs, ISO 26000, GRI standards, ESG surveys and benchmarking against other companies, we have extracted 84 issues for the Group that have a significant impact on the economy, the environment, and society.

STEP

2 Evaluation of issues (1)

The order of priority for the Group of these extracted issues was assessed in the context of policies and business strategies such as the management philosophy and the Mid-Term Business Plan, and in conjunction with interviews with the heads of related departments and discussion by related subcommittees. 19 candidates for the important issues were extracted.

STEP

3 Evaluation of issues (2)

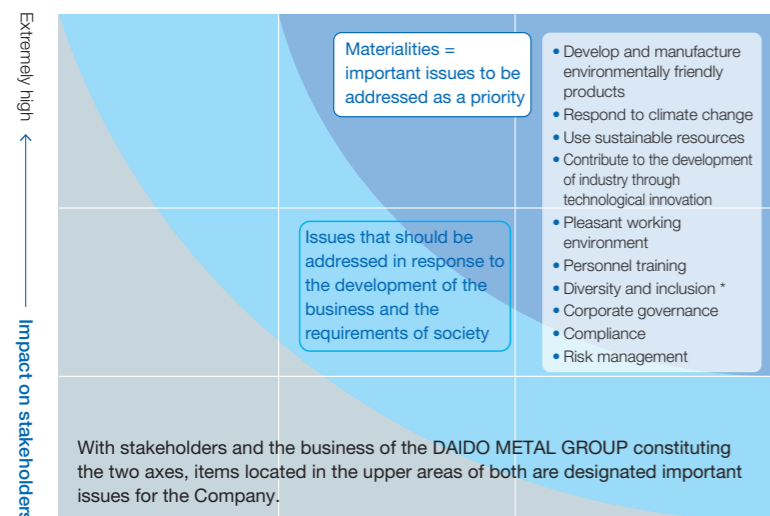
The order of priority for stakeholders of these extracted issues was assessed in the context of international norms, major sources of guidance, analysis of important issues at other companies and an understanding of requests from stakeholders, in conjunction with discussion by related subcommittees.

STEP

4 Identifying issues to be addressed as a priority

As a result of this evaluation 10 important issues were identified. To assess their validity the issues were reviewed by Outside Directors and Outside Audit & Supervisory Board Members, and underwent deliberation by the Sustainability Committee and the Board of Directors before being identified as materialities.

Identification of Materialities Through Evaluation of Issues



* Respecting and recognizing people's individuality and making use of their good points, irrespective of external attributes such as sex, age, disability and nationality, or internal attributes such as lifestyle, career history, and values.

Materialities and KPIs

	Materialities	Contributing SDGs	FY2023 Goal (KPI)	FY2022 Results
E Environment	Develop and manufacture environmentally friendly products	7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMER POLICIES AND PRACTICES	① Development of plain bearings for next-generation wind power generation: Delivered Mass Production Prototypes	① Delivered prototype plain bearings for next-generation wind power generation
			② Provision of bearings for internal combustion engines using fuel produced by carbon recycling and grasping the effects (eg. Hydrogen or biofuels, ammonia, etc.)	② Participation in various projects for practical application such as demonstration running of engines equipped with hydrogen engines
	Respond to climate change	13 CLIMATE ACTION	③ Continued activities to receive orders for DF*-type engine bearings for marine * Dual-fuel engines: Engines capable of switching between liquid and gaseous fuels to reduce environmental impact	③ Increase in orders received: 83 units (FY2021 54 units)
			④ Provision of products that contribute to the environment: Completion of switching to PFOA*-free products * Perfluorooctanoic acid (a type of organofluorine compound)	④ Preparation to apply to switch to PFOA-free products (applying for approval from customers)
Use sustainable resources		① Reduction of energy intensity (CO ₂ intensity): 10% less compared to FY2013 [454.33g-CO ₂ /1,000 yen] (Non Consolidated)	① Target: 9% less compared to FY2013 (Non Consolidated) Actual: 18.8% less [409.74 g-CO ₂ /1,000 yen]	
		① Investigation of the inclusion of substances of concern in purchased products is conducted twice a year	① Conducted twice a year	
S Society	Contribute to the development of industry through technological innovation		① Establishment of manufacturing method for electrode sheets for next-generation storage batteries (FY 2025)	① Delivery of prototype started
	Pleasant working environment	3 GOOD HEALTH AND WELL-BEING	① Certified as an Health and Productivity Management Organization (White 500) (Non Consolidated)	① Certified as Health and Productivity Management Organization 2023
			② Promotion of taking paid leave: Increased to a minimum of 13 days per year (Non Consolidated)	② Minimum annual acquisition 12 days or more (attainment rate 99.6%)
	Personnel training	8 DECENT WORK AND ECONOMIC GROWTH	① Enhancement of training for managers and supervisors: Implementation of training on Harassment Response for Supervisors to Strengthen Field Capabilities	① Implementation of training for group leaders and section managers Theme: Young Employee Development (203 participants, 100% participation rate)
			② Implementation of quality control training for selected employees (off-the job training for six months from each department)	② Implementation of quality control training for 3 people (6 months of education with practical activities)
Diversity and inclusion	11 SUSTAINABLE CITIES AND COMMUNITIES	① Female managers: 7% or more (Non Consolidated)	① 5.7% (FY 2021: 5.3%)	
		② Employment rate for people with disabilities: 2.7% or more (Non Consolidated) (statutory rate for 2023: 2.3%)	② 2.79% (FY2021: 2.71%)	
G Governance	Corporate governance		① Enhancement of functions by implementing Board of Directors effectiveness evaluations	① Implementation of improvement measures based on the results of Board of Directors effectiveness evaluations
			② Execution of executive training: Implementation of Education on sustainability and governance	② Enhancement the Board's ability to address sustainability issues by taking online courses on human rights and sustainability
	Compliance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	① Penetration and activation of the Whistleblowing scheme	① Revision of the Whistleblowing scheme in line with the revision of the Whistleblower Protection Law, and implementation of in-house study sessions to promote the scheme
			② 100% implementation of Code of Conduct comprehension check (Domestic Group companies)	② Implementation rate: 100%
Risk management		① Reduction of deficiencies in internal control (J-SOX) and issues pointed out: Less than 10 cases remaining	① Number of remaining 14 cases (FY2021: 27 cases)	
		② Conducting surveys based on the revised CSR Procurement Guidelines (Non Consolidated)	② Postponement of implementation * Postponement of implementation to FY 2023 by revise CSR procurement guidelines	