

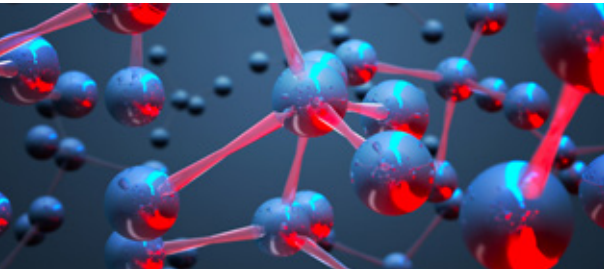
Megatrends

Megatrends that significantly impact the Company’s business activities include the following. In addition to our Corporate Philosophy, we have identified material issues (key issues) based on these changes in social issues.



Intensifying climate change

- Global warming has the potential to significantly impact society and the economy. Environmental consciousness is increasing.
- As demand for energy increases, especially in developing countries, the shift to clean energy is accelerating.
- As a result of such changes in the external environment, the market for environmentally-friendly products and services will expand. There will be a growth of clean mobility and an emphasis on waste reduction and recycling.



Increasing demand for high-quality materials

- There are growing needs from customers for the application and development of new materials due to the electrification of automobiles, development of medical technologies, etc.
- Providing products and services that meet these changes in the business environment and needs is attracting increased emphasis.



AI technology development

- The spread of robotics, AI, and machine learning will enable labor saving.
- Expansion of 3D printers will revolutionize production and manufacturing methods.
- Efficiency in production and manufacturing will increase through greater productivity due to the use of these technologies.



Insufficient human resources and competition for personnel

- Risks including insufficient human resources and intensified competition for personnel are growing due to a shrinking working age population.
- Improving efficiency through labor savings and acquiring human resources by increasing corporate value will become critical.



Increasing geopolitical and procurement risks

- In recent years, risks in procurement have been growing due to geopolitical risks and competition for rare metals.
- Measures such as control of difficult-to-obtain raw material will become necessary.



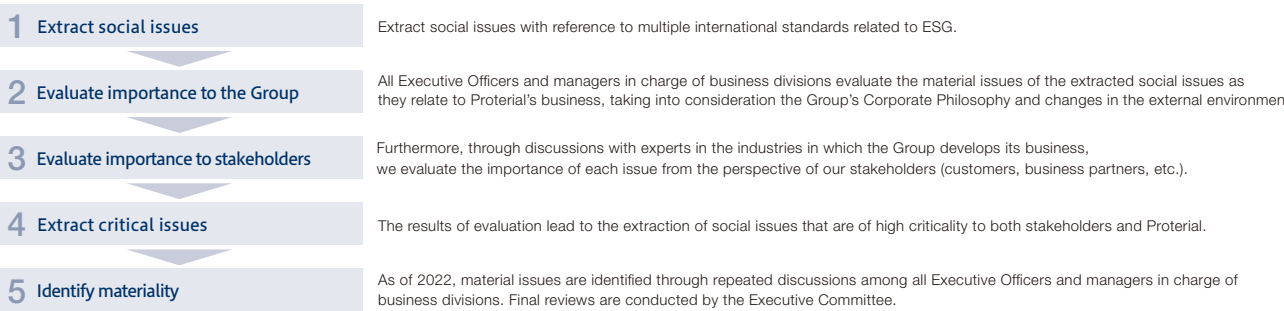
Public demand for stronger governance

- Corporate transparency is growing in importance, and how it is handled affects reputational risk.
- Promotion of transparency of corporate activities will be important.

Material Issues

Proterial's ESG activities in 2022 largely targeted six specific material issues (critical challenges). In identifying these material issues, we began by selecting social issues and then extracting critical challenges based on an evaluation of their importance to the Company and its stakeholders. Building on the aforementioned, material issues were identified through repeated discussions among all Executive Officers and managers in charge of business divisions with final reviews conducted by the Executive Committee.

Process of Identifying Material Issues



Material Issues (Key Issues)

| Material Issues | | Description | Related external environmental changes (opportunities and risks) | | Related SDGs |
|-----------------|--|---|--|---|---|
| Environment | Contributing to realize a decarbonized society | Under the Vision of Leading sustainability by high performance, we will contribute to the realization of a society where greenhouse gas emissions are reduced to net zero through green manufacturing activities and efficient use of energy. | Opportunity | Increase in momentum to promote carbon neutrality among customers, suppliers, governments, etc., as climate change becomes more serious. | <div>7 AFFORDABLE AND CLEAN ENERGY</div> <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div>13 CLIMATE ACTION</div> |
| | | | Risks | More stringent regulations on greenhouse-gas emissions, higher prices for clean energy due to increased energy demand and geopolitical risks, etc. | |
| | Ubiquitization of resource-conserving, recyclable, and environmentally-friendly products | Under the Vision of Leading sustainability by high performance, we will continue to contribute to the realization of a sustainable society by designing and delivering products that contribute to solving environmental issues including resource conservation and recycling. | Opportunity | Expansion of the market for environmentally-friendly products through the promotion of environmental initiatives in customer industries, growing momentum for waste reduction and recycling, development of new material technologies, etc. | |
| | | | Risks | Increased demand for recycled resources, competition for rare metals, soaring resource prices and challenges in procurement due to geopolitical risks, etc. | |
| Social | Safety and health are our overriding priority | Based on the concept of Prioritizing the protection of safety and health above all else, our highest priority is to protect the physical and mental health of our employees, their families, and our other stakeholders, including our business partners and the communities where we operate. | Opportunity | Development of robot technology for hazardous work, etc. | <div>5 GENDER EQUALITY</div> <div>8 DECENT WORK AND ECONOMIC GROWTH</div> |
| | | | Risks | Lack of business successors due to intensified competition for human talent, outbreaks of infectious diseases, occurrences of natural disasters, etc. | |
| | Making diverse individuals a driving force for change and growth | Guided by the United by respect section of our Values statement, we respect diversity and strive to create a workplace where each employee can work with a sense of fulfillment, trust, and ownership, thereby creating a team that delivers results. | Opportunity | Increase in importance and social momentum for work style reform due to intensifying competition for human talent, etc. | |
| | | | Risks | Insufficient human resources due to intensified competition for personnel, etc. | |
| Governance | Make quality a strength | To deliver high-quality products and services to customers, thoroughly implement measures to prevent the recurrence of quality problems, and make quality our strength that sets us apart from others. | Opportunity | Increase in society's interest in quality assurance, technological advances in measures against internal fraud, etc. | <div>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> <div>17 PARTNERSHIPS FOR THE GOALS</div> |
| | | | Risks | — | |
| | Business model and process evolution anticipating changes in the external environment | By anticipating rapid changes in the external environment and flexibly changing the way we operate, including the value provided by our products and services, the procurement of materials, and our production methods, we will continue to meet the demands of society and be a company that is needed. | Opportunity | Increase in customer demand for resilience to changes in the external environment (e.g., stable supply), development of related technologies (e.g., new materials, R&D technologies), etc. | |
| | | | Risks | Increase in geopolitical risks, outbreaks of infectious diseases, occurrence of natural disasters, etc. | |