

Process for Identifying Material Issues (Key Challenges)

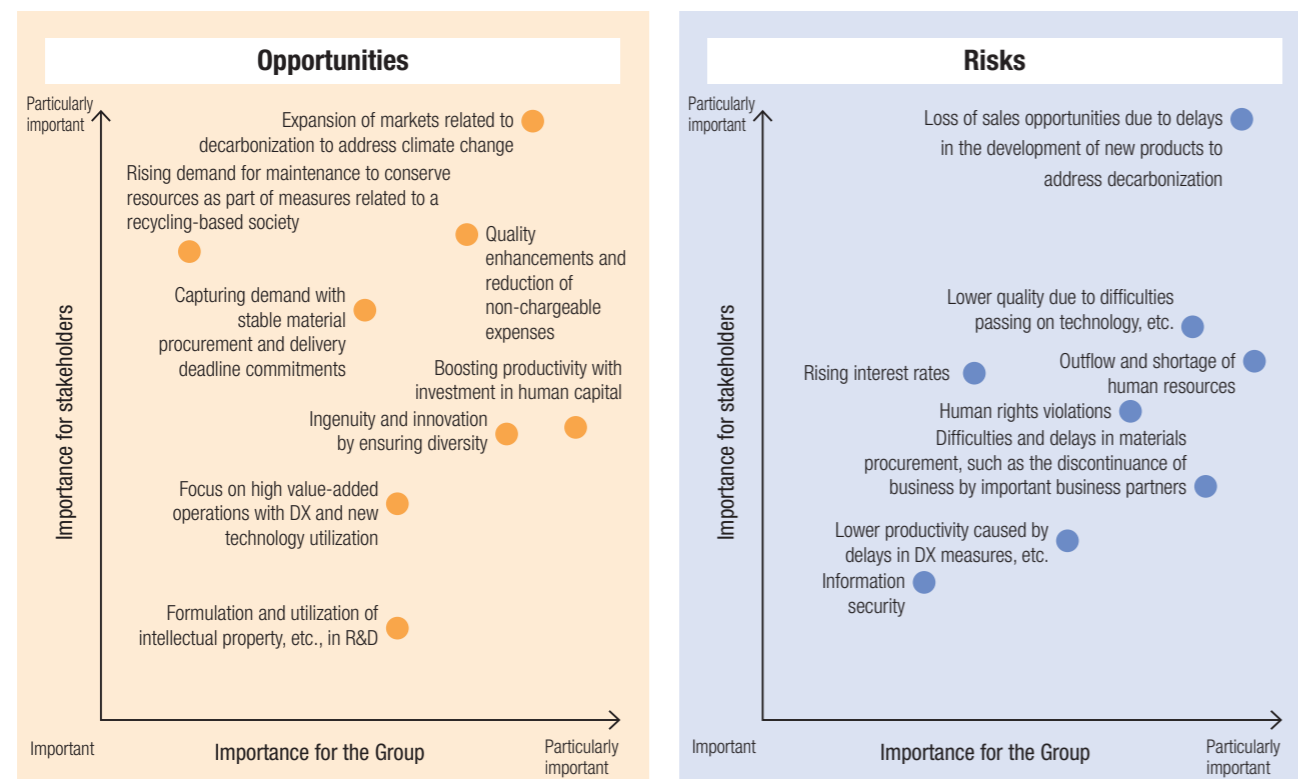
Based on our “basic policy on sustainability” (see p. 25), the Group defines material issues as “key challenges that the Group must address as priorities for achieving sustainable growth and increases in corporate value,” and we have identified “five material issues” through the following steps.

Step1 List expected future changes in the social and external environment

We create a list of expected future changes in the environment, with references including disclosures by various agencies and ministries, reports concerning future challenges published by think tanks, the SDGs, the Global Risks Report (World Economic Forum), international guidelines (GRI, SASB), and news articles.

Step2 List candidate material issues, and consider and assess “opportunities” and “risks”

We create a list of candidate material issues for the Group, based on changes in the environment identified in Step 1, then consider “opportunities” and “risks” for the Group from each candidate material issue. Subsequently, we assess material issues on two axes: importance for the sustainable growth of the Group and importance for stakeholders.



Step3 Determine “five material issues” through deliberation at meetings of the Sustainability Committee, etc.

Following multiple discussions by the Sustainability Committee established under the Board of Directors, etc., taking into consideration the results of assessment in Step 2 and the value creation process, we determined “five material issues” at a meeting of the Board of Directors in May 2024, and publicly announced them in July 2024.

Five Material Issues (Key Challenges) and KPIs (Key Performance Indicators)

To promote more specific initiatives to address the “five material issues (key challenges)” identified, the Group has set key performance indicators (KPIs) for each material issue, and we have announced some of these KPIs as targets in our “sustainability roadmap” (see p. 26).

Going forward, we will continue further promoting sustainability management by implementing initiatives with an awareness of material issues and checking the status of progress toward the relevant KPIs.

Material issues	What we envisage to be	Major KPIs
1 Empowerment of diverse talent	A corporate group where a diverse range of talented people can continue to achieve self-fulfillment by developing an organization and climate that enable each individual to make the most of their capabilities and grow every day while taking on new challenges	
2 Creation of innovation leveraging our technologies	A corporate group that continues to contribute to creating an enriched society by relentlessly striving for technological improvements and creating new innovations based on the spirit (heart) of master craftsmen which has been passed down over the long history	
3 Stable procurement and high-quality manufacturing	A corporate group that continues to supply high-quality products and services by building a strong supply chain that enables harmonious mutual prosperity with suppliers, and through sincere manufacturing while thoroughly listening to customers	
4 Contribution to a low-carbon society	A corporate group that continues to contribute to realizing a sustainable society through the development and sale of products and services that address climate change based on our outstanding motor drive technology	
5 Responsible corporate activities toward society and stakeholders	A corporate group that remains indispensable for society and stakeholders, while continuing transparent management that prioritize ethics and increasing corporate value	

Progress toward KPIs for fiscal 2024 with regard to sustainability roadmap targets

Item	FYE May 2024 actual results	FYE May 2026 targets	FYE May 2030 targets
Scope 1 & 2 CO ₂ emissions (compared with FYE May 2018)	18.0% reduction	10% reduction	30% reduction
Percentage of employees with disabilities	3.54%	2.9% or more	3.0% or more
Ratio of female employees (administration divisions / assistant manager level)	30.4%	25% or more	30% or more
Ratio of female employees (administration divisions / manager level)	8%	8% or more	15% or more
Ratio of male employees taking childcare leave	62.5%	50% or more	70% or more