








Materiality

Materiality	Response	Capital and Stakeholders	Stakeholder needs
 <p>Establishment of a robust business foundation</p> <ul style="list-style-type: none"> • Appropriate financial management • Optimization of business portfolio by pioneering new domains 	<ul style="list-style-type: none"> • Strengthen investment for growth in four new areas • Established structure consists of four Internal Companies and one Advanced Research Laboratory • Established the Environmental Measurement Company • Strengthen alliances with third parties • Operate business with optimal capital structure • Capture growth opportunities through M&A 	<ul style="list-style-type: none"> • Capital: financial, intellectual, human • Stakeholders: shareholders, investors, employees 	<ul style="list-style-type: none"> • Corporate growth • Adequate shareholder returns • Work satisfaction • Wage increases
 <p>Building and maintaining strong relationships of trust with customers and partners</p> <ul style="list-style-type: none"> • Sincere attitude towards testing • Accurately identifying customer needs • Dealing directly with global customers • Provision of solutions suitable for the latest technologies 	<ul style="list-style-type: none"> • Strengthen alliances with other companies • Develop solutions that respond to the customer needs • Build and strengthen customer support systems • Participate in the activities of industry organizations, especially those that establish standards • Secure and maintain human resources capable of building relationships of trust with customers promoting leading-edge technologies 	<ul style="list-style-type: none"> • Capital: intellectual, human, social and relationship • Stakeholders: customers, employees 	<ul style="list-style-type: none"> • Provide on-time solutions • Provide on-time support • Initiatives for leading-edge technologies • Participation in industry organizations • Highly accurate and stable measurement results
 <p>Acquisition and utilization of leading edge technologies</p> <ul style="list-style-type: none"> • Utilization of new domains which contribute to the optimization of our business portfolio • Development of services which can resolve social issues • Next-generation technologies (6G, NEMS, etc.) 	<ul style="list-style-type: none"> • Established the Advanced Research Laboratory • Utilize open innovation • Promote M&As and alliances for technology acquisition • Acquire the latest technology by organizational activities • Produce key devices in-house • Secure and maintain human resources capable of catching up with leading edge technologies 	<ul style="list-style-type: none"> • Capital: intellectual, human • Stakeholders: employees and partners 	<ul style="list-style-type: none"> • Initiatives for leading-edge technologies • Innovation through collaboration with third parties
 <p>Diverse human resources</p> <ul style="list-style-type: none"> • New ideas, innovation generation • Wide acquisition of outstanding capabilities in human resources • Utilization of human resources regardless of race, gender, age, etc. 	<ul style="list-style-type: none"> • Implement global (e.g., Philippines) recruitment • Establish a working environment that responds to the diversity of values • Establish an education and training system which supports employees' autonomous growth • Create a comfortable work environment where employees can demonstrate their abilities 	<ul style="list-style-type: none"> • Capital: intellectual, human • Stakeholders: employees and partners 	<ul style="list-style-type: none"> • Comfortable work environment • Skill improvement
 <p>Creation of a global organization</p> <ul style="list-style-type: none"> • Management system utilizing global human resources 	<ul style="list-style-type: none"> • Establish an organization and human resource system in which diverse human resources can play an active role • Establish a global R&D system • Enhance internal controls at overseas subsidiaries 	<ul style="list-style-type: none"> • Capital: intellectual, human • Stakeholders: employees and partners 	<ul style="list-style-type: none"> • Global work environment
 <p>Development of environmentally friendly solutions</p> <ul style="list-style-type: none"> • Environmentally friendly products and services • Launch environmental businesses 	<ul style="list-style-type: none"> • Develop solutions in support of requirements for reduction of greenhouse gases (development of solutions that consume less power) • Use of parts with low environmental burden 	<ul style="list-style-type: none"> • Capital: human, social and relationship • Stakeholders: customers, employees, suppliers 	<ul style="list-style-type: none"> • Provide on-time solution • Reduce CO₂ emissions
 <p>Sustainability-conscious production system</p> <ul style="list-style-type: none"> • Production sites utilizing new technologies • Sophistication of the supply chain 	<ul style="list-style-type: none"> • Corporate facilities aimed at reducing greenhouse gas emissions • Safety-conscious production sites • Promote global sustainability CSR procurement 	<ul style="list-style-type: none"> • Capital: financial, human, manufactured • Stakeholders: global environment, local communities, employees, suppliers 	<ul style="list-style-type: none"> • Safe and secure plant • Stimulation of local economy • Reduce CO₂ emissions

* Four new areas: local 5G, electric vehicles & batteries, medical/pharmaceutical products, optical sensing

Targets for Materiality	Achievements in FY2021	Initiatives for FY2022	KPI
<ul style="list-style-type: none"> Improve profitability and efficiency Focus cash on strategic investments to achieve growth Launch new businesses for four companies and Advanced Research Laboratory 	<ul style="list-style-type: none"> M&A of Takasago, Ltd. (P.36) Execute 5 billion-yen share buyback (P.22-P.25) Free cash flow: 7.3 billion yen (P.22-P.25) 	<ul style="list-style-type: none"> Continue financial strategy Investment in growth areas: includes M&A (P.22-P.25) 	<ul style="list-style-type: none"> Rating (Rating and Investment Information, Inc.) (P.61) Sales growth rate Operating profit ratio ROE (P.25) TSR
<ul style="list-style-type: none"> Strengthen partnerships with leading industry players Participate in industry associations 	<ul style="list-style-type: none"> Collaborate with Qualcomm, Inc. Collaborate with Samsung Collaborate with Toyota Collaborate with dSPACE GmbH (a partner) Collaborate with Spirent Communications plc (a partner) Collaborate with NEC Networks & System Integration Corporation Establish AK Radio Design, a joint venture with Kozo Keikaku Engineering, Inc. Participate in industry associations (3GPP, ORAN) (P.18, P.31) 	<ul style="list-style-type: none"> Continue existing collaborations, start collaborating with new companies Participate in 3GPP and collaborate in setting standards (P.18) 	<ul style="list-style-type: none"> Number of alliances and collaborations announced Number of support sites Number of support inquiries handled Participation and contribution to the organization
<ul style="list-style-type: none"> Acquire new technologies at Advanced Research Laboratory Acquire technologies through open innovation and M&A Acquire the latest technologies through organizational activities 	<ul style="list-style-type: none"> Acquire specialists for graphene research Acquire graphene microfabrication technology (P.26-P.27) M&A of Takasago, Ltd. (P.36) Realize protocol conformance testing for 5G Release 16 Open 5G Lab within one of our offices (P.18) Release new products: 9 models (P.5) 	<ul style="list-style-type: none"> Research on advanced technologies at Advanced Research Laboratory Promote open innovation and M&A Promote technology acquisition planned for use in 5G/6G Develop and release new products (P.26-P.37) 	<ul style="list-style-type: none"> Number of new products (P.5) R&D investment (P.56) Number of patents
<ul style="list-style-type: none"> Conduct recruitment without discrimination based on race, gender, or age Create a work environment where each individual can fulfill his or her potential Create an education and training system that enables employees to acquire outstanding capabilities 	<ul style="list-style-type: none"> Continue to hire engineers in the Philippines (global hiring of human resources/localization) Enhance remote network and promote remote working (P.40) Extend employment to age 70 and establishment of new working system (P.41) Promote mid-career hiring: 38 hires Establish special subsidiary (Hapi Suma Co., Ltd.) (P.19) 	<ul style="list-style-type: none"> Promote of global recruitment Create a work environment suited to post-COVID 19 needs Establish an education and training system which supports employees' autonomous growth (P.40-P.41) 	<ul style="list-style-type: none"> Number of employees by region, ratio of female employees, ratio of female managers (P.58) Employment rate of people with disabilities, ratio of engineers (of new graduate hires) (P.21) Paid leave utilization ratio, Employee turnover rate Employee satisfaction Training hours per trainee, Number of trainees, Total training cost (training hours) (P.58) Kurumin mark accreditation grade, good standing company certification, etc. (Contents, P.40)
<ul style="list-style-type: none"> Establish management structures for overseas subsidiaries Establish overseas organizations and structures optimal for business Establish overseas organizations and structures optimal for research and development 	<ul style="list-style-type: none"> Transfer EMEA headquarters functions to Austria (from the U.K. to Austria) Establish PQA assembly factory in North America 	<ul style="list-style-type: none"> Optimize management structure of overseas subsidiaries 	<ul style="list-style-type: none"> Internal control of overseas subsidiaries (P.21) Global human resource system (hiring / training) Number of global R&D sites (P.61)
<ul style="list-style-type: none"> Develop solutions that consume less power Use parts with low environmental burden 	<ul style="list-style-type: none"> Release new environmentally friendly products: 53 models (cumulative) M&A of new environmental business Takasago, Ltd. (P.36) 	<ul style="list-style-type: none"> Release new environmentally friendly products Develop and release products for new environmental business (P.36, P.42-P.43) 	<ul style="list-style-type: none"> Reduce greenhouse gas emissions (Scope 3) (P.21) Number of new environmentally friendly products (P.58) Environmental business sales growth rate
<ul style="list-style-type: none"> Create corporate facilities aimed at reducing GHG emissions Create safety-conscious production sites Strengthen supply chain due diligence 	<ul style="list-style-type: none"> Start operation of solar power generation facility at U.S. office: 1,100 kW of electricity generated (P.43) Number of due diligence processes performed: 6 (P.39) 	<ul style="list-style-type: none"> Start installation of solar power generation facilities at offices in Japan Review supply chain to address parts shortages Continue supply chain due diligence (P.38-P.39, P.42-P.43) 	<ul style="list-style-type: none"> Reduce greenhouse gas emissions (Scope 1, 2, 3) (P.21(Scope 3)) Solar power generation/consumption, in-house power generation ratio (P.56) Capital expenditures (P.56) Number of accidents at work (P.58) Robot/AI-enabled production sites (Supply Chain) Number of due diligence companies in the supply chain (P.39)