



2022

Environmental & Social Report



Sakai Chemical Industry Co., Ltd.

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Editorial Policy

This report explains to stakeholders how Sakai Chemical Industry Co., Ltd. carries out its social responsibilities in order to fulfill its management mission “Chemistry for a Friendly Future.” The report focuses on the environmental, social and governance initiatives the Company implements with the aim of realizing a sustainable society.

Period Covered

Fiscal year of 2021 (from April 1, 2021 to March 31, 2022)
Some events and activities outside the abovementioned period are also included in this report.

Scope of Reporting

This report mainly concerns the activities of Sakai Chemical Industry, and also includes some activities conducted by the other Sakai Chemical Group companies. In this report, “Sakai Chemical Industry” and the “Sakai Chemical Group” are defined as follows:

- Sakai Chemical Industry (or the “Company”) – Sakai Chemical Industry Co., Ltd.
- Sakai Chemical Group (or Sakai Chemical) – Sakai Chemical Industry Co., Ltd. and its consolidated subsidiaries

When the report mentions matters related to a particular portion of the abovementioned scope of reporting, that portion is specified.

Date of Issuance

August 2022

Basic Corporate Behavior Policy

- We will contribute to a prosperous future **for our customers** by providing high value-added, socially beneficial products and services that meet the needs of the times while giving consideration to safety.
- **For the benefit of wider society**, we will comply with all laws and regulations and adhere to their spirit, have no relationships with antisocial forces, and strive to act sensibly.
- **For shareholders and investors**, we will disclose company information in a timely and fair manner, conduct sound and honest corporate management, and strive to continuously grow our business.
- **For our business partners**, we will build good partnerships and conduct sound and fair transactions in order to achieve mutually prosperous relationships.
- **For local communities**, we will prioritize environmental preservation and safety in all aspects of our operations, and aim to be a good corporate citizen that earns the trust of the community by maintaining clean corporate behavior.
- **For employees and others who work with us**, we will aim to respect each other, promote diversity, and grow together in a safe and comfortable work environment.
- **To protect the company’s assets**, we will manage the intellectual property and important confidential information held by the company appropriately, in accordance with our internal rules.

Company Profile (as of March 31, 2022)

Company Name: Sakai Chemical Industry Co., Ltd.

Founded: June 25, 1918

Incorporated: February 25, 1932

Head Office: 5-2 Ebisujima-cho, Sakai-ku, Sakai City, Osaka, 590-8502, Japan

Paid-in Capital: 21.838 billion yen

Number of Employees: 2,024 (consolidated);
773 (non-consolidated)

Production Bases: Sakai Manufacturing Site; Onahama Manufacturing Site; Yumoto Factory; Semboku Factory; Otsurugi Factory; Matsubara Factory

Fields of Business

The history of Sakai Chemical Industry dates back to 1918, when it succeeded in developing an improved method of manufacturing zinc oxide. Since then, in accordance with changes in people’s lives and values, the Company has enhanced its core technologies for inorganic powder processing, organic synthesis, and pharmaceutical manufacturing based on barium and titanium dioxide, thereby commercializing products that can meet the needs of the times. Today, the Company supports the most advanced manufacturing of smartphones, automobiles, cosmetics, and other products.

Corporate Philosophy

Management Mission

Creating a sustainable future through chemistry

Creating materials that support the comfort and security of society through compassion and technological innovation

Organizational Vision

Exciting Company

We will build an exciting company together.



● Sakai Chemical Group network

In Japan	
Manufacturing	Sakai Chemical Industry Co., Ltd.; Kaigen Pharma Co., Ltd.; Osaki Industry Co., Ltd.; Resino Color Industry Co., Ltd.; Kyodo Chemical Co., Ltd.; SC Organic Chemical Co., Ltd.; Nippon Color Industry Co., Ltd.; Katayama Seiyakusyo Co., Ltd.
Sales	Sakai Trading Co., Ltd.

Outside Japan	
Manufacturing	Sakai Chemical (Vietnam) Co., Ltd. Siam Stabilizers and Chemicals Co., Ltd. PT. S&S Hygiene Solution
Sales	Sakai Trading New York Inc. Sakai Australia Pty Ltd. Sakai Trading (Shanghai) Co., Ltd. Sakai Taiwan Co., Ltd. Sakai Trading (Thailand) Co., Ltd.



TOP MESSAGE

矢倉敏行 Toshiyuki YAGURA
President and Representative Director

First of all, I would like to sincerely apologize to those injured in the explosion and fire accident at our Yumoto Factory in May 2021 and other people involved for the serious inconvenience and concern we caused them. In this report, one page is dedicated to details about the accident (see page 14).

We hereby deliver a report on our FY2021 environmental, social and governance (ESG) initiatives. Let me share a message with you here.

Sakai Chemical Industry is supporting various industries and people's lives through its business with electronic materials, cosmetic materials, pigments, plastic additives, catalysts, organic chemicals, and pharmaceuticals. As a supporter of a sustainable society, we must perform ESG management. Our management mission "Chemistry for a Friendly Future" embodies our hope of doing so.

In April 2022, Sakai Chemical Industry made a fresh start as a company listed on the Tokyo Stock Exchange Prime Market. We are tackling the important challenge of returning the profits we earn through our business activities to society while enhancing the Company's economic value in the capital market.

We have identified 11 issues of materiality under four themes: "Make People Happy," "Protect the Global Environment," "Solve Social Issues through Manufacturing," and "Build a Transparent and Strong Management System." We have also set related KPIs and targets for them and have just launched initiatives to work on those issues. Below is an outline of those fresh initiatives.

[Environment]

We recognize CO₂ emissions reduction, which is currently a global challenge, as one of the most important challenges we must tackle. We have set a target of reducing our CO₂ emissions by 30% from the FY2013 level by FY2030, and have also made a road map toward the achievement of carbon neutrality by 2050. From now on, we will consider adopting such measures as reviewing our manufacturing processes and introducing alternative energy sources. We have also set a target for waste reduction, which is a challenge we have long faced, of reducing waste by 25% from the FY2021 level by FY2025. To achieve this waste reduction target, we promote the 3Rs ("reduce," "reuse" and "recycle") by improving the yield from raw material ores and other means. These are all medium- to long-term initiatives, and we are making steady progress in them.

[Society]

Based on lessons from the recent accident at the Yumoto Factory, we recognize enhancing our measures for disaster prevention, safety and health in factory operations as one of our most important challenges. Much to our shame, the Onahama Manufacturing Site,

where the Yumoto Factory is located, has been designated by the labor authorities as a business site that needs special guidance on safety management. We will take this as an opportunity to increase our efforts to create a workplace environment where our employees and other people involved can work safely with a feeling of security.

Meanwhile, we are also implementing initiatives to ensure employees' satisfaction and well-being. Under a recently renovated personnel system, we are working to create a working environment that allows our diverse employees to choose where they work, select working styles according to family circumstances or their life stages, and fulfill their potential by taking up new challenges irrespective of their educational background or the length of service. Furthermore, we will also strive to foster a corporate culture of diverse people working together in a lively manner with mutual respect for different values.

[Corporate governance]

Sakai Chemical Industry's Board of Directors has faced two important challenges: reviewing the Company's business portfolio and developing management human resources. Amid drastic situational changes, we must discuss what direction we should take more seriously than before. I recognize that we are urgently required to develop human resources who can lead the organization in that direction, and also consider and show the future direction of the Company on their own.

We will tackle these challenges while making maximum use of the executive officer system, which we introduced in FY2021.

Currently, the COVID-19 pandemic is not yet likely to end soon, while Ukraine is still embroiled in a severe war situation. In recent years, the environment surrounding us has drastically changed in all fields. The conflict in Ukraine in particular has revealed various risks in fields that are essential to our lives, such as energy and food. We should become prepared for continuing uncertainties for a while.

Even amid such a situation, as a sustainable company, we must continue to provide value to society. For that purpose, we are currently implementing reforms—for example, streamlining our overall operations, including reorganization and human resource development, through digital transformation (DX) and reconsidering our manufacturing processes—to accelerate the development and launch of new products through close cooperation between the manufacturing and sales divisions.

We look forward to the continued support and guidance of our stakeholders.

Materiality for Sakai Chemical

Management Mission



Creating a sustainable future through chemistry

—Creating materials that support the comfort and security of society through compassion and technological innovation—

Theme	Issue of materiality	Our major initiatives
Make People Happy	(1) Foster human resources and create a corporate culture where employees can feel their growth	Building mechanisms to allow employees to take up new challenges and act on their own initiative Promoting diversity
	(2) Create a comfortable working environment	Introducing a new personnel system Improving the working environment (in terms of both time and space) Making each workplace livelier
	(3) Contribute to local communities	Having close dialogue with local communities Supporting or participating in local associations
Protect the Global Environment	(4) Manage chemical substances appropriately, reduce environmental impact, and implement measures to improve product safety	Making a fuel switch from crude oil to LNG; replacing motors and lights with highly efficient motors and LED lights respectively; installing solar power panels; working to recover NH ₃ , CO ₂ , and H ₂ ; raising levels of pollution prevention and chemicals management
	(5) Reduce industrial waste emissions	Promoting the 3Rs (“reduce,” “reuse” and “recycle”) Reconsidering raw materials, fuels, and the manufacturing processes Recycling industrial waste
	(6) Give consideration to biodiversity	Continuing to conduct monitoring activities near disposal plants Contributing to biodiversity using voluntary credits for carbon neutral LNG (CNL)
Solve Social Issues through Manufacturing	(7) Create products and services that help solve environmental and social issues	Fuel cell materials, solid-state battery materials, synthetic ammonia catalysts, substitute products for microplastic beads, 5G-related (low-expansion, heat-radiating, low-dielectric-loss, and/or flame-retardant) materials, carbon recycling catalysts, antibacterial and antiviral materials
	(8) Promote responsible procurement	Providing information to suppliers and asking for their cooperation; auditing suppliers; etc.
Build a Transparent and Strong Management System	(9) Increase the effectiveness of the Board of Directors	Implementing an annual questionnaire to evaluate the effectiveness of the Board of Directors Making improvements based on the questionnaire results Formulating plans to develop management human resources Operating the Nomination and Compensation Committee
	(10) Understand risks and take countermeasures	Conducting risk and compliance education, training and awareness-raising activities Operating committees and subcommittees effectively
	(11) Timely and appropriate information disclosure	Stimulating IR and PR activities; enhancing PR for crisis management

Organizational Vision



Social Issues



KPI	
Indicators	Targets
Results of stress checks Deviation value of the score for the evaluation item "Consideration for employees' career development"	Exceed the deviation value of chemical companies' stress check scores and aim to rank higher Reach a deviation value of 49 in the chemical industry for FY2021 (Sakai Chemical Industry's actual deviation value for FY2021: 46.9)
Frequency rate (number of occupational fatalities and injuries per one million actual working hours) Severity rate (number of working days lost due to accidents per 1,000 actual working hours) Promoting digital transformation (DX)	Create a safety-first workplace environment Eclipse a frequency rate of 0.93 in the chemical industry for FY2020 (Sakai Chemical Industry's actual frequency rate for FY2020: 0.70) Eclipse a severity rate of 0.03 in the chemical industry for FY2020 (Sakai Chemical Industry's actual severity rate for FY2020: 0.00) Promote DX to allow employees to work more easily
Having close dialogue with local communities through the Responsible Care® initiative Engaging in social contribution activities conducted by the local associations that Sakai Chemical supports or participates in	Hold more than one dialogue session a year Participate in more than one social contribution activity a year
CO ₂ emissions reduction rate (versus the FY2013 level) Number of severe environmental accidents	Achieve a 30% reduction by FY2030 Achieve zero accidents throughout the year
Waste reduction rate (versus the FY2021 level)	Achieve a 25% reduction by FY2025
Survey on animals, plants and ecosystems as a post-assessment after an environmental impact assessment Introduction of CNL	Conduct a survey on the occasion of disposal plant construction work Continue to use CNL
Number of developments certified as Smart Material®	Launch five Smart Material® products by FY2030
Percentage of suppliers whom we request to conduct a customer satisfaction survey	100%
Following indicators based on the results of the questionnaire on the effectiveness of the Board of Directors 1) Number of challenges identified 2) Number and total hours of discussion sessions on each challenge 3) Number of countermeasures devised 4) Number of countermeasures implemented	Identify challenges based on the results of the questionnaire on the effectiveness of the Board, and make necessary improvements
Number of serious compliance violations Ability to maintain a Company-wide risk management system	Achieve zero serious compliance violations throughout the year Maintain the effectiveness of the system
Compiling and providing an integrated report or information equivalent to the content of such a report	Provide an integrated report or information equivalent to the content of such a report from FY2022

Response to Climate Change

(Disclosures in Line with the TCFD Recommendations)

Initiatives to combat climate change through our products and businesses

Period	Initiatives	Description
1970s	Started operating a DeNOx catalyst factory	Contributed to rendering harmless nitrogen oxides, which could cause photochemical smog and acid rain
1990s	Started operating an electronic material factory	Contributed to energy conservation by enhancing the efficiency of electronic parts
	Started operating a cosmetic material factory	Contributed to protecting human skins from increasing UV rays
2000s	Joined the Japan Responsible Care Council	
	Formulated a Basic Environmental Policy	Obtained ISO 14001 certification for the Otsurugi Factory
	Switched from crude oil to LNG	Made the fuel switch at the Sakai Manufacturing Site
2010s	Switched from crude oil to LNG	Made the fuel switch at the Onahama Manufacturing Site
	Developed substitute products for microplastic beads (MPB)	Developed the Sciqas™ series (spherical silica), LPZINC-S (large-particle spherical zinc oxide), Calmaru™ (spherical calcium carbonate), and Barimaru™ (spherical barium sulfate)
2020s	Formulated a Basic Procurement Policy Joined the Carbon Neutral LNG Buyers Alliance	

1 Governance

In response to environmental changes that can pose risks to our corporate management, including climate change, we assess the levels of risks and opportunities, discuss appropriate countermeasures, and decide to implement such countermeasures under the oversight of the Board of Directors.

To mitigate impacts on environmental issues, including climate change, and contribute to solutions to social issues, the Sustainability Committee, chaired by the Representative Director, meets at least twice a year to deliberate on targets and strategies related to climate change while taking into consideration our business strategies to manage the progress of our initiatives.

2 Strategy

1 2°C scenario: Low-carbon, decarbonization, and carbon-recycling technologies will be used widely, and demand for sustainable products will grow.

Type	Environmental Changes	Expected Situation	Major Countermeasures
Transition Risks	CO ₂ emissions regulations	Growing need for fuel decarbonization Cost increase due to a switch to low-carbon emissions materials and processes	<ul style="list-style-type: none"> Using LNG combined with carbon credits Further enhancing the efficiency of energy use Introducing renewable energy more widely Introducing carbon-recycling technology more widely Reconsidering the business portfolio and manufacturing processes with a view to reducing environmentally harmful emissions from the manufacturing processes
	Switch to low-carbon emissions products	Decline in demand for fossil fuel and petrochemical products (such as plastic products)	
	Changes in customer behavior	Increase in demand for low-carbon emissions products within the supply chain	
Business Opportunities	Increased demand for products that help mitigate climate change	Growing demand for carbon recycling, carbon-free fuel, carbon-absorbent products, and products related to power generation and storage	<ul style="list-style-type: none"> Developing decarbonization products (fuel cell materials, secondary battery materials, materials for water electrolyzers, carbon-absorbent materials, carbon recycling catalysts, and synthetic ammonia catalysts) Enhancing the functions of electronic and energy materials (small-size, minute-particles [for higher durability] materials with uniform granularity distribution)
	Development of next-generation technologies	Electrification of mobility Use of hydrogen and ammonia as energy sources	

2 4°C scenario: Low-carbon, decarbonization, and carbon-recycling technologies will not advance, thereby heightening the physical risks of the greater severity of extreme weather events and a rise in average temperatures.

Type	Environmental Changes	Expected Situation	Major Countermeasures
Physical Risks	Greater severity of extreme weather events	Heavier wind and flood damage to our production bases Droughts and health damage in the summer, which can lead to suspension of production activities, delayed or disrupted logistics, and consequently massive damage to corporate activities in general	<ul style="list-style-type: none"> Formulating a business continuity plan (BCP) for each production base in line with the scenario Considering optimal locations for production and diversifying raw material suppliers Enhancing measures to reduce health damage (such as heatstroke) Introducing unmanned operations by accelerating robotization and automation
	Rise in average temperatures	Increase in the cost of countermeasures against heatstroke and air-conditioning Decline in labor productivity in the event of a lack of appropriate countermeasures	
Business Opportunities	Growing demand for products that help adapt to climate change	Increased demand for healthcare products Increased demand for heat-insulating and heat-barrier products Wider spread of remote work Increased demand for antibacterial and antiviral materials	<ul style="list-style-type: none"> Boosting sales of skincare products, including sunscreen Developing heat-insulating and heat-barrier materials Boosting sales of antibacterial and antiviral materials Boosting sales of 5G- and 6G-compatible products Developing materials related to wastewater and water purification
	Diversification of raw material suppliers	Greater opportunity of replacement demand due to BCP measures	

3 Risk Management

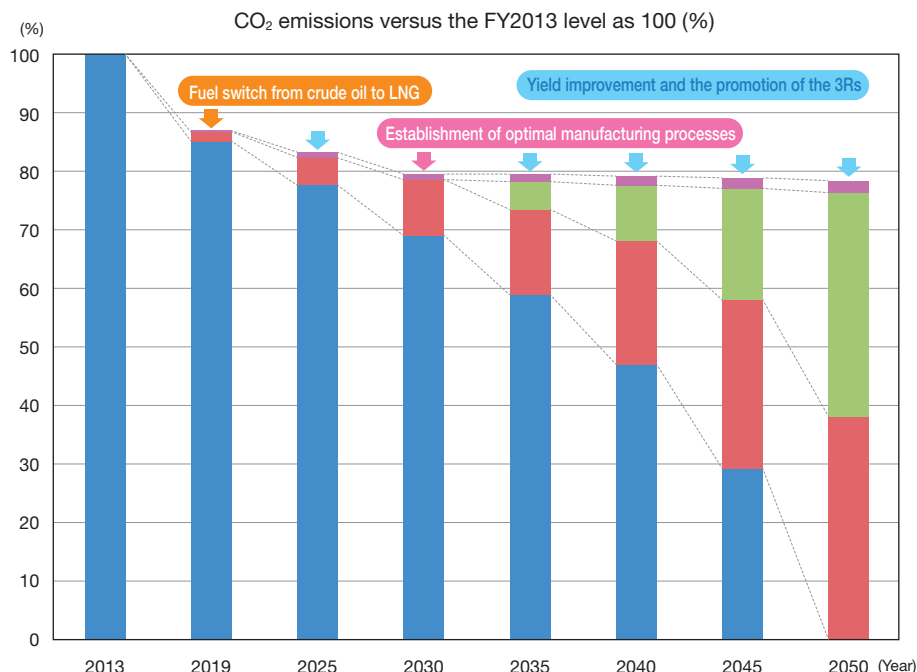
Sakai Chemical has identified issues of ESG materiality and manages risks through Group-wide materiality management. We recognize responses to climate change as an extremely important issue from both our stakeholders' and our own perspectives, and the Sustainability Committee deliberates on them. We take the initiative in climate-related risk management, which we believe is a fundamental requirement for the existence and activities of our Group.

4 Metrics and Targets

Sakai Chemical has set a long-term CO₂ emissions reduction target with a view to achieving carbon neutrality by 2050. To achieve the target, we use the CO₂ emissions reduction rate as a KPI and implement short-, medium- and long-term reduction measures, including promoting energy-saving activities and introducing renewable energy sources.

Vision for Sakai Chemical's transition to carbon neutrality

We tackle the challenge of achieving carbon neutrality by 2050 by accelerating decarbonization in line with progress in innovation.



- Solar power generation
- Next-generation energy sources (New technologies using methanation, hydrogen, ammonia, etc.)
- Carbon neutral LNG and non-fossil energy sources
- Indirect emissions from the use of fossil fuel and electricity

Find the Sakai Chemical Group in Your Daily Life

Our products support your life in every corner.



Electronic materials

The multilayer ceramic capacitor is an indispensable part of electronic devices, such as smartphones. Barium titanate and high-purity barium carbonate are used in the capacitor to enable the part to store and discharge a larger amount of electricity. Our high-quality, minute products help capacitors be not only of large capacity but also highly reliable (trouble-free), as required amid the recent development of electric vehicles, the IoT and 5G.*

* IoT: Internet of things

5G: 5th-generation mobile communication system

Titanium dioxide and zinc products

Sakai Chemical Industry was founded as a manufacturer of zinc oxide, which was a material for white powder. After that, in pursuit of quality white pigment, our predecessors reached titanium dioxide. This substance is now used as the most stable pigment in a wide variety of applications, including paint, ink and fiber, and supports people's lives in many aspects. We focus especially on the manufacture of cosmetic materials, which was Sakai Chemical Industry's initial business. Microfine titanium dioxide and ultrafine zinc oxide produced through our proprietary powder processing technology block harmful UV rays and help make your skin more beautiful and healthier.

Plastic additives

PVC stabilizers are used in a wide variety of products, such as pipes, window frames, insulating coatings for wires, to make PVC easier to shape and process and prevent it from deteriorating. These days, environment- and health-friendly non-lead stabilizers contribute to improving the lives of people in emerging economies in Southeast Asia and other regions, where the construction of infrastructure, including water supply and sewerage systems, is in progress.

Hygiene materials

The use of disposable diapers has now spread widely in parallel with the economic growth of developing countries and the progress of population aging, and demand for them is growing globally. We manufacture breathable film used in disposable diapers and sanitary napkins, and sell a wide lineup of hygiene materials, including nonwoven fabric.

1 House

- Ultra-weather-resistant titanium dioxide for exterior walls
- UV-ray-blocking materials for building material coatings
- Various stabilizers for PVC window frames, gutters and downspouts
- Various stabilizers for wallpaper and flooring materials

1 Home medicines and health food

- Cold medicines
- Digestive medicines
- Health food (such as designated health food and cough drops)

2 Disposable diapers and hygiene materials

- Nonwoven fabric
- Breathable film
- Highly absorbent plastic
- Nickel catalysts for adhesive production

3 Bath salts

- Dispersing elements for bath salts

4 Food

- UV-ray-blocking materials for food packages

5 Eyeglasses

- Zirconia-based dispersing elements for optical materials
- Materials for plastic lenses

6 Cosmetics

- Titanium dioxide and zinc oxide for sunscreen
- Flake-shaped barium sulfate for foundation
- Fluorescent ingredients for cosmetics

7 Hospital

- Barium X-ray contrast agents
- Peptic ulcer agents
- Endoscope sterilizers
- Active pharmaceutical ingredients and intermediates

8 Waste incineration facility

- DeNOx catalysts (NOx removal catalysts)
- Dioxin decomposition catalysts

9 Digital devices and home appliances, such as computers, mobile devices (smartphones, mobile phones, etc.), and flat-screen TVs

- Dielectric materials for multilayer ceramic capacitors
- Plastic flame retardants
- Silica for semiconductor sealing materials and functional film
- Ink materials for printed circuit boards
- Zirconia-based dispersing elements for optical materials
- Adhesives for flexible printed circuit boards
- Materials for LCD film

10 Automobile

- Titanium dioxide and barium sulfate for coatings
- Zinc oxide for tires (rubber)
- Barium sulfate for brake friction pads
- Dielectric materials for multilayer ceramic capacitors
- Lubricant additives
- Adhesives for flexible printed circuit boards
- Masterbatch for headlight extensions

11 Road

- Road marking materials



- Braille sheets for people with visual impairments



Organic chemicals

β -Mercaptopropionic acid, an organic sulfur compound that only Sakai Chemical Industry manufactures in Japan, is used to increase the refractive indices of plastic eyeglasses, nowadays contributing to improving the vision of people in emerging countries. We are also engaged in the contract-based manufacturing and development of active pharmaceutical ingredients and intermediates according to the client company's development stage, from process development to commercial production, to help provide patients with reliable drugs as early as possible.

Healthcare

In the healthcare area in general, our strength lies in the digestive field. We have long provided barium X-ray contrast agents, in which we have a large share of the market, as well as ulcer agents. We also sell endoscope sterilizers, thereby supporting the medical field. To capture needs in an age of self-medication, while providing OTC drugs, including the Kaigen cold remedy, and health food, we have recently entered into new fields, including the joint production of fillers for artificial bones, the field of cosmetic medicine (supplements and sunscreen), and clinical cancer examinations based on blood and saliva.

Catalysts

DeNOx catalysts contribute to protecting the global environment by removing nitrogen oxides (NOx) emitted from waste incineration facilities and thermal power plants. Process catalysts (nickel catalysts) are used for petroleum resin hydrogenation in the process of manufacturing optical film and adhesives for disposable diapers. We are also working to develop heavy-metal-free polyester polymerization catalysts and other novel catalysts that help resolve energy issues.

Research and development

Focusing on SDG 7 "Affordable and Clean Energy," SDG 9 "Industry, Innovation and Infrastructure," and SDG 13 "Climate Action," we are developing fuel cell materials and secondary battery materials for energy storage in anticipation of the advent of a hydrogen society. We also participate in industry-academia-government collaboration in tackling the long-term goal of realizing the practical use of carbon recycling technology, which is expected to help solve energy issues and global warming-related issues in the future.



Financial Information

Fiscal year 2021 (from April 1, 2021 to March 31, 2022)

Net sales
80.1 billion yen (decreased by 5.6% year on year)

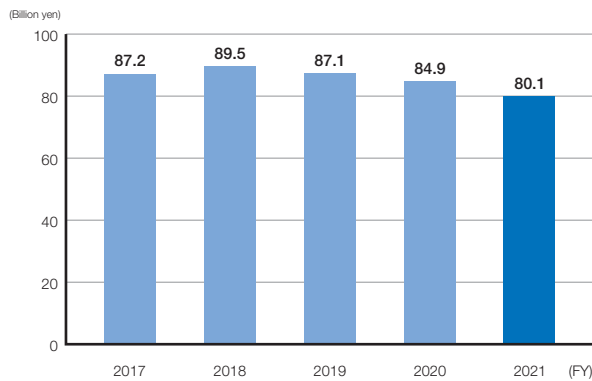
Operating profit
7.4 billion yen (increased by 74.1% year on year)

Ordinary profit
8.8 billion yen (increased by 120.3% year on year)

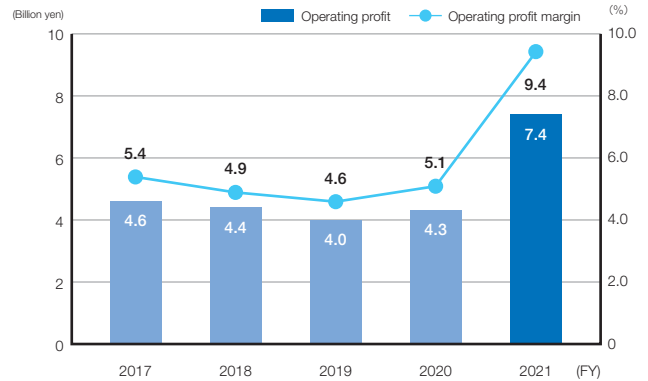
Profit attributable to owners of parent **ROE**
6.7 billion yen **8.7%**

The application of new standards for revenue recognition resulted in the recording of a decrease in net sales, but the values of profit-related metrics significantly rose due to the strong performance of each business segment, especially the electronic materials subsegment.

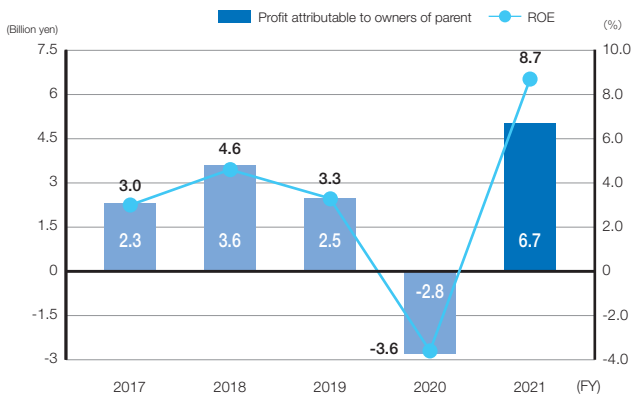
Net sales



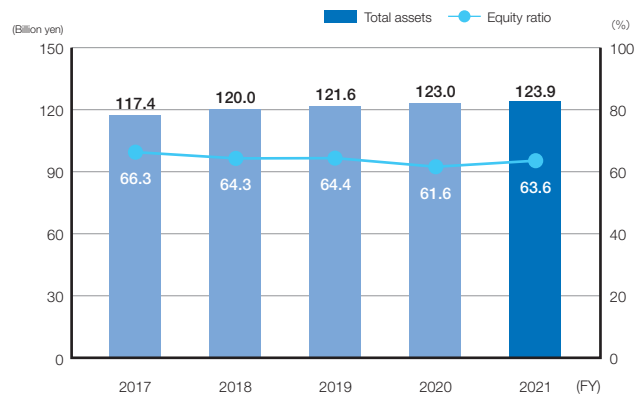
Operating profit and operating profit margin (ratio of operating profit to net sales)



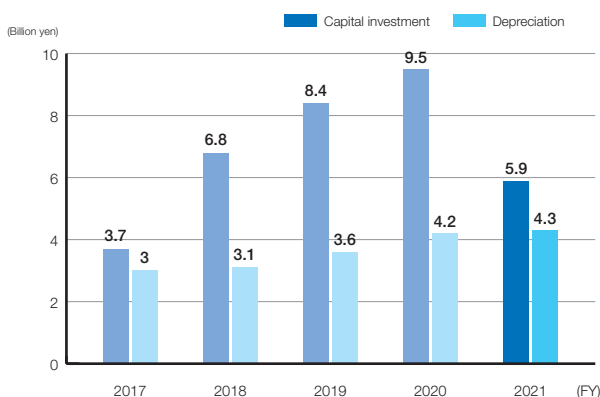
Profit attributable to owners of parent and ROE



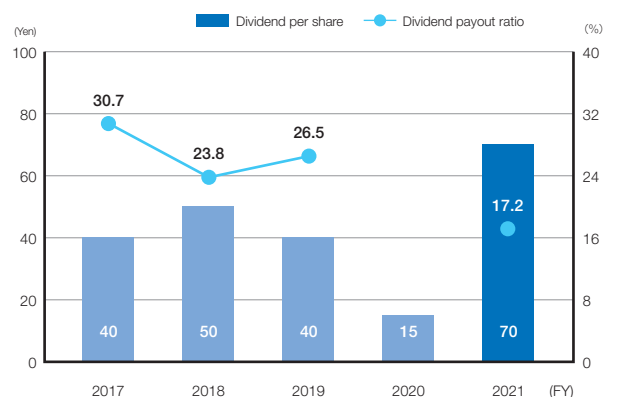
Total assets and equity ratio



Capital investment and depreciation



Shareholder return (dividend per share and dividend payout ratio)



*1: The dividend per share for FY2018 includes 10 yen added to celebrate the centenary of Sakai Chemical Industry's founding.

*2: For FY2020, only an interim dividend per share of 15 yen was paid.

Governance

Sakai Chemical strives to strengthen and enhance its corporate governance, which it positions as one of the important management challenges it must tackle.

Corporate Governance

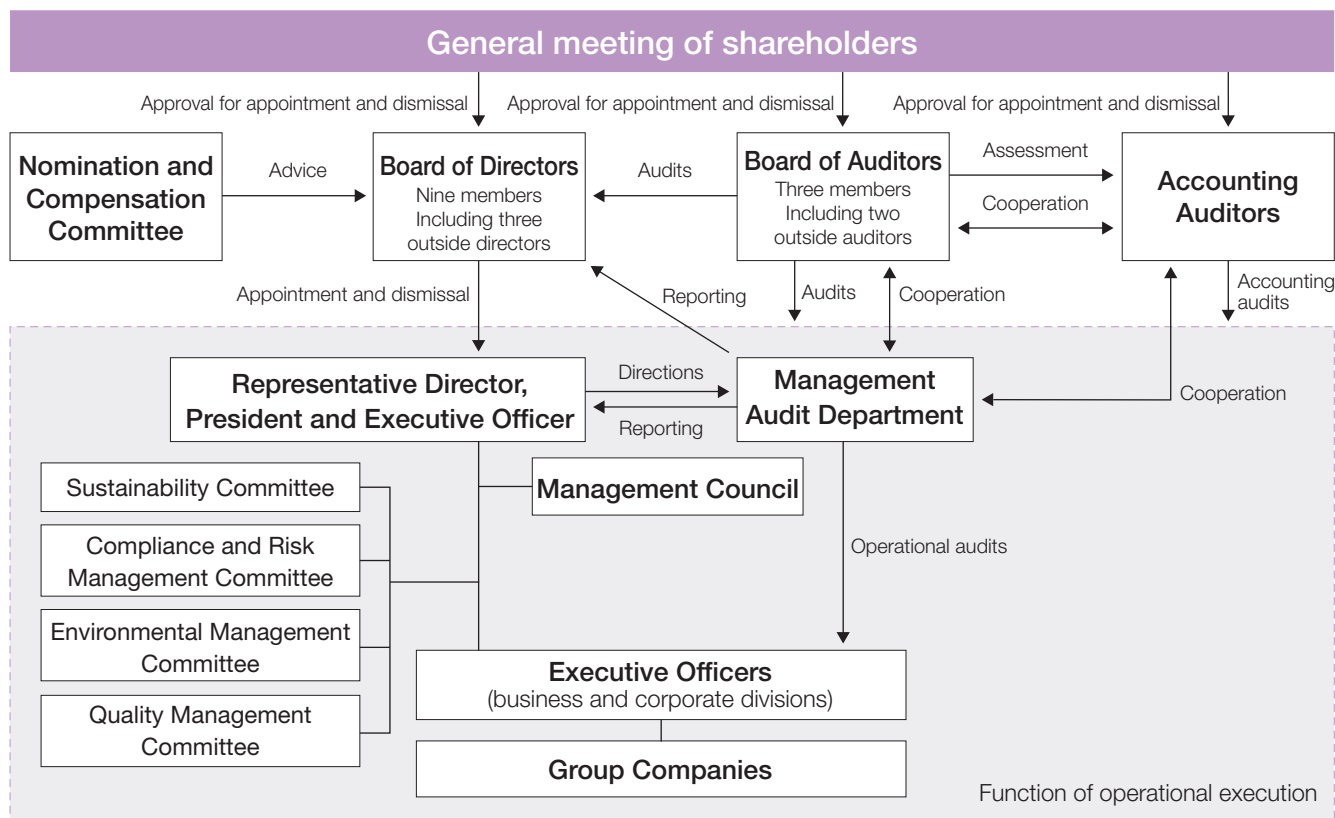
Corporate governance structure

Sakai Chemical Industry has adopted a system for a company with a board of statutory auditors. The three members of the Board of Statutory Auditors, including two permanent outside auditors, play their roles from a neutral and objective standpoint based on their vast professional experience and extensive knowledge, by asking questions at meetings of the Board of Directors, giving advice to directors, and exchanging opinions with directors. They also cooperate with the Company's department in charge of internal audits and accounting auditors in ensuring that the auditing function is fulfilled completely. In addition, on June 28, 2022, the Company appointed an auditor in reserve in case the number of the Statutory Auditors required by law is no longer met, in order to achieve the perfect operation of the system.

The Board of Directors, comprising nine members (including three outside directors), makes decisions on important management matters and oversees each director's performance of duties. Since FY2021, the Company has adopted an executive officer system and clearly defined the executive officers' responsibility and authority for operational execution in order to make the Company's management more agile and strengthen its corporate governance.

For the Basic Policy on Corporate Governance and the Corporate Governance Report, visit Sakai Chemical Industry's website.

Overview of Sakai Chemical's corporate governance (as of the end of June 2022)



Nomination and Compensation Committee

Sakai Chemical Industry has in place a Nomination and Compensation Committee as a voluntary advisory body in order to ensure the fairness, objectiveness and transparency of the Board of Directors' decision-making processes concerning the appointment of and compensation for directors and other personnel. The Nomination and Compensation Committee comprises five members, three of whom are independent members, to take independent, objective perspectives. This committee deliberates on the appointment and dismissal of directors and other personnel, plans and training for management member candidates, compensation for current directors and other personnel, and so on, and reports the deliberation results to the Board of Directors.

In FY2021, the Nomination and Compensation Committee met three times mainly to confirm progress in the development of management human resources, discuss whether the current compensation system for directors, executive officers, etc. should be reviewed, and deliberate on the structure of the management team for the next fiscal year.

Assessment of the effectiveness of the Board of Directors

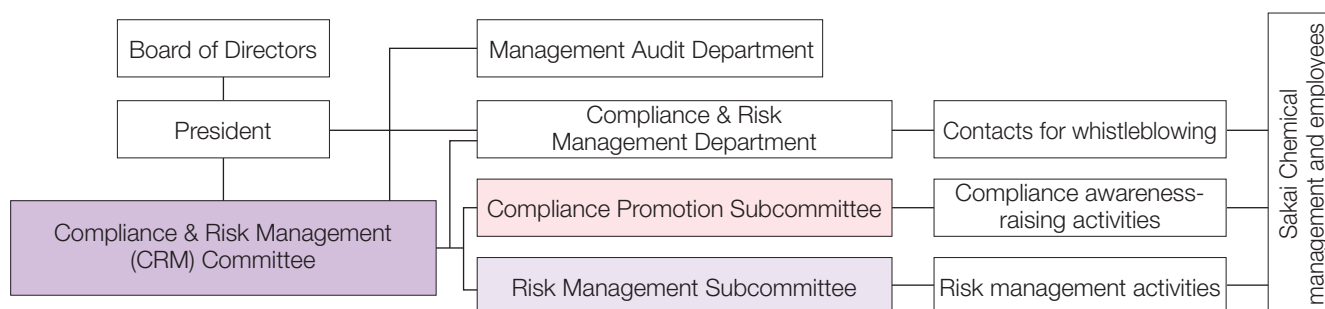
As a measure for the Board of Directors' self-evaluation, the Company conducts an annual questionnaire survey on the effectiveness of the Board of Directors with all members of the Board of Directors and the Board of Statutory Auditors as respondents. In FY2021, to clearly divide the oversight of corporate management from its execution, the Company adopted an executive officer system, in which executive officers who do not belong to the Board of Directors also attend meetings of the Board of Directors to receive reports on the status of operational execution every three months. In addition, in FY2021, discussions were held on how to raise employee awareness of the management mission and vision, human resource development, and other matters.

Risk Management

Compliance and risk management (CRM) system

Sakai Chemical Industry has formed a Compliance & Risk Management (CRM) Committee as an organization that facilitates both compliance and risk management activities, with the Compliance Promotion Subcommittee and the Risk Management Subcommittee under its umbrella. Under this CRM system, the Company has designated risks that can have considerable impacts on the Group's business operations as "significant Group-wide risks," to devote united efforts to risk management.

Overview of the compliance and risk management promotion system



Compliance promotion activities

Compliance Promotion Month

The Company has defined every October as "Compliance Promotion Month," during which various activities are conducted to raise compliance awareness among employees, including providing e-learning programs, holding department-level case study workshops and Compliance Handbook reading sessions, and calling for compliance slogans. From among the submitted slogans, excellent entries are selected and displayed on posters put up at each workplace. The Company therefore strives to instill greater compliance awareness into every employee.



Compliance Handbook



Compliance slogan poster

Enhancement of systems and regulations

[Creation of a compliance manual]

1) Whistleblowing

In response to the revision of the Whistleblower Protection Act in June 2022, the Company has revised its whistleblowing system. The main feature of the revised system is the designation of contacts for whistleblowing in the former system as "staff in charge of responding to whistleblowing." In addition, the Company has held meetings to explain the new whistleblowing system to all employees.

2) Handling of entertainment and gifts

To maintain transparent, sound and fair business transactions, the Company prohibits all management members and employees from requesting counterparties to offer entertainment or gifts, whether explicitly or implicitly. Even if they are offered entertainment or gifts within the scope of generally accepted common practice, they are obligated to report them to their superiors and keep records thereof.

[Operation of the whistleblowing system in FY2021]

Under the whistleblowing system, reports from employees and other whistleblowers to internal contacts for consultation (helpline staff) and an external contact for consultation (a corporate attorney) are handled promptly through interviews, investigations, etc. If a report is recognized as concerning a factual law violation or any other kind of case that requires improvements, corrections and/or other responses will be made. In FY2021, the system was operated as shown in the table below.

Contacts for whistleblowing	Helpline	External contact	Total
Number of reports submitted	9	0	9
Number of reports accepted	9	0	9
Number of reports that led to investigations	9	0	9
Number of reports that led to corrections and/or other responses being made	8*	0	8

* There was one case that did not need any corrections or other responses. Major corrections and other responses: Improving the workplace system or environment; formulating or improving in-house rules; Human Resources Section adopting necessary measures

● Compliance awareness-raising activities

The Company has outsourced part of its manufacturing processes from cooperating companies operating at its manufacturing sites or temporary staff agencies. Therefore, all Sakai Chemical Industry staff are required to obtain correct knowledge of the outsourcing of operations and staff, and contribute to building an appropriate management system. Moreover, free and fair business activities involve full knowledge of competition law—in Japan, the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade. Accordingly, the Company implemented the following training programs in FY2021. We will continue to provide training programs on related laws and regulations to raise employee awareness of compliance.

1) Seminars on the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (July 2021)

Five seminars on this act were held for staff in key positions (see page 17), with lecturers invited from the Fair Trade Institute.

2) Seminars on the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (February 2022)

The corporate attorney gave seminars on this act to the directors, auditors and executive officers of Sakai Chemical Industry and Sakai Chemical Group companies.

3) Outsourcing seminars (March 2022)

The corporate attorney gave outsourcing seminars to Sakai Chemical Industry employees working at workplaces where subcontract and temporary staff work.

Risk management activities

● Measures to address significant Group-wide risks

In FY2021, in response to the explosion and fire accident at the Yumoto Factory, the Company added explosion risks to the two kinds of significant Group-wide risks it had identified in the previous fiscal year: information leakage risks and environmental (air and water) risks. Since then, we have worked to address these three kinds of significant Group-wide risks.

For each kind of risk, we have designated the main department in charge and collaborating departments, and identified specific risk factors that can have major impacts on our businesses. We aim to perform more reliable risk management by devising and implementing effective measures to reduce the impacts of risks in the event that such risks are realized.

● Risk management training

Enhancing CRM requires increasing each employee's skills in implementing risk management measures (identifying risks, creating risk scenarios, assessing risks, creating risk maps, and devising countermeasures).

In FY2021, the Company provided section managers with training to enable them to deepen their understanding of risk management measures. We recognize that minimizing variations in risk assessment results between assessors will also help enhance CRM, so we will tackle this challenge in FY2022.

Information management system

Sakai Chemical Industry has established a Company-wide information management system and formulated the following information-related rules: Information Management Rules, which define the basic method of managing confidential corporate information; Information Security Rules, which define the appropriate handling of electronic information assets; Rules on the Handling of Designated Personal Information, which define the appropriate handling of designated personal information concerning the Company's employees and other people; and Rules on the Protection of Personal Information, which are aimed at preventing the Company from losing corporate profits due to the leakage of personal information or other information-related problems. Since FY2021, the Company has been conducting drills against targeted email attacks to raise employee awareness of diversifying information security risks and reduce those risks. In FY2021, Kaigen Pharma Co., Ltd., a Sakai Chemical Group company, was subjected to a cyberattack with ransomware, leading to the in-house system being put out of operation for one day. However, the system was restored with backup data and successfully returned to operation with neither payment of a ransom nor information leakage.

Basic BCM Policy

1. Always put the security of people's lives first.
2. Strive to prevent secondary disasters so as not to inconvenience local communities.
3. In the event of a disaster, work for the recovery of affected areas in collaboration with local communities, local governments, business partners, etc.
4. In the event of a disaster, reduce the risks of losing customers and market share, lowering corporate value, etc. by avoiding suspending important operations or, even if business activities are suspended, by striving to resume the operations within the target recovery time.

Initiative to formulate and implement business continuity plans (BCPs)

Sakai Chemical Industry has formulated Rules on the Business Continuity Management System (BCMS Rules) and a business continuity plan (BCP) for each of its major bases in Onahama, Sakai and Tokyo. The Sakai Manufacturing Site in particular faces many potential disaster risks, including the risk of being affected by tsunamis caused by a possible Nankai megathrust earthquake, the risk of being flooded with water from the nearby Yamato River when it overflows, and the risk of being flooded by a typhoon-caused storm surge because the site is located near a port. The Company is currently adopting countermeasures against these risks mainly in facility terms.

We will continue to update the BCMS Rules and improve our way of applying them so that we will be able to secure people's lives and take appropriate action in the event of an emergency.

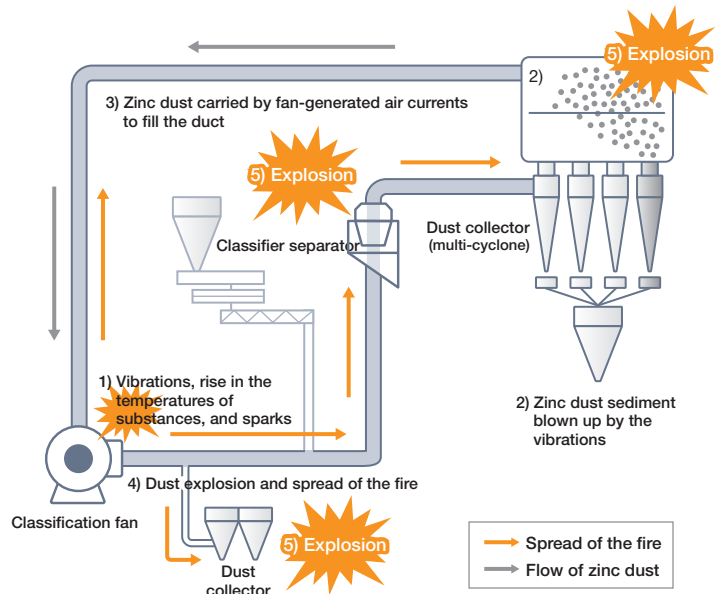
Investigation Report on an Explosion and Fire at the Yumoto Factory

An explosion and fire accident occurred at a zinc dust manufacturing facility at the Yumoto Factory on May 11, 2021. In the wake of this accident, Sakai Chemical Industry formed an accident investigation committee, which included three outside experts as third-party members. As a result of a detailed investigation into the cause of the accident and thorough discussions about measures to prevent the recurrence of similar accidents, the committee issued an investigation report concerning the accident on January 7, 2022. This investigation report is posted on the Sakai Chemical Industry website. We will apply lessons from this accident to our ongoing efforts to prevent similar accidents and make necessary improvements.

In addition, to our regret, we have decided to withdraw from the zinc dust business.

How the accident occurred (See diagram on the right.)

- 1) When a classification fan* was switched on, scales (zinc dust deposits) formed on the fan blades accidentally peeled off, leading to the shaft of the fan becoming eccentric and coming into contact with the motor casing, which generated heat. The heat raised the temperatures of the surrounding substances and produced sparks, which ignited a fire. (*Classification fan: Fan used to generate air currents to classify zinc dust into types by particle size)
- 2) The eccentric shaft caused abnormal vibrations, which blew up zinc dust sediment in a dust collection bin.
- 3) The blown zinc dust was carried by air currents generated by the fan to reach the fire.
- 4) A dust explosion occurred, spreading the fire throughout the system.
- 5) Explosions occurred at a dust collector, the classifier separator, and the multi-cyclone.



Measures to prevent the recurrence of similar accidents

We have devised many measures to prevent similar accidents, including facility-related measures, such as introducing an eccentricity detection system (which detects eccentricity problems in the classification fan with sensors and immediately stops the operation of machinery) and increasing the frequency of sediment cleaning, and human resource-related measures, such as providing employees with renewed thorough safety education.

Applying lessons from the Yumoto Factory explosion and fire accident

With decisive determination not to allow a similar accident to occur again, in parallel with the investigation conducted by the investigation committee, the Company surveyed the status of handling of category-II hazardous materials (combustible solids) defined by the Fire Service Act, and has adopted thorough preventive measures against explosions and fires. We also created a Company-wide list of powder products that can cause dust explosions, just as zinc dust had caused, and had a third-party organization (the Technology Institution of Industrial Safety) conduct explosivity tests on those materials, resulting in certain products being judged to be explosive. We are currently implementing measures to prevent those products from causing explosions on the advice of outside experts.

We have also been implementing preventive measures against similar accidents as shown below in line with the accident investigation report.

Removing dust deposits

- At each manufacturing site, checks on dust deposits were conducted, and any deposits discovered were removed. We will continue to implement this measure periodically.

Preventing the Yumoto Factory accident from being forgotten

- The top management will deliver a message on the anniversary day of the accident.
- The Company will hold safety seminars and other events intended for all employees.

Enhancing the Company's occupational health and safety initiatives

- On January 1, 2022, the Company brought into effect the Basic Occupational Health and Safety Policy. We have since worked to raise employee awareness of the policy. (See page 20.)
- Factories handling products judged to be at risk of causing dust explosions as a result of the risk assessment will review their operation manuals, clearly inform the staff about the risk, hold those materials in safe custody, and adopt other necessary measures.
- The Company has conducted a facility risk assessment. Based on the assessment results, we have been improving our facilities by installing safety measurement systems, outdoor dust collectors for combustible powder, pressure relief vents, etc.
- We will define warnings to be given to cooperating companies and further enhance safety education and audits.

From now on, we will not only implement measures to prevent the recurrence of similar dust explosion accidents, but also promote occupational health and safety initiatives with the aim of making our factories safer.

Relationships with Business Partners

To enable customers to use Sakai Chemical products without concern, we have established a quality assurance system according to the ISO 9001 standard, and constantly improve the system.

■ To Provide Safe and Secure Products

Basic Quality Policy

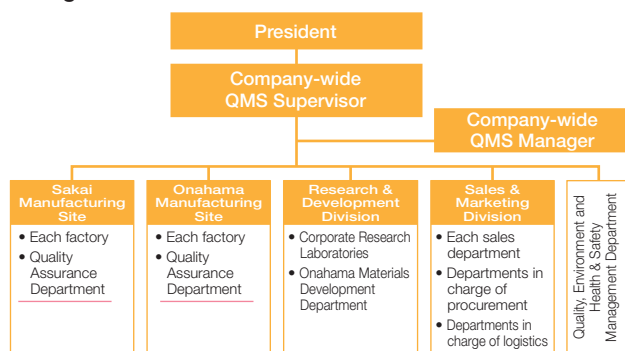
We will contribute to society by continuously improving the effectiveness of our quality management system, emphasizing product safety, and achieving stable, high-quality supply at low cost in order to improve customer satisfaction.

Quality management activities

Sakai Chemical Industry operates a quality management system (QMS) and is certified to meet ISO 9001, an international QMS standard.

We are striving to provide greater customer satisfaction by managing our entire supply chain—from the procurement of raw materials through production to the delivery of products to customers—for quality assurance.

● Organizational chart of the QMS functions (as of April 2022)



Initiatives for greater customer satisfaction

● Enhancing the quality assurance system (by establishing a Quality Assurance Department at each manufacturing site)

On April 1, 2022, the Company established a Quality Assurance Department at both the Sakai Manufacturing Site and the Onahama Manufacturing Site to transfer quality assurance duties and duties concerning the management of chemicals contained in products from each factory to the Quality Assurance Department, which performs those duties in an integrated manner.

The Quality Assurance Department at each manufacturing site is a highly professional department independent of the factories, and has the authority to not only approve the launch of products but also conclude agreements on delivery specifications, manage changes to products, address complaints and product abnormalities, dispose of nonconforming products, and the like.

By establishing the Quality Assurance Departments, we aim to further increase the reliability of the quality of our products and enhance our quality assurance system.

● Introducing a system for issuing test records

At the same time as it established the Quality Assurance Departments, the Company introduced a Company-wide system for issuing test records. The system automatically judges whether products meet in-house standards and customer specifications based on product test data entered by staff, and issues test records as needed. In addition, once data are entered in the system, they can no longer be deleted without the permission of authorized staff.

We will utilize this test report issuance system to more effectively prevent the release of nonconforming products due to misjudgments on test results or falsification of product test data.

Initiatives to manage chemicals contained in products

● Issuing safety data sheets (SDSs)

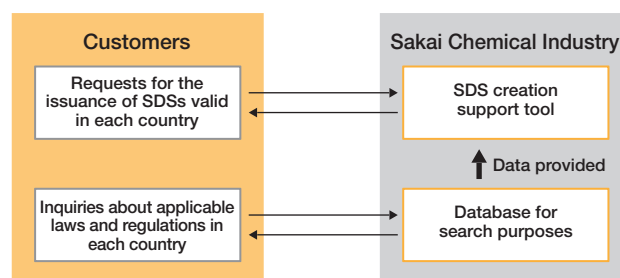
In compliance with the 2019 revision of Japanese Industrial Standards for the creation of safety data sheets (SDSs) for all kinds of products (JIS Z 7252/7253), the Company creates SDSs to inform customers about the hazards and damage that chemicals contained in our products can cause.

We have also introduced an SDS creation support tool to increase the reliability of the SDSs we create. This tool has also enabled us to issue SDSs in multiple languages.

● Responses to laws and regulations

The Company regularly collects information about applicable laws and regulations and shares it with all Sakai Chemical Industry staff and all Sakai Chemical Group companies. The Company has also introduced a database for search purposes as a tool for finding information about applicable laws and regulations in each country. Since this database is updated every quarter, we can respond promptly to revisions to such laws and regulations.

The data in this database is linked to the SDS creation support tool, thereby helping us classify chemicals according to the Globally Harmonized System of Classification and Labelling of Chemicals (GHS) and other standards applied in each country.



Initiatives for safe logistics

To ensure the safe transportation of products, the Company holds quality safety meetings with logistics companies, clearly informs those involved in logistics about rules applicable at the manufacturing sites, and patrols those sites. The Company also holds regular safety seminars intended for logistics companies to secure their cooperation in maintaining the safety of logistics.

Moreover, in anticipation of accidents in the process of transporting chemicals, we have created an emergency contact card ("Yellow Card"), which carries information about what the driver, firefighters, the police, and other persons involved must do in the event of an accident. Copies of the card have been distributed to logistics companies.

Relationships with Business Partners

To promote responsible procurement

Sakai Chemical Industry aims to promote responsible procurement in line with the Basic Procurement Policy, and believes that the key to such procurement is to obtain its business partners' good understanding of that and related policies. Therefore, we are striving to build good relationships based on mutual understanding with our business partners.

Basic Procurement Policy

1. Compliance with Laws and Regulations

We will comply with all relevant laws and regulations in our procurement processes. In addition, we will renounce any acts or ideas that are contrary to our corporate ethics.

2. Consideration for the Environment, Quality and Safety

- We will give serious consideration to the environment and conservation in accordance with our Basic Environmental Policy.
- We will strive to balance economic efficiency with environmental considerations in our procurement.
- We will contribute to society by prioritizing product safety and achieving stable, high-quality supply at low cost, in accordance with our Basic Quality Policy.
- With our corporate social responsibility always in mind, we will carry out our duties with the aim of creating a sustainable society while giving consideration to the issues of environmental pollution, resource protection, safety, and human rights.

3. Fairness and Impartiality

- Our Material Purchase Department will carry out its duties with its doors open wide to all suppliers.
- In the selection of suppliers, we will strive to make fair and impartial judgments and act with integrity.
- We will also deepen mutual understanding and build relationships of trust with our suppliers.

Supplier audits

To build and cement relationships of trust with our suppliers and enhance the quality and safety of raw and subsidiary materials, we audit our suppliers in cooperation with them. In FY2021, three of our suppliers underwent on-site audits, while other three were subject to document-based audits due to difficulty in conducting on-site audits amid the COVID-19 pandemic. The audit process mainly comprises checks on the quality control system and responses to various regulations based on a Supplier Audit Checklist. We also request our suppliers to fully understand our requirements for the quality of raw materials and subsidiary materials, including packaging materials, and material management systems.

On-site audit	Three suppliers
Document-based audit	Three suppliers

Initiatives concerning conflict minerals

There has been serious global concern about conflict minerals, which are likely to be a source of funds for armed groups committing inhumane acts in the Democratic Republic of the Congo and the surrounding countries. To prevent conflict minerals from being included in the materials we procure, we send the Supplier Audit Checklist or the Conflict Minerals Reporting Template (CMRT)* to our suppliers, and request them to answer the questions and guarantee that their products are conflict-free.

Relevant substances procured by Sakai Chemical Industry: Tungsten, tin, tantalum and gold

* The CMRT is provided by the Responsible Minerals Initiative (RMI).

Promoting the procurement of environmentally friendly materials and fuels

To contribute to the realization of a carbon neutral society by 2050, Sakai Chemical Industry started procuring carbon neutral LNG (CNL) through Tokyo Gas Co., Ltd. in April 2020. The Company is also considering the possibilities of using renewable energy sources other than CNL. Although there will be a long way for us to go for environmentally friendly material and fuel procurement, we will begin by increasing the amount of CNL we procure and procuring other materials and fuels that can help reduce CO₂ emissions, while taking into account economic factors with the aim of achieving our KPI target for CO₂ emissions reduction for FY2030.



Registration to ESG information-sharing platforms

Sakai Chemical Industry has registered with Sedex and EcoVadis, providers of platforms for the sharing of survey responses and assessment results concerning companies' environmental, labor, human rights, ethical, procurement and other initiatives.

In FY2022, the Company achieved a "Gold" EcoVadis sustainability rating for its Onahama and Sakai Manufacturing Sites for the second consecutive year.



Platform	Scope of assessment
Sedex	Matsubara Factory
EcoVadis	Onahama Manufacturing Site; Sakai Manufacturing Site

Together with Employees

To become an “Exciting Company” as aimed at in our organizational vision, we are seriously committed to not only preventing occupational accidents and enhancing employees’ mental health, but also creating a workplace environment where employees can work with a feeling of satisfaction in order to enable them to continue to work safely and healthily.

Creating a Favorable Working Environment

Basic Human Resources Development Policy

Recruitment

1. We will secure human resources separately on a global and regional basis.
2. We will recruit mid-career workers who can use their experience at other companies.

Personnel transfer (job rotation)

1. We will regularly rotate employees’ jobs among different divisions and departments.
2. We will incorporate the results of career interviews based on the self-assessment sheet into personnel transfer.

Diversity

1. We will promote the employment of women.
2. We will promote the employment of people with disabilities.

Training and education

1. We will provide employees with rank-based education.
2. We will facilitate individual career development through selection-based education.
3. We will encourage employees to obtain public qualifications as a means of self-development.

Competency- and performance-based evaluation

1. We will administer promotion exams (comprising document-based screening, interviews, external assessment, and written exams).

Employee assessment

1. We will have employees conduct self-assessment and receive feedback from their superiors-cum-assessors.
2. We will ensure that each employee’s goals are managed appropriately, and that challenging goals are set.

Human resources system reforms

● Adopting a new Human Resources System

After formulating the Basic Human Resources Development Policy in June 2021, the Company built and launched a new Human Resources System, which is designed to be more adaptable to changes in the external environment, in September of the same year. Valuing employees’ own initiative and allowing them to adopt diverse work styles, this new system is expected to be effective in providing greater employee satisfaction, increasing each employee’s productivity, and preventing them from leaving the Company.

● Design of the new Human Resources System

With the aim of achieving the primary goal of developing human resources who can think and act on their own initiative and continue to take up even difficult challenges, the new Human Resources System has been built based on improvements to the previous system and its operations, which entailed some problems. The new system has been designed with a special focus placed on the following four issues:

1) Supporting employees who can readily take up challenges irrespective of their age, experience or length of service

Since there was a job division between the career track and the general track in the previous system, the barrier between the two tracks had long prevented employees from having sufficient opportunities to take up new or difficult challenges. To resolve this problem, the new Human Resources System has “main career track” as the only, unified type of job position, and now highly rewards employees who can broaden the scope of their own work and take up new challenges.

2) Mechanisms for allowing employees to adopt diverse work styles

In the previous system, whether or not each employee should transfer between different positions depended uniformly on their track. However, the new system includes mechanisms for allowing employees to choose whether or not to transfer with their own intention and thereby adapt to changes that can occur in their living environments and values according to their life stage.

3) More reasonable employee assessment

In the previous system, the only means of employee assessment

was feedback given by the section general manager. However, this approach often resulted in one-way communication from superiors to their subordinates, thereby making employee assessment less reasonable. Therefore, we have adopted a new employee assessment system whereby employees review and assess their own work achievements and compare the self-assessment results with the results of assessment made by the general manager. In addition, new mechanisms have been introduced to have employees at a certain grade or higher set challenging goals for themselves with the aim of developing human resources who can continue to take up challenges.

4) Personnel transfer (job rotation)

The Company is currently engaged actively in personnel transfer (job rotation) as part of its human resources development efforts. In the previous system, employees seldom transferred across different departments or job types, so most of them used to perform the same or similar tasks for a long time. Although this approach helped employees deepen their own expertise, it was not effective in making them more adaptable to changes or motivating them to take up challenges, and it was even harmful because it caused certain tasks to belong to a limited number of employees.

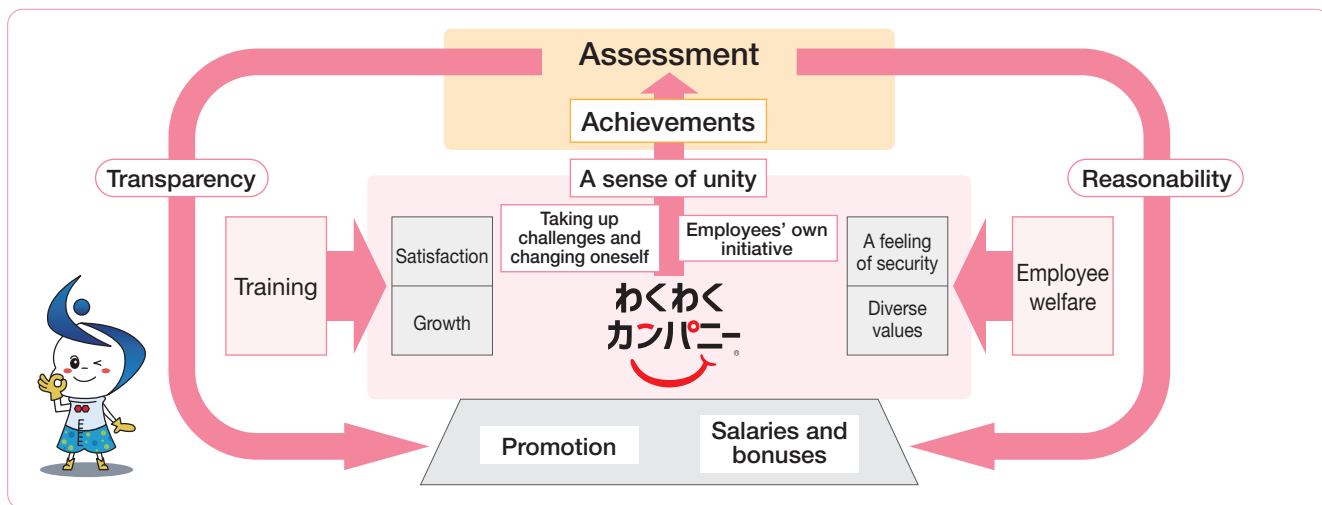
Moreover, major projects require employees involved in them to have a good understanding of other departments and fields to prevent themselves from having a narrow perspective. We believe that job rotation is also effective in developing management human resources, which is an important challenge for us to tackle.

We are confident that our current approach of allowing employees to experience various tasks based on the specific expertise and skills they have developed and thereby to broaden their own perspectives and have more ambitious goals will contribute to their greater satisfaction with their own work and the Company’s better performance.

The Company has also adopted flexible approaches to personnel transfer, including interviewing them about their intention to accept a transfer that entails moving to another location in consideration of their family circumstances and life stage, such as the need to look after their children or other family members and their children’s advancement to higher-level schools. By doing so, we aim to enable employees to demonstrate their capabilities to the fullest.

Together with Employees

● Future vision of the new Human Resources System



● To firmly establish the new Human Resources System

At the same time as we launched the new Human Resources System, we provided assessor training to employees assigned to assess other employees, and assessee training to employees who would be assessed with the aim of raising employees' awareness of the new employee assessment system and establishing it firmly. We will continue to regularly provide assessor training in particular to enhance the quality of the system.



A scene from a training program



Voice Voice: "Kachi-labo," a management-employee dialogue lecture series

In 2022, We started holding a series of dialogue lectures named "Kachi-labo" to respond to employees' simple questions and requests, such as "What experience do management team members have? What do they think?" and "I want to know more about management team members' broad perspectives and ambitious goals!"

The name "Kachi-labo" was coined by combining the Japanese word "*kachi*," which means both "value" and "victory," with the English word "laboratory," to represent the pursuit of the value of and a victory in work and life. Kachi-labo comprises a series of dialogue meetings between management team members and employees. At these meetings, management team members honestly share with employees their experience with failure and difficulties in their younger days, challenges they currently face, and their passionate enthusiasm for work. Employees in turn ask them pointed questions and share their impressions without reserve. This kind of communication helps bridge the gap between management team members and employees, and makes all attendees aware of new facts about each other. Therefore, Kachi-labo events have brought immense satisfaction to attendees.

Five inside and outside directors have so far appeared as lecturers at Kachi-labo meetings, where opinions were lively exchanged with attendees. We will continue to hold Kachi-labo meetings to make Sakai Chemical Industry an "Exciting Company" where all people can discuss a better future with each other.



A scene from a lecture

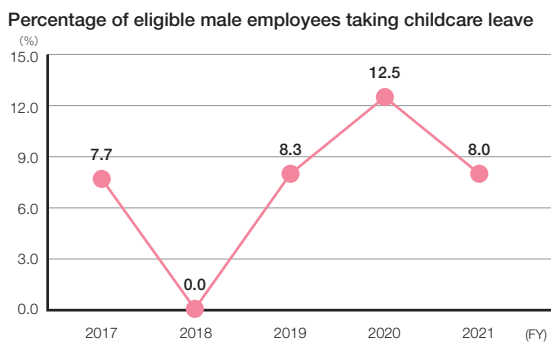
Support for employees' good work-life balance

● Encouraging male employees to take childcare leave

In response to the step-by-step enactment of the latest revisions to the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, in April 2022, half a year earlier than the enactment of the relevant revision, the Company began to encourage eligible male employees to take childcare leave. Since then, the number of male employees taking childcare leave has been gradually increasing.

Nevertheless, due to inadequate general awareness of the significance of male workers taking childcare leave and insufficient understanding of such workers, the percentage of eligible male employees taking childcare leave has not risen significantly. Therefore, we will continue our efforts to encourage male employees, in addition to female employees, to take childcare leave.

Meanwhile, the percentage of eligible female employees taking childcare leave has remained at 100%.



● Extending the period for reduced working hours for childcare

The Company has extended the period for reduced working hours for childcare by one year to enable eligible employees to use this system until the end of the relevant children's first academic year at elementary school (March 31 of that year). We will consider further extending the period to create a working environment that enables employees to maintain a good work-life balance and work without concern.

● Introducing an online welfare service to support parenting employees

(June 1, 2022)

We have introduced an online matching service to match employees who are looking for nursery schools for their children with company-operated nursery schools. By providing this support tool, we aim to help employees on childcare leave return to work smoothly even amid the current situation where many children are still on waiting lists of nursery schools.



Developing Human Resources and Fostering a Corporate Culture Where Employees Can Experience Their Own Personal Growth

Diversity initiatives

● Promoting diversity

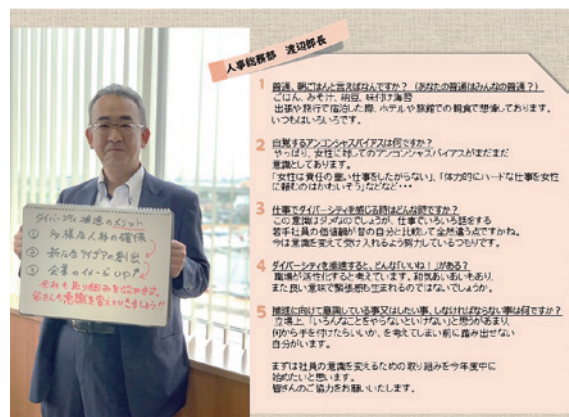
The Diversity Working Group and the staff in charge from the Human Resources Section spearhead diversity promotion activities. Lectures on how to correct unconscious biases, which have been given to employees on application since FY2020, are now given also to all directors, auditors, executive officers, and managers, to make them aware of their own unconscious biases and motivate them to correct such biases and deepen their own understanding of diversity.

Moreover, to empower female employees to demonstrate their capabilities more fully, the Company has set the target of raising the percentage of female core human resources to 20% and that of female managers to at least 10% by 2030. In addition to empowering female employees, the Company implements other specific diversity and inclusion initiatives, including helping senior employees and employees with disabilities display their talent more fully and facilitating understanding of LGBTQ people. We aim to create a working environment where employees can work comfortably and feel satisfied with their work, and to leverage the diversity of employees as a source of the Company's power.

● Initiatives to raise diversity awareness

To ensure that diversity awareness permeates the entire Company, the in-house newsletter carries articles about diversity promotion activities and related seminars. In addition, an email magazine titled "Diversity Report" is sent to all employees, featuring interviews about diversity with management team members and working group members.

The key to spreading diversity awareness across the entire Company is to constantly share related information. Therefore, we will make an active commitment to collecting information from outside the Company, holding in-house roundtables and implementing other initiatives.



From an issue of Diversity Report

Together with Employees

For the Health and Safety of Employees

Basic Occupational Health and Safety Policy

Under the strong leadership of top management and supervisors, all of us will work together to achieve the goal of “zero accidents and zero illnesses.”

Health and Safety Action Guidelines

1. We will comply with health and safety laws and regulations and promote health and safety activities.
2. We will strive to create a safe workplace by conducting risk assessments.
3. We will prevent occupational accidents by implementing measures for handling near misses, danger prediction, and pointing and calling.
4. We will raise safety awareness through training and information sharing for safety and health.
5. We will work to promote mental and physical health by carrying out health maintenance and promotion activities.

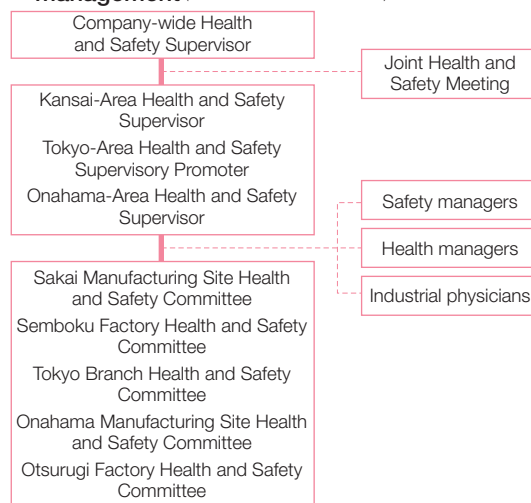
Occupational health and safety initiatives

Sakai Chemical Industry used to formulate a Basic Company-wide Occupational Health and Safety Policy every fiscal year. However, to clarify the medium- to long-term direction of its policy, the Company established the Basic Occupational Health and Safety Policy and Health and Safety Action Guidelines in January 2022.

As a Company-wide health and safety initiative to prevent occupational accidents and damage to employees’ health, the Company holds joint health and safety meetings with the participation of representatives of those involved from all business locations, mainly to discuss the health and safety management plan for each location. Each business location has a Health and Safety Committee, which formulates the final version of the health and safety management plan based on discussions at the abovementioned meetings and promotes health and safety activities.

We focus especially on addressing near misses, predicting danger, and ensuring the practice of pointing and calling to heighten employees’ safety awareness. We also work to prevent occupational accidents through risk assessments, share health and safety information collected from each business location with employees, and provide various education programs in Nationwide Safety Week and on other occasions. Furthermore, we also strive to enhance employees’ mental and physical health by utilizing a unified system for managing medical checkup results and by conducting stress checks every year.

Organizational structure for health and safety management (as of the end of March 2022)



Occupational accident in FY2021

In FY2021, an accident occurred with an employee falling and having to take leave. As a manufacturer, the Company has placed the highest priority on ensuring the safety of employees. Therefore, the relevant Health and Safety Committee has taken the lead in working to prevent the recurrence of similar accidents and promote activities toward zero accidents and zero illnesses.

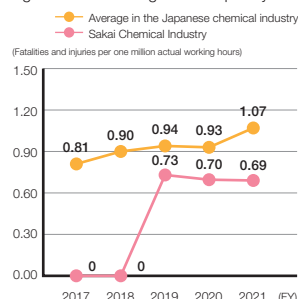
(* We do not count injuries of subcontract workers, including those in the Yumoto Factory explosion and fire accident, into the number of accidents shown here.)

Number of occupational accidents with employees having to take leave

Fiscal year	2017	2018	2019	2020	2021
Number of accidents	0	0	1	1	1

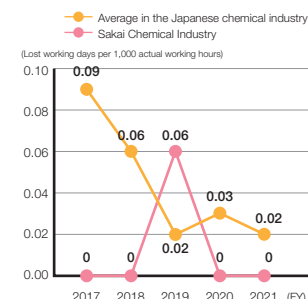
Frequency rate

Number of occupational fatalities and injuries involving leave of one day or more, per one million actual working hours. A higher value means greater frequency.



Severity rate

Number of working days lost due to accidents per 1,000 actual working hours. A higher value means greater severity.



Onahama Manufacturing Site designated as a business site that needs special guidance on safety management

In response to the Yumoto Factory explosion and fire accident and other circumstances, the Sakai Chemical Industry Onahama Manufacturing Site has been designated by the Fukushima Labour Bureau as a business site that needs special guidance on safety management for FY2022. The health and safety improvement plan that the Company has submitted to the bureau includes explosion and fire risk assessments, and the identification of and improvements to all dangerous and likely dangerous spots, based on the experience of the accident. The plan also includes using an occupational safety consultant to provide risk assessment education from an outside perspective and also enhance manager education with the aim of upgrading and invigorating health and safety activities in the Onahama area. We will make improvements in line with the submitted plan and work to make the Onahama Manufacturing Site safer under the guidance of the Fukushima Labour Bureau.

Cooperation with Group companies in promoting health and safety activities

Every quarter, the Sakai Chemical Group analyzes occupational accidents at each Group company and commuting accidents in which Group company employees are involved. Information about those accidents and analysis results are shared throughout the Group.

In FY2021, two Sakai Chemical Group Safety Meetings were held for opinion exchanges on such subjects as measures against accidents where workers are caught in automatic packers in order to prevent the recurrence of similar accidents and raise the level of the entire Group's health and safety.

Moreover, Group companies in Japan conducted factory patrols and online interviews to confirm the progress of measures to prevent the recurrence of occupational accidents that had occurred in the past, and the current status of installation of dashboard cameras in company cars.

Security and disaster preparedness

● Various disaster drills

Sakai Chemical Industry conducts regular disaster drills at each manufacturing site so that all those involved will be prepared to take prompt responses in the event of an emergency.

At the Sakai Manufacturing Site, an evacuation drill is conducted on the occasion of the annual Osaka 8.8-million Drill. The evacuation drill includes travel to an evacuation site and the trial use of a personal safety confirmation system and emergency radios.

At the Onahama Manufacturing Site, a general disaster drill is conducted mainly in the simulation of a fire at a factory, including a fire drill carried out by the self-defense firefighting team, as well as an evacuation drill on the supposition of the issuance of a tsunami warning.

Each workplace also conducts an annual disaster drill according to schedule to enable employees to learn how to act on-site in the event of an accident and how to practice first-aid firefighting using fire extinguishing equipment.



Mental health care initiatives

● Employee education and support system

Sakai Chemical Industry not only provides new employees with self-care education as part of induction education but also offers all employees an e-learning program focusing on self-care to share accurate knowledge of mental health with them. In addition, the Company provides supervisors with education about "line care" (mental health care for workers on the same reporting or production line) and anti-power harassment education to ensure that they work appropriately to prevent employees at their workplace from suffering mental health problems.

The Company has also established a support system whereby employees can consult industrial health staff (nurses, including public health nurses) about mental health without hesitation, and the consulted industrial health staff cooperate with industrial physicians and supervisors in responding quickly to employees suffering mental health problems.

Moreover, the Company has contracted with an outside organization for employee assistance program (EAP) services to have in place a system for allowing employees to receive counseling services from outside experts. Information about the counseling services is disseminated widely through leaflets distributed by industrial health staff and articles in the in-house newsletter.

● Responses to stress check results

The results of annual stress checks are shared with department general managers and higher ranked management (including management team members). Each department works on workplace improvements based on the results. Employees judged to be under high stress are interviewed individually and given thorough support by industrial health staff.

Health checkups and related initiatives

● Enhancing health checkups

Since FY2021, the Company has added tumor markers, ultrasonic diagnosis and other new items to its regular health checkup, and has also unified checkup items throughout the Company. In addition, the Company gives a lifestyle-related disease checkup to employees aged 35 or above. After the checkups, health staff offer follow-up personalized to each employee.

Furthermore, the Company gives two special health checkups a year to employees who handle organic solvents or designated chemicals at work to prevent and detect at an early stage health damage caused by occupational illnesses. If any health damage is detected in employees, we instruct them to receive another checkup or a more detailed checkup and offer them follow-up services, such as health guidance including an explanation of the checkup results, and health education. We also collaborate with local medical institutions to introduce those employees to more highly specialized medical institutions and encourage them to receive medical consultation there.

● Beginning to use a system for the unified management of health checkup results

In FY2021, the Company started using a system to manage all employees' health checkup results in a unified manner. This system enables health staff in each area to give each employee health guidance based on his/her health checkup results, even if he/she has moved in from another area for personnel transfer.

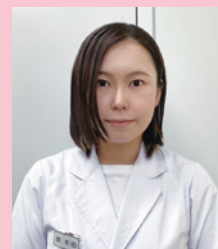
Together with Employees

Participating in the Survey on Health and Productivity Management

Since FY2020, Sakai Chemical Industry has been a respondent to the Survey on Health and Productivity Management conducted by the Japanese Ministry of Economy, Trade and Industry. Based on feedback we received on our responses to the FY2021 survey, we have shared information about our strengths and weaknesses with those involved, and we currently refer to the information in planning our health enhancement activities.

Voice Aiming to enhance regular health checkups

Sakai Chemical Industry not only conducts regular health checkups but also strives to have a larger number of employees receive cancer checkups. Employees at the Onahama Manufacturing Site can receive a gastric endoscopy, breast cancer checkups (mammography screening and breast ultrasonography), a uterine cancer checkup, and an abdominal ultrasonography together with the regular health checkup at the Fukushima Occupational Health Center (Iwaki Health Checkup Plaza), from which the Company receives health checkup services. However, amid the likelihood of the continuation of the COVID-19 pandemic, the percentage of employees who have cancer checkups has been declining. If you postpone having a health checkup due to the pandemic and have a long gap before the next checkup, your cancer, if any, is more likely to be found developed, although it would be otherwise detected at an early stage. Since there are regulations on the ages at which you can have cancer checkups and the period between cancer checkups of the same kind, it is very important to receive regular cancer checkups even amid the pandemic. At the Onahama Manufacturing Site, we hope to continue to work to have a larger number of employees have cancer checkups and further enhance the regular health checkup.



Yuko Yoshida
Dispensary, Safety and Health Section,
Operation Management Department,
Onahama Manufacturing Site

Cooperation with the health insurance society

The Company has regular contact with the Osaka Yakugyo Health Insurance Society, to which it belongs, and cooperates with the society, through a clear allocation of roles, in specific health guidance and the “Data Health” (data-based healthcare) project in order to enhance employees’ health.

Harmony with Local Communities

For coexistence and coprosperity with local communities, we not only contribute to local people’s secure lives through our business activities, but are also engaged actively in various initiatives outside our business activities.

Relationships with Local Communities

Concluding a partnership agreement with Iwaki FC

In September 2021, Sakai Chemical Industry concluded a partnership agreement with Iwaki FC, a soccer club based mainly in Iwaki City, Fukushima Prefecture. By serving as a Support Partner of the club, which aims to create social value through sports, we will contribute to invigorating local communities in Iwaki City, where one of our manufacturing sites is located.



Other initiatives

● Supporting an illumination event

The Company supported Sakai Kango Night Walk Illumination, an event held in Sakai City, Osaka Prefecture. We will continue to support such events aimed at invigorating local communities.



● Group blood donation

The Sakai and Onahama Manufacturing Sites make a group blood donation every year with the active participation of many employees centered around young members. In November 2021, the Sakai Manufacturing Site received a letter of appreciation from the Governor of Osaka Prefecture in recognition of its long-term efforts in and contribution to promoting group blood donations. We will continue to implement this initiative to make a significant contribution to society.



Environmental Commitment

To realize a sustainable society, based on the Basic Environmental Policy cited below, Sakai Chemical Industry pays full consideration to the natural environment, works to reduce the environmental impact of all stages of its business activities, and implements environmental conservation activities.

Environmental Management

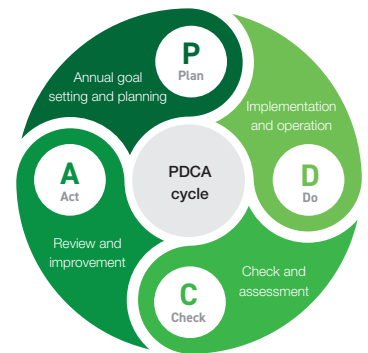
Basic Environmental Policy

1. We comply with laws and regulations related to the environment as well as other requirements to which we have agreed.
2. In consideration of our business activities, we will focus on the following items.
 - 1) We will develop and manufacture environmentally friendly products and procure environmentally friendly raw materials.
 - 2) We will improve our environment-related technologies and know-how.
 - 3) We will sell products that help our customers reduce their environmental impact and prevent pollution.
3. We will strive to conserve resources and energy and reduce industrial waste from a life cycle perspective at all stages of our business activities.
4. We will establish an environmental management system and plan for continuous improvement and pollution prevention.
5. We will set environmental targets and review them regularly.
6. We will ensure that all employees and related parties are made aware of this Basic Environmental Policy and promote education and dissemination activities to ensure that everyone can understand and act on it.
7. This Basic Environmental Policy will be made available to the general public as necessary.

Environmental management activities

To conduct environmental conservation activities effectively, Sakai Chemical Industry has established an environmental management system (EMS) in line with the ISO 14001 standard. We strive to accurately monitor and assess the environmental impact of our business activities and the effects of measures to address that impact by ensuring the good functioning of the PDCA (plan-do-check-act) cycle with the aim of continuing to reduce and improve the environmental impact.

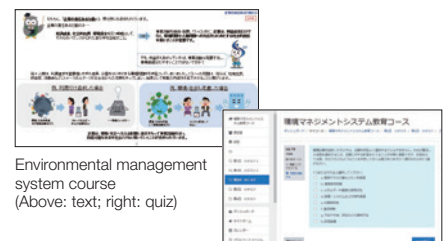
Each department identifies and assesses environmental risks entailed by its business activities and incorporates high-priority environmental risk issues into its environmental targets to prevent the leakage of environmentally harmful substances and environmental accidents. Challenges and progress in efforts to achieve targets at each site are discussed by the Company-wide EMS Committee and incorporated into Company-wide environmental targets for the following fiscal year. We therefore devote Company-wide efforts to environmental conservation.



Initiatives to raise employees' awareness of environmental compliance

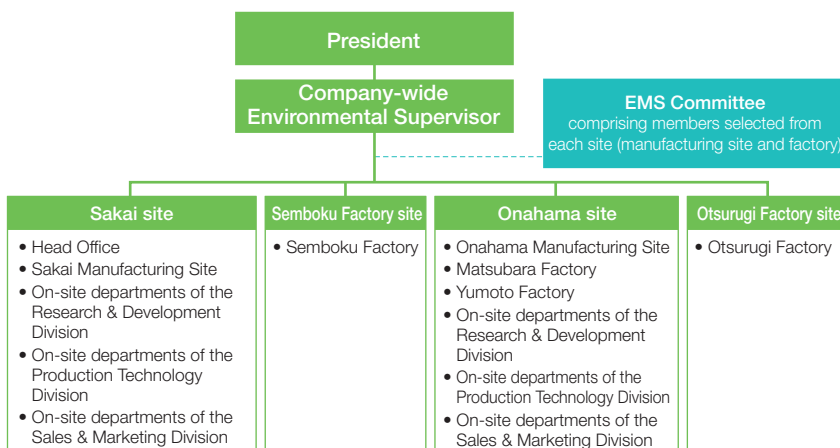
In our business activities, it is important to not only comply with laws and regulations but also pay due consideration to the environment. We provide all relevant employees with various education programs to spread environmental conservation activities across the entire Company and upgrade those activities.

The in-house education program comprises the environmental management system course, the environmental law (101) course, and the chemicals management (101) course. These courses are designed to enable attendees to review the subjects again and again through quizzes. We also offer an ISO 14001 internal auditor training course, which is taught by an outside organization.



Environmental management system course (Above: text; right: quiz)

Organizational chart of the EMS functions (as of the end of March 2022)



Acquisition of ISO 14001 certification



The Otsurugi Factory has been certified to comply with the ISO 14001:2015 standard. (Result of the 5th renewal review on August 1, 2020: Pass)

Environmental Commitment

FY2021 targets and results

Sakai Chemical Industry endorses the Responsible Care initiative and strives to achieve Company-wide environmental targets set in its Responsible Care Implementation Plan. The table below shows the FY2021 targets and results. Each intensity value below is calculated based on the value of the production volume used in the periodical report that the Company has submitted in line with the provisions of the Act on Rationalizing Energy Use.

○: Target achieved △: Target not achieved but regulation limit value eclipsed ×: Target not achieved

Category	FY2021 Company-wide target	FY2021 result	Self-assessment
Water discharge management	Health-related metrics Equal to or below the environmental standard values ^{*1}	The values for all substances surveyed were below the standard values. (target achievement rate: 100%)	○
	General metrics 50% lower than the regulation limit values ^{*2}	The targets for three substances among all 14 substances surveyed were not achieved, but the actual values for them were below the regulation limit values. (target achievement rate: 79%)	△
Air management	NOx emissions 80% lower than the regulation limit value ^{*3}	The target was achieved at all the facilities surveyed. (target achievement rate: 100%)	○
Conservation of resources and energy	Energy use intensity^{*4} 1% or higher reduction year on year (target: 996 liters/ton)	1,016 liters/ton (deteriorated by 1%)	×
	CO₂ emission intensity^{*5} 1% or higher reduction year on year (target: 2.01 tons/ton)	1.92 tons/ton (improved by 5%)	○
Reduction of industrial waste Promotion of reuse and recycling	Industrial waste intensity 1% or higher reduction year on year (target: 0.71 tons/ton)	0.73 tons/ton (deteriorated by 2%)	×

*1: The major health-related metrics include those for cadmium, lead, arsenic, mercury and polychlorinated biphenyl (PCB).

*2: The major general metrics include chemical oxygen demand (COD), pH and metrics for suspended solids (SS), zinc, chromium, nitrogen, phosphorus and colon bacilli.

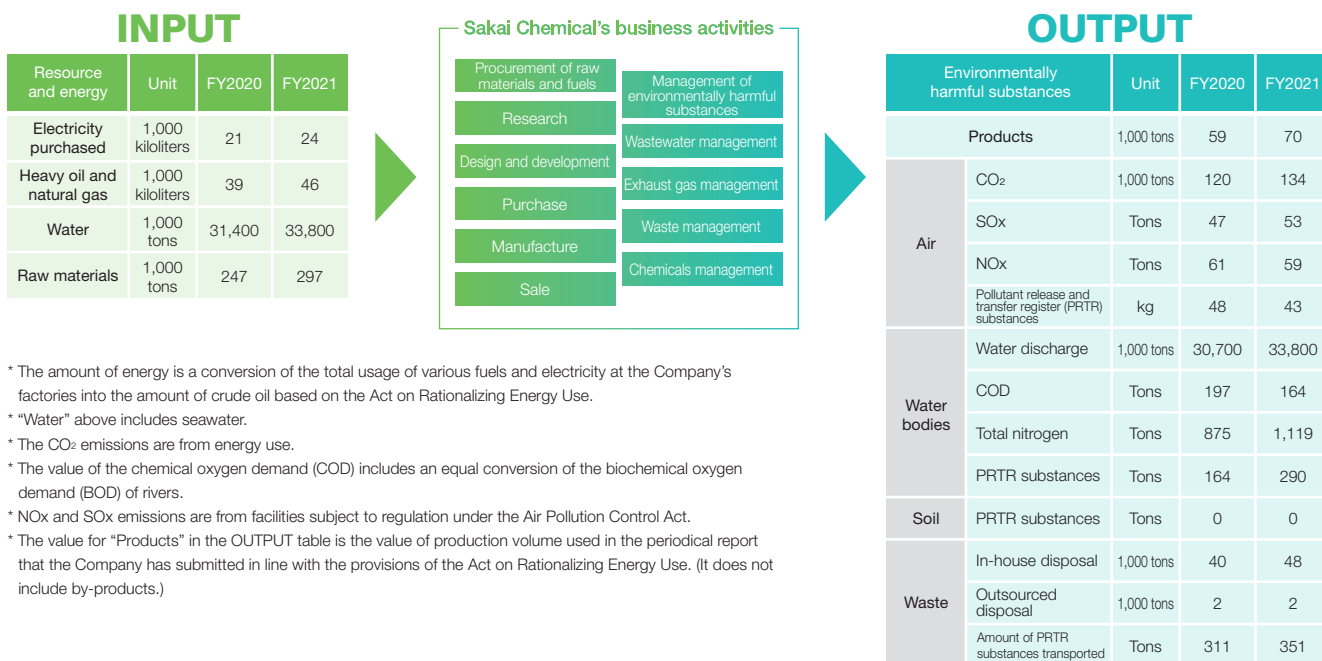
*3: The surveyed facilities are "units generating soot or smoke" subject to regulation under the Air Pollution Control Act.

*4: The amount of energy used is a conversion of the total usage of various fuels and electricity at the Company's factories into the amount of crude oil based on the Act on Rationalizing Energy Use.

*5: The CO₂ emissions are from energy use.

FY2021 material balance

The Company's business activities involve the use of a lot of energy, chemicals, water, etc., which has various impacts on the environment. Therefore, we strive to reduce the environmental impact of all stages of our business activities. The Company's FY2021 material balance was as follows.



* The amount of energy is a conversion of the total usage of various fuels and electricity at the Company's factories into the amount of crude oil based on the Act on Rationalizing Energy Use.

* "Water" above includes seawater.

* The CO₂ emissions are from energy use.

* The value of the chemical oxygen demand (COD) includes an equal conversion of the biochemical oxygen demand (BOD) of rivers.

* NOx and SOx emissions are from facilities subject to regulation under the Air Pollution Control Act.

* The value for "Products" in the OUTPUT table is the value of production volume used in the periodical report that the Company has submitted in line with the provisions of the Act on Rationalizing Energy Use. (It does not include by-products.)

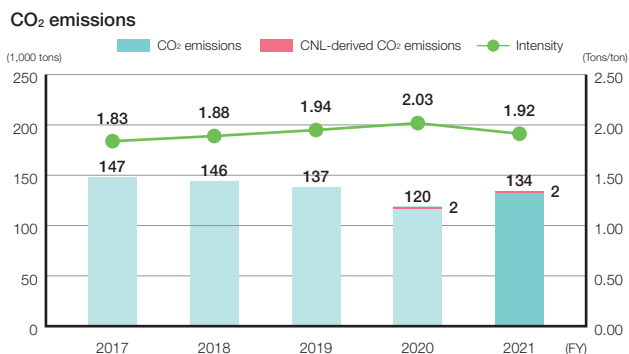
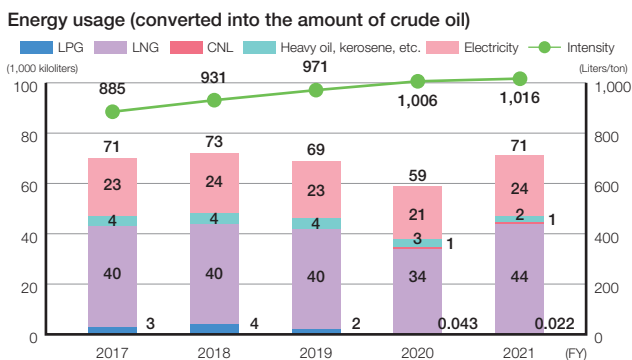
Initiatives to reduce environmental impact

Efforts to prevent climate change

Sakai Chemical Industry has set a target of reducing both energy use intensity and CO₂ emissions intensity by 1% or more year on year, and has worked to conserve energy and reduce CO₂ emissions. Based on the policy on responses to climate change (in conformity with the Task Force on Climate-Related Financial Disclosures [TCFD] recommendations), the Company has also recently set a medium- to long-term target of reducing CO₂ emissions by 30% from the FY2013 level by 2030. To achieve these targets, we will consider the introduction of renewable energy sources, strongly promote energy conservation activities, and tackle the challenge of achieving carbon neutrality by 2050. (For our vision for a shift to carbon neutrality, see page 7.)

Energy usage (converted into the amount of crude oil) and CO₂ emissions

With an increase of 1% year on year in energy use intensity, we failed to achieve the target for the metric. We recognize that the major cause of the increase was an increase in the number of products with a high energy use intensity. Meanwhile, we achieved an improvement of 5% year on year in CO₂ emissions intensity. Each of our factories has striven to conserve energy by installing energy use monitoring equipment and replacing conventional machines and lights with energy-efficient machines (such as large compressors) and lights (LED lights), to make progress in energy conservation activities by enhancing the efficiency of machinery operations. We believe that the improvement in CO₂ emissions intensity in FY2021 can be attributed largely to the decline in the CO₂ emission factor concerning electricity supply. To achieve the new long-term target of reducing CO₂ emissions by 30% from the FY2013 level by 2030, we will reduce CO₂ emissions by promoting energy conservation activities, improving our processes, and shifting to low-carbon fuels. We will therefore contribute to the realization of a carbon neutral society.



Products alternative to microplastic beads (MPB)



Microplastics with a diameter of 5 mm or less, which are hardly biodegradable in the natural environment, have caused a social issue. There is general concern that, once discharged into the sea, they severely affect marine ecosystems.

Therefore, as one of the global initiatives to achieve the Sustainable Development Goals (SDGs), the cosmetics industry has begun to work to tighten regulations on microplastic beads (MPB). As a result, there is growing demand for materials that can replace MPB.

Sakai Chemical Industry's proprietary inorganic powder control technology can conglomerate various materials. We will expand the appeal of this technology for producing alternatives to MPB on which regulations are increasingly being tightened worldwide, and thereby contribute to protecting the fertile sea.



Product lineup

- Sciqas spherical silica series
- Large-particle spherical zinc oxide LPZINC-S
- Spherical calcium carbonate Calmaru
- Spherical composite powder of barium sulfate Barimaru

Voice New sustainable material for people and environment

In recent years, the cosmetics industry has been rapidly replacing MPB with environmentally friendly particles.

Barimaru is a product we developed by uniting our technologies for optimizing, purifying and compounding materials, and controlling their shape. Based on barium sulfate without aqueous toxicity, this new material has only a slight environmental impact and meets standards for ingredients for quasi-drugs. Featuring a good texture and the effect of making the skin look more youthful, Barimaru has attracted the attention of cosmetics manufacturers as an MPB alternative that is friendly to both people and the environment.



Manabu Sueda
Onahama
Development Department

Environmental Commitment

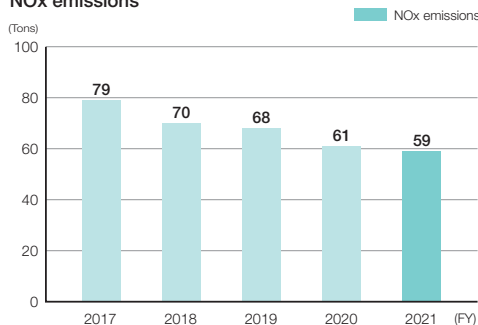
Initiatives to reduce environmentally harmful substances and waste

Environmentally harmful substances must not be discharged into the external environment. Sakai Chemical Industry strives to reduce environmentally harmful substances, for example, by setting targets that are more ambitious than regulation limit values.

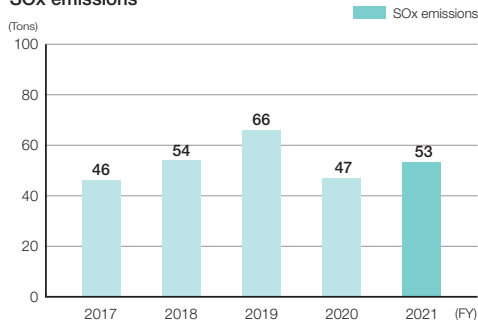
● Air pollutant emissions

Compared with FY2020, NOx emissions for FY2021 decreased slightly, while SOx emissions for the same year increased slightly. We will continue to tightly manage these air pollutants on our own through such measures as inspecting exhaust gas-emitting facilities to not only comply with applicable laws and regulations but also reduce pollutant emissions.

NOx emissions



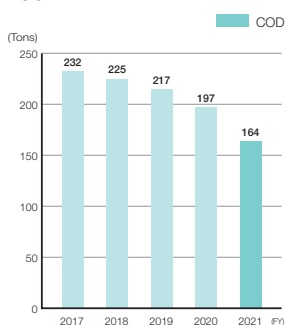
SOx emissions



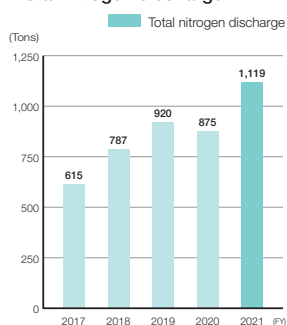
● Water pollutant discharges

We strive to keep our water pollutant discharges lower than the regulation limit values by establishing and enhancing our wastewater monitoring system in order to control, maintain and manage water pollutants discharged in wastewater, such as nitrogen, as well as the values of indicators for the level of water pollution, including the COD. Compared with FY2020, the COD for FY2021 declined, while the total nitrogen discharge increased due to an increase in the production volume of relevant products. We will continue our efforts to keep our water pollutant discharges lower than the regulation limit values, and reduce those discharges by enhancing our wastewater management and utilizing an ammonia recovery facility, which we introduced in FY2021. (See "Topics" on the right.)

COD



Total nitrogen discharge



● PRTR substances emitted into the air and discharged into water bodies

For FY2021, PRTR substance emissions into the air were at the same level as in FY2020. On the other hand, the manufacture of new products resulted in the addition of one substance to our list of PRTR substances whose discharge into water bodies must be reported, while the production volume of products using PRTR substances increased. As a result, the total PRTR substance discharge into water bodies was 290 tons, an increase of 126 tons year on year. We will continue to work to reduce PRTR substance emissions and discharges by improving our production processes and enhancing the yield.

Major PRTR substances emitted into the air

(Unit: kg)

Substance name	FY2019	FY2020	FY2021
Methylnaphthalene	78	48	43

Major PRTR substances discharged into water bodies

(Unit: tons)

Substance name	FY2019	FY2020	FY2021
Water-soluble zinc compounds	0.2	0.5	0.03
Thiourea	242.1	136.8	249.8
Boron and its compounds	2.6	0	0
Manganese and its compounds	28.3	23.6	35.1
Molybdenum and its compounds	1.8	2.7	3.9
Nickel compounds	0.1	0.2	0.7
Cobalt and its compounds	0	0	0.04

Topics

Initiative to reduce and effectively use environmentally harmful substances

In May 2021, a new facility at the Onahama Manufacturing Site started operating to collect ammonia emitted from production activities and recover it as ammonia water. Since recovered ammonia water is reused in the production field, this initiative contributes to not only the reduction of environmental impact but also the effective use of resources. We will continue to promote initiatives that are helpful for both society and environmental conservation.



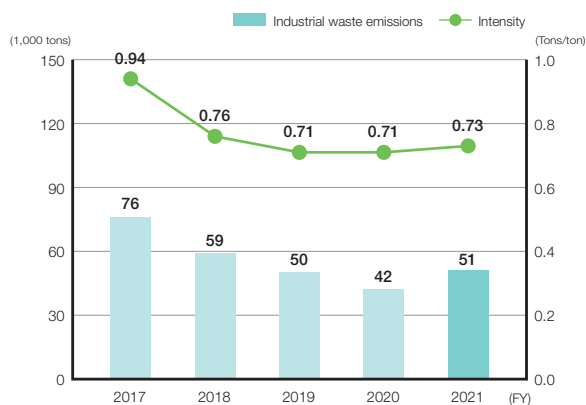
Waste management

The Company has set a target of reducing industrial waste emissions intensity by 1% or more year on year, and has striven to reduce industrial waste. In July 2021, the Company identified reducing industrial waste emissions as one of the issues of materiality for itself, and set a new medium- to long-term target of reducing industrial waste emissions by 25% from the FY2021 level by FY2025. We will promote the 3Rs (“reduce,” “reuse” and “recycle”) and work to reduce industrial waste through overall waste management measures.

● Waste emissions

For FY2021, waste emissions increased by 9,000 tons year on year, while the waste emissions intensity also increased by 3%, resulting in our failure to achieve the target of achieving a decrease of 1% in industrial waste intensity. At the Onahama Manufacturing Site, which accounts for more than half of our total production volume, sustained efforts are made to improve the product yield and optimize the conditions for industrial waste treatment with the aim of reducing waste. In addition, toward the medium- to long-term reduction of industrial waste emissions, we will start considering new possibilities for recycling to further reduce industrial waste.

Industrial waste emissions



● Disposal of polychlorinated biphenyl (PCB)

In compliance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Waste, we completed the disposal of high-concentration PCB waste^{*1} at the Sakai site and the Semboku site in Osaka Prefecture before the deadline for disposal (March 31, 2021). At the Onahama site in Fukushima Prefecture, we have completed a survey on high-concentration PCB waste and are currently disposing of the waste according to schedule with a view to completing it by the disposal deadline (March 31, 2023). We also aim to complete the disposal of low-concentration PCB waste^{*2} as early as possible, and are working to recover and restore the waste appropriately while managing progress at each site.

*1: High-concentration PCB waste: Electric devices in which PCB is used intentionally (with a PCB content of more than 5,000 mg/kg)

*2: Low-concentration PCB waste: Electric devices contaminated with PCB without anyone's intention (with a PCB content of more than 0.5 mg/kg)

● Amount of waste entrusted to external parties for recycling

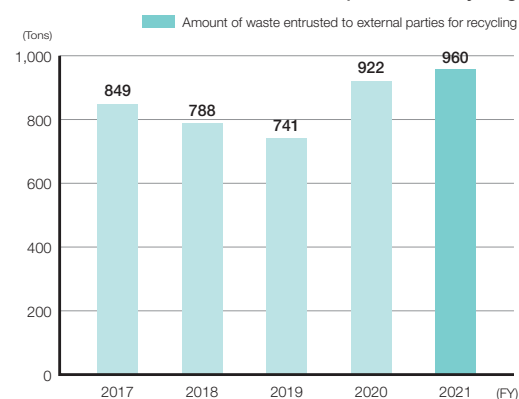
The Company not only instructs employees to thoroughly separate waste by type but also seeks waste treatment companies capable of recycling and/or heat recovery, to ensure that waste from its business activities is recycled as much as possible. In FY2021, the Company entrusted 960 tons of waste to external parties for recycling or treatment of other kinds, an increase of 38 tons year on year. We will continue to devote serious efforts to recycling and heat recovery.

Topics

Act on the Promotion of Plastic Recycling put into effect on April 1, 2022

For FY2021, the Company's plastic-containing-product-based industrial waste emissions were 450 tons. This figure puts the Company in the category of businesses with large plastic waste emissions (250 tons or more). From now on, we will share our targets for plastic waste reduction and recycling throughout the Company, and promote efforts to achieve those targets.

Amount of waste entrusted to external parties for recycling



● Management system for an in-house industrial waste disposal site

The manufacture of titanium dioxide, the major product of the Onahama Manufacturing Site, generates a large amount of waste from the neutralization process mainly containing iron oxide, which comprises impurities in ore as a raw material. The Company possesses a managed final disposal site in Iwaki City and operates and manages it on its own responsibility. The Company promotes activities to conserve the abundant natural environment of the area around the disposal site while deepening mutual communication with local residents.



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About the picture on the front cover

Depicted on the front cover is Cheetan, Sakai Chemical Industry's mascot created in celebration of the centenary of its founding. Named after titanium dioxide—commonly called "*chitan*" in Japanese, one of the main products of the Company, he is a lively boy full of curiosity about everything. He is dressed nicely in a beaker-shaped outfit, with hair styled like the Company's logo. His bow tie with hexagonal ends and his polka-dotted pants are inspired by powder processing technology, in which one of the Company's strengths lies.