



TOP MESSAGE

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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.