

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

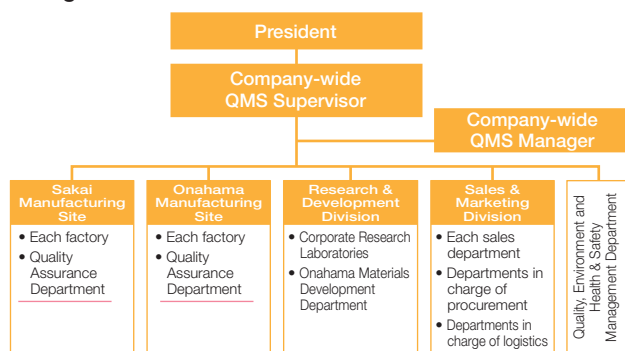
We will contribute to society by continuously improving the effectiveness of our quality management system, emphasizing product safety, and achieving stable, high-quality supply at low cost in order to improve customer satisfaction.

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)

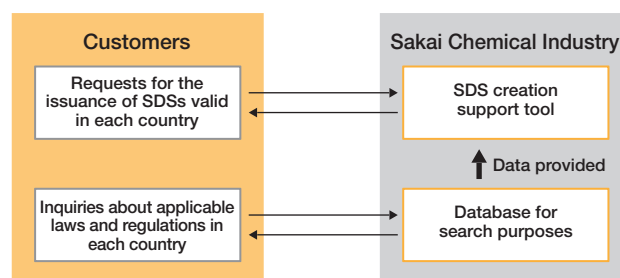
In compliance with the 2019 revision of Japanese Industrial Standards for the creation of safety data sheets (SDSs) for all kinds of products (JIS Z 7252/7253), the Company creates SDSs to inform customers about the hazards and damage that chemicals contained in our products can cause.

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