Putting earned cash into the next growth investment

Building a foundation for sustainable growth through stronger contract manufacturing capabilities and environmental initiatives

At Osaki Industry Co., Ltd., the cash generated through daily improvement activities and initiatives to enhance profitability is steadily being directed toward investments to strengthen future competitiveness. One example is the construction of a pilot plant at the Hiroshima Plant to strengthen its contract manufacturing capabilities. Building on chemical technologies and equipment capabilities cultivated over many years, it is establishing a structure that enables it to bridge the gap from laboratory scale to mass production more flexibly and respond to the diverse consultations and needs of customers more quickly than ever before. This is not simply an expansion of production facilities, but a strategic investment to deepen relationships with existing customers and further strengthen earning power by acquiring new projects. It has also installed an LNG satellite facility as part of its transition to new energy sources, helping to reduce its environmental impact while strengthening the production base that supports stable operations.

By reinvesting the results achieved through improved profitability into strengthening contract manufacturing capabilities and environmental initiatives, it has established a virtuous cycle that leads to sustainable growth.



LNG satellite facility installed at the Hiroshima Plant

Becoming an even better company starts with a refined mindset

The transformation at Osaki Industry Co., Ltd. was truly a team effort. We spoke with three members of the General Affairs Department, which supports the foundation of the company, about the changes they have felt before and after the transformation and the kind of company they hope to create going forward.

Q. What was the company like in the past?

Konishi : There were still some outdated ways of doing things. For better or worse, I had the impression that we were a "traditional company."

Ueda : After joining Osaki Industry from another company, I felt there was a lot of room to make things more efficient.

Konishi : The close relationships among employees and the culture of easily asking each other for advice are still strengths of the company.

Q. How did the message of constantly striving to become an even better company resonate with you?

Konishi : I felt that the motto reflected the idea of valuing the small improvements we make every day. I began to consciously ask myself whether I could make even a small improvement in my own work and wanted to work more efficiently.

Ueda : It was simple, easy to understand, and easy to embrace. Precisely because of that, I think everyone was able to work in the same direction toward the same goal.

Ito : President Yanagishita has set the standard of "working hard is a given; we must go one step further." Instead of simply communicating the message, he also went to the various worksites himself. This showed how he wanted to convey that standard through his actions.

Q. How do you feel about the results of the transformation?

Ito : The idea of generating profits as a whole company has taken root, and those profits are being properly returned to employees through bonuses and compensation. I think this has created a virtuous cycle of motivation.



Ueda, Konishi, and Ito discuss the transformation

Ueda : In the past, when business performance deteriorated, discussions focused mainly on cuts. Now, I feel that the approach of making clear distinctions and allocating management resources where they are needed has also changed the atmosphere on the front lines.

Q. What would you like to work on going forward to become an even better company?

Konishi : I would like to support the work of those around me and proactively communicate with others while keeping priorities and the other person's perspective in mind.

Ueda : The General Affairs Department is not a department that directly generates profits. With this in mind, I want to provide support that makes it easier for other departments to operate. I also want to be actively involved in the new headquarters building project, gather everyone's input, and help create a better workplace.

Ito : I recently took on new responsibilities following an internal transfer, which broadened my perspective. I would like to put that experience to use and help create a company where information is naturally shared across different departments.

Source of value creation (capital)

Effective and efficient use of limited capital will make it possible to create even more value for society.
The Sakai Chemical Group is working to create such value through a unified management and workforce.

Financial capital

Total assets
¥117,216 million

Net assets
¥78,923 million

Manufactured capital

No. of production sites
(including 3 overseas production sites)
24

Capital investment
¥5,731 million

Intellectual capital

No. of patents held
644

R&D expenses
¥2,844 million

Human capital

No. of employees
2,357
*Including temporary employees

Percentage of mid-career hires (consolidated)
71.1 %

Social and relationship capital

Established in 1918

No. of affiliated companies
(including 9 overseas corporations)
17
*Including non-consolidated subsidiaries

Natural capital

Water usage
29,800,000 m^3

CO_2 emissions:
115,000 tons
(Scope 1 + 2)

Materiality and key performance indicators (KPIs) for Sakai Chemical Group

Make people happy



Issue of materiality	Key performance indicators (KPIs)		
	KPIs	Targets	FY2025 results
(1) Foster human resources and create a corporate culture where employees can feel their growth	Score on Geppo, an employee engagement and management tool from Recruit Co., Ltd.	FY2027 target: 68 FY2030 target: 70	64.4
(2) Create a comfortable working environment	No. of people working long hours (over 60 hours per month) No. of deaths and of injuries requiring 4+ days off work No. of days of lost work Percentage of new hires with experience (experienced hire ratio) Percentage of female employees among core personnel Percentage of female employees among managers Percentage of employees taking annual paid leave Percentage of male employees taking parental leave	0 people/year (FY2030) 0 people/year 0 days/year 20% or more 20% or more (FY2030) 10% or more (FY2030) 80% or more (FY2030) 50% or more (FY2030)	293 people 7 people 148 days 71.1% 18.4% 7.0% 82.3% 76.5%
(3) Contribute to local communities	Participating in social contribution activities at cooperating membership groups	Implementing social contribution activities	Izumi Ward Furusato Festival, Sakai City Festival, Iwaki Odori Dance Festival held in Onahama Iwaki Fireworks Festival, Hadano Tanzawa Festival Iwaki Carbon-Neutral Social Cooperation Joint Course Sakai Science Education Festival

Protect the global environment



Issue of materiality	Key performance indicators (KPIs)		
	KPIs	Targets	FY2025 results
(4) Manage chemical substances appropriately, reduce environmental impact, and implement measures to improve product safety	Scope 1 and Scope 2 CO_2 emissions reduction rate (versus FY2013 level) Ascertaining Scope 3 CO_2 emissions No. of serious environmental accidents	30% (FY2030) Determining scope and calculating values 0 cases/year	39% Determining scope and calculating values 0 cases/year
(5) Reduce industrial waste emissions	Industrial waste reduction rate (versus the FY2021 level)	50% (FY2030)	37%
(6) Give consideration to biodiversity	Water usage reduction rate (compared to FY2021)	25% (FY2030)	14%

Solve social issues through manufacturing



Issue of materiality	Key performance indicators (KPIs)		
	KPIs	Targets	FY2025 results
(7) Create products and services that help solve environmental and social issues	No. of developed products and services certified as Smart Materials	Launch five Smart Material products by FY2030	Certified three products
(8) Promote responsible procurement	Holding CSR procurement surveys for business partners	Implementing CSR procurement surveys	Implemented CSR procurement survey

Build a transparent and strong management system



Issue of materiality	Key performance indicators (KPIs)		
	KPIs	Targets	FY2025 results
(9) Increase the effectiveness of the Board of Directors	Based on the results of the questionnaire on the effectiveness of the Board of Directors (1) No. of challenges identified (2) No. and total hours of discussion sessions on each challenge (3) No. of countermeasures devised (4) No. of countermeasures implemented	Identify challenges based on the results of the questionnaire on the effectiveness of the Board and make necessary improvements * Sakai Chemical Industry (non-consolidated)	Identified challenges based on the results of the questionnaire on the effectiveness of the Board and made necessary improvements
(10) Understand risks and take countermeasures	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	Achieved zero serious compliance violations throughout the year Maintained the effectiveness of the system
(11) Ensure timely and appropriate information disclosure	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	Issued Sakai Chemical Group Integrated Report 2025

Note: Beginning this fiscal year, the scope of data presented has been standardized on a consolidated basis. Unless otherwise stated, all data represent the consolidated results of the Sakai Chemical Group.



Human capital management supporting business transformation Connecting initiatives into a unified strategy to strengthen Group-wide business execution

Akira Morioka
Executive Officer
Head of Administration Division
Sakai Chemical Industry Co., Ltd.

Current state of human capital management at Sakai Chemical Industry Co., Ltd.

As part of efforts to establish a foundation for human capital management, Sakai Chemical Industry Co., Ltd. has been advancing initiatives such as human resources system reforms, management talent development and improvements to workstyles. In April 2024, the Company established the Human Capital Committee, creating a structure for discussion of human resources-related issues at the management level throughout the entire company.

In recent years, the scope of these initiatives has expanded to include improving engagement, talent management, developing autonomous human resources, DEI, and dialogue between management and employees on the front lines, while the number of initiatives has also increased. Rather than pursuing each initiative individually, the Company is systematizing them into a human resources strategy linked to its business strategy and connecting them to stronger organizational capabilities.

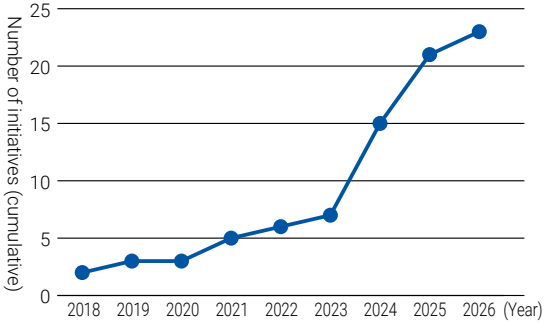
Human capital initiatives

Systems and foundations
Human resources system, workstyles, management talent development

Development and placement
Training by job grade, career support, talent management

Organization and culture
Engagement, dialogue, DEI, organizational learning

Cumulative number of human capital initiatives implemented



Toward the Group we aspire to become

Until now, each company in the Sakai Chemical Group has formulated and implemented human capital initiatives based on its own business characteristics and human resources-related issues. As a result, the direction of the entire Group's overall human resources strategy has not been sufficiently clarified.

Going forward, based on business portfolio transformation and the growth strategy, we will clarify the human resources and organizational capabilities required across the Group, as well as the direction of our human resources strategy. Based on this, each Group company will develop and implement initiatives tailored to its own business characteristics. In addition, by sharing insights gained through the implementation of initiatives at each company and using them to drive continuous improvement, we will strengthen the Group's overall ability to execute its strategy and aim to enhance corporate value.

■ The Group's human resources strategy going forward



The following pages introduce initiatives at Sakai Chemical Industry Co., Ltd., including human resources structural reform, development of autonomous human resources, enhancement of employee engagement, and DEI, as well as initiatives specific to individual Group companies.



Background and objectives of structural reform

Under the Medium-Term Management Plan Transformation: BEYOND 2030, the Sakai Chemical Group has been pursuing structural reforms to fundamentally transform its business foundation, including restructuring its business portfolio, improving asset efficiency, and streamlining unprofitable products. The objective is to build a resilient and agile management foundation that can continuously generate earnings even amid a rapidly changing business environment and enable the Group to take on challenges for its next stage of growth.

Implementation of the Special Career Transition Support Program

As part of these structural reforms, Sakai Chemical Industry Co., Ltd. resolved at a Board of Directors meeting held on February 24, 2026, to implement the Special Career Transition Support Program. The Company has already been working to expand opportunities for employees to play active roles through personnel rotations that include Group companies. The new program goes a step further by respecting the individual intentions and careers of employees and opening up new options for them to pursue opportunities both within and outside the Company. After conducting careful interviews with eligible employees, a total of 37 employees ultimately decided to embark on new career paths.

Strengthening organizational capabilities to drive reform

The introduction of the Special Career Transition Support Program is not the endpoint of reform, but a new beginning. Going forward, we will clarify the capabilities essential to our growth areas and, where necessary, recruit specialized human resources. At the same time, we will support employee growth through measures such as reviewing our human resources systems and initiatives to improve engagement. At the same time, we will improve productivity by promoting greater efficiency and standardization of operations. To direct limited management resources toward growth areas, it is important for each individual to reconsider their own role and act with an awareness of how their work contributes to the Company's results.

The organization that the Sakai Chemical Group aims to create is not one in which people draw boundaries by limiting themselves to their own responsibilities, but one in which people work together with those around them to generate results. Managers will strengthen the execution capabilities of the organization as a whole by translating company policies into specific operations and objectives within their respective departments and clarifying each individual's role through dialogue.

We will ensure that this reform does not end as a one-time initiative, but instead connects to structural reform of our human resources in tandem with business portfolio reform. We are determined to turn difficult decisions into drivers of future growth and will work to build an organization capable of continuously delivering results.



Enhancing engagement—
Starting with dialogue to expand change from the worksite

Commitment of management and role of the Human Capital Committee

The Sakai Chemical Group places people at the heart of sustainable enhancement of corporate value and positions improving employee engagement as an important management priority. The Human Capital Committee drives initiatives across the Company by linking management policies with improvement actions at the worksite. The committee was established through a bottom-up process, with participation from not only the Human Resources Division but also heads of individual business sites. By analyzing engagement data and sharing successful initiatives across the organization, the committee functions as a dialogue hub that connects the worksite with management.

Roadmap and initiatives for improving engagement



Issues identified through the engagement survey

The Sakai Chemical Group continuously measures employee engagement to assess organizational conditions and drive improvements (see figure above). In the latest survey, scores improved only modestly from the previous fiscal year, but employees' open-ended comments included more positive feedback on growth opportunities and ways of working, indicating that our organizational culture is steadily changing.

Meanwhile, scores related to management, business strategy, and human resources evaluations remained flat. Some organizations also showed perception gaps between administrative and worksite divisions. The Human Capital Committee noted that, even where worksite communication occurs, division heads may not always convey the background and management policies in a way that is easy to understand from their departments' perspective. The committee therefore identified linking management policies to worksite actions and evaluations as an issue to address and is advancing improvement initiatives.

Signs of change emerging from dialogue and worksite-led PDCA

Improving the quality of frontline dialogue is a key focus for breaking through these issues. In several departments, changes are already emerging from shifts in department heads' mindsets, including efforts to identify and resolve issues such as overreliance on individual employees and disparities in access to information.

For example, in some cases, workloads have been visualized to facilitate discussions on reducing working hours. Some division heads have proactively shared departmental goals and their own challenges to clarify roles, while showing their authentic selves to enhance psychological safety. The accumulation of such dialogue improves the workplace atmosphere and leads to results in terms of business performance, such as a reduction in the incidence of problems. The implementation rate for action plans developed by each department is also extremely high, and worksite-led PDCA cycles are steadily beginning to take hold.

Next steps and Group-wide expansion

Drawing on initiatives at Sakai Chemical Industry Co., Ltd.'s head office, Group companies are also advancing their own improvement activities, including town hall meetings between management and employees and efforts to promote understanding and adoption of the human resources evaluation system.

We will analyze success factors in organizations whose scores have improved significantly and deploy these practices across the Group, taking each organization's characteristics into account. By further deepening dialogue across all organizational boundaries, including between management and the worksite, managers and non-managers, and Group companies, and supporting worksites in becoming self-directed, we will spread tangible change throughout the Group.



Yuta Ogata
Corporate Planning Department
Katayama Seiyakusyo Co., Ltd.

Insights and expectations gained through exchange beyond Group boundaries

The Sakai Chemical Group actively engages in cross-organizational initiatives, including Group-wide presentations, the publishing of the Integrated Report, and joint leadership training for Group companies. I appreciate the opportunity to participate in these activities as a member of the Group, and each time, I take part with the intention of stretching myself a little. I am particularly experienced employees in my generation from other companies and departments. Witnessing their motivated approach to their work gives me new insights every time I participate. At the same time, I have also experienced the departure of colleagues who approached their work with great enthusiasm, which I feel is a significant loss. That is precisely why the direction the Sakai Chemical Group is currently pursuing to improve the quality of human resources circulation deeply resonates with me. I believe that when an environment is in place where highly engaged human resources can continue to thrive, the Group's talent foundation as a whole will become even stronger.

Development of autonomous human resources

Organizational execution is strengthened when individuals take action

The Sakai Chemical Group positions the development of autonomous human resources as an important initiative to strengthen the human capital that supports sustainable growth. “Autonomous human resources” refers to people who identify issues, set challenges, and take initiative to act toward solutions. As the business environment and customer needs change, it is essential for each employee close to the worksite to accurately assess the situation, think, and act in order to strengthen the execution capabilities of the organization as a whole. We have only just begun developing such human resources across the Company. While clarifying the profile and desired conduct of the talent we seek, we are working to create an environment in which each employee can visualize their own growth and career and connect them to their daily work and learning.

Development and placement systems that support autonomy

OJT serves as the foundation of human resource development at Sakai Chemical Industry Co., Ltd. At the same time, we provide opportunities for employees to continuously learn the knowledge and skills required for their work through mandatory training by job grade and external training. We are also expanding opportunities to gain experience through transfers and secondments, conducting feedback interviews, and confirming employees' career aspirations through self-assessment forms. These measures make it possible to advance placement and development based on employees’ wishes and aptitudes as well as the Company’s development policies. In addition, for employees who wish to obtain an MBA or MOT, we select participants and provide tuition support as part of our efforts to develop human resources who will drive future business growth.

Through these initiatives, we are working to build an environment in which, beyond simply providing growth opportunities, the Company also enables each individual employee to think about their own career and proactively choose the experiences and learning they need.

On the other hand, developing autonomous human resources is not something that can be achieved overnight. Going forward, it will be important not only to continue existing initiatives but also to determine how to connect them to employees’ proactive learning and challenges. We will monitor changes in employees’ awareness and behavior using engagement surveys and other tools, verify the effectiveness of our initiatives, and use the findings to drive improvements.

Development foundation

With OJT as the foundation, continuously learn knowledge and skills through mandatory training by job grade and external training

Systems for appropriate placement

Expand experience through transfers and secondments, and align employees’ wishes with Company policies through interviews and self-assessment forms

Investment in next-generation human resources

Select employees seeking to obtain an MBA or MOT, and provide tuition support to develop human resources who will drive business growth

Target outcomes

Establish systems that support each employee’s autonomous career development, broadening their perspectives and enabling them to identify their next opportunities for growth

Current challenge — Developing autonomous human resources is a work in progress

This cannot be completed overnight, and these systems' effectiveness must be continually enhanced

Ongoing implementation

Continue to implement initiatives such as training, interviews, and self-assessment forms while establishing systems that also focus on their quality

Understand the effects

Use engagement surveys and other tools to quantitatively and qualitatively understand changes in employees’ awareness and behavior

Improvement cycle

Improve initiatives based on the findings and enhance their effectiveness in encouraging proactive learning and challenges



Satoru Furukawa
General Affairs Department
Katayama Seiyakusyo Co., Ltd.

Envisioning the Company’s future as my own

At our company, we are working to build an organization that will support future growth while responding to changes in the business environment. Since becoming a member of the Sakai Chemical Group, we are changing our culture from the traditional top-down approach to one in which each employee shares their opinions and the organization’s direction is created through discussion. At the same time, we have found that employees respond to these changes differently: While some perceive them positively, others feel uncertain and anxious.

To overcome these differences, in addition to sharing each other’s experiences and thoughts and engaging in repeated dialogue, it is important for employees to view change with a positive mindset and to act accordingly. Building on the organization’s current standing as revealed by the engagement survey, we will work to build a new culture and corporate climate while striving to enhance understanding of our policies and internal communication.

Diversity, equity, and inclusion (DEI)

Building an organization where diverse talent thrives

The Sakai Chemical Group positions DEI as an important management priority for enabling diverse human resources to demonstrate their abilities and contributing to the sustainable growth of the organization. As part of these efforts, we are promoting the employment of people with disabilities from both the perspectives of social responsibility and value creation.

Expanding opportunities for diverse human resources to thrive

Sakai Chemical Industry Co., Ltd. aims to respect diversity not only in terms of attributes such as gender, age, nationality, and presence or absence of disabilities, but also in terms of each individual's abilities, experience, knowledge, and values, and to translate this diversity into organizational strength.

To embed this approach within the organization, we conducted diversity training for line managers. To enable employees with disabilities to fully demonstrate their capabilities, it is important to design work and create workplace environments based on each individual's aptitudes, wishes, and required accommodations. The training deepened understanding not only of disabilities but also of internal diversity, such as experience, abilities, and values, and encouraged participants to recognize unconscious biases. In post-training surveys, many participants shared insights into the importance of understanding each individual's background and values and listening to what others have to say without preconceived notions.

Furthermore, in order to expand opportunities for employees with disabilities to thrive, we are also conducting practical training in which tasks are carved out from each division's operations. Reviewing existing operations and organizing tasks that can be made routine and standardized not only help create an environment where employees with disabilities can more easily demonstrate their capabilities, but also serve as an opportunity to review the workflow processes of entire divisions. In the training, participants deepened their understanding of concrete approaches and how to address challenges by learning from other companies' advanced initiatives. Through these efforts, a wide range of task proposals were submitted from each division.

Going forward, we will continue to position the employment of people with disabilities as an important initiative for promoting DEI and work to create an organization in which diverse human resources can thrive. Through these efforts, we aim to fulfill our social responsibilities and enhance our corporate value.



Moving forward together

Kazuyoshi Yamamoto
Human Resources Section
Sakai Chemical Industry Co., Ltd.

Our company established a dedicated team where employees with disabilities work together in a centralized arrangement. The team's name embodies our aspirations for our mission of "Chemistry for a Friendly Future" and our vision of "We will build an exciting company together." We aim to create an environment in which employees with disabilities can express their individuality, work with peace of mind, and take on new challenges.

Following my retirement at the mandatory retirement age, I spent approximately 10 years working at prefectural special-needs schools and local governments as an employment support coordinator and job coach, helping to create opportunities for people with disabilities to thrive. Through this experience, I have become convinced that sincere efforts to employ people with disabilities lead to organizational revitalization and enhanced corporate value.

Despite having a long history of 108 years our company has a culture of taking on new challenges and an open corporate culture where people feel free to speak up. Witnessing each division actively cooperate in carving out tasks made me newly appreciate our company's strengths.
Although the team has only just gotten started, we want to move forward together with our employees to become a workplace that is recognized by the local community and trusted by employment support organizations and vocational training schools for referrals.



Syain kai: Where employees are the stars
Turning individual challenges into organizational learning

The Sakai Chemical Group periodically holds *Syain kai* meetings where employees are the stars. These meetings allow employees to deepen their understanding of management goals and business strategies while interacting across divisions. To date, *Syain kai* meetings have been well received by many employees as a forum for sharing management policies and performance information and promoting interaction and mutual understanding across divisions. At the same time, as the business environment undergoes significant changes, employees are increasingly expected to take initiative and embrace challenges in order for the company to grow. A survey conducted at the *Syain kai* also revealed some concerns about taking on new challenges. Accordingly, beginning in fiscal 2026, we are evolving the *Syain kai* into a forum where employees can share their experiences and challenges with one another and provide mutual encouragement.

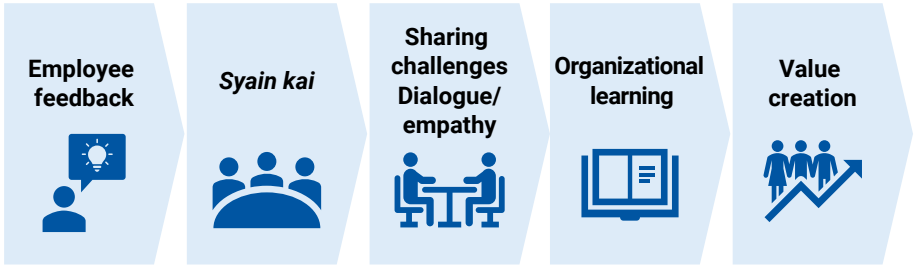


"Shining Employees" Lunch Meeting
An opportunity for dialogue with the President and interaction among employees

Holding an event for turning mistakes into learning

One of our signature initiatives to encourage employees to take on challenges is "Let's Turn Failure into Success!" This event was held as an opportunity for employees to share their own mistakes, as well as the resulting learning and growth. Rather than viewing mistakes negatively, we sought to lower the psychological barrier to taking a new step forward by sharing mistakes as learning gained through the process of taking on a challenge. On the day of the event, several speakers, including the President, spoke candidly about their experiences, and many participants expressed empathy and shared their insights. We will connect individual experiences of taking on challenges to organizational learning.

■ Value creation process sought by *Syain kai*





Message from the organizer
Realizing the value of sharing individual experiences

Masayuki Asada
Production Technology Department
Sakai Chemical Industry Co., Ltd.

What left the strongest impression on me about this event was how candidly all the speakers shared their own experiences. Before the event, I had concerns about whether we would find enough speakers and whether the theme of "mistakes" would be received positively. However, participants readily shared the difficulties and inner conflicts faced during the process of taking on challenges, along with the lessons learned from them. Many participants said they could relate to these experiences.

I was once again reminded that there are lessons that cannot be gained from success stories alone. Mistakes offer insights that can only be shared by those who have actually experienced them. These insights can encourage others facing similar struggles or offer hints for new challenges.

I have also begun to see new possibilities for the *Syain kai*. People who have issues meet those who are interested in solving them, and through dialogue, new challenges emerge. Each individual's experiences and challenges become learning for the organization, and that learning leads to the next challenge. I hope to develop the *Syain kai* into a platform that generates this kind of virtuous cycle.

Initiatives by Group companies

At the Sakai Chemical Group, while sharing the basic policy for our human resources strategy, each Group company is advancing human capital initiatives tailored to its respective business characteristics and workplace challenges. Approaches vary, including the revision of assessment systems, dialogue on human-centric management, human resource development, and the creation of an environment in which diverse human resources can thrive. Here, we introduce examples of initiatives undertaken by Group companies.

Nippon Color Industry Co., Ltd.

Profile: Specializes in the contract manufacturing of chemicals, with capabilities ranging from prototyping to mass production. The company is unique in its ability to provide comprehensive support for multiple production processes, including fine grinding, classification, and heat treatment. It actively proposes manufacturing processes to support customers in creating their ideal products.

Value being provided to society	Net sales	No. of employees
Creating abundant value	**¥1,735 million** (Fiscal year ended March 31, 2026)	**53** (As of March 31, 2026)

Revising the system to enable each individual to buy in and perform at their full potential

Nippon Color Industry Co., Ltd. positions the creation of systems that enable employees to work with a sense of buy-in as an important management priority. The company revised its assessment and compensation systems in fiscal 2025.

For the assessment system, Nippon Color Industry established core (behavioral) criteria applicable to all employees, aiming to eliminate confusion around the role-grade standards and to clarify the type of employees the company seeks. In particular, the assessment system for general employees was revamped to place greater weight on these core (behavioral) criteria, helping the desired behaviors take root. For the compensation system, the company shifted a portion of the funds previously allocated to bonuses into monthly salaries, increasing monthly salaries' share of total annual income and thereby making livelihoods more stable. It also reviewed and eliminated employee-specific allowances, integrating them into role-based pay, in order to clarify the relationship between assessment and compensation.



Through these revisions, the company aims to build an environment in which each employee can feel genuine buy-in regarding their assessment and compensation while fully demonstrating their abilities, thereby enhancing engagement and contributing to the revitalization and progress of the organization.

Kaigen Pharma Co., Ltd.

Profile: Provides products and services based on the concepts of disease prevention and maintaining health before the onset of illness, including Kaigen, a cold medicine brand with a history of more than 100 years. The company continues to take on challenges each day, creating a new tailwind toward realizing a society in which people can live long, healthy lives.

Value being provided to society	Net sales	No. of employees
Contributing to the creation of a healthy and happy society	**¥8,392 million** (Fiscal year ended March 31, 2026)	**226** (As of March 31, 2026)

Supporting employee growth and career development through dialogue and assessments employees can understand and accept

Kaigen Pharma Co., Ltd. is enhancing feedback on personnel assessments to support improvements in individual employee engagement and career development.

In its talent management system, the company has made it mandatory to enter the details of feedback interviews and enabled the contents of one-on-one meetings to be recorded, thereby promoting ongoing dialogue between supervisors and their subordinates. In addition, by enabling all directors and executive officers to review assessment results and comments, Kaigen Pharma ensures transparency and fairness in evaluations while promoting the sharing of evaluation perspectives among assessors, thereby contributing to the development of assessors and increasing employees' acceptance of their assessments. Furthermore, by ensuring that assessment sheets are provided directly to employees, the company has made it possible for them to review their own assessments and areas for future improvement at any time.



These initiatives were undertaken in response to issues identified through the engagement survey and growing employee awareness of career development. Going forward, the company will steadily advance initiatives that support each employee's growth, enhance job satisfaction, and help them realize the careers they aspire to pursue.

Initiatives by Group companies

Sakai Chemical (Vietnam) Co., Ltd.

Profile: Manufactures environmentally friendly CaZn-based PVC stabilizers, as well as hydrotalcite, their main raw material. Serves as one of the three plastic additives business bases in Japan, Thailand, and Vietnam. Expands business primarily in the Asian market.

Value being provided to society	Net sales	No. of employees
Realizing an environmentally friendly society	**¥2,128 million** (Fiscal year ended March 31, 2026)	**91** (As of March 31, 2026)

Strengthening the human resource foundation supporting the growth of the Vietnam business

Sakai Chemical (Vietnam) is working to strengthen the human resource foundation supporting the sustainable growth of the Vietnam business. For leaders, the company provides leadership training by external instructors to strengthen organizational capabilities and develop the next generation of management human resources, while also providing opportunities to participate in external management training programs. In addition, since factory staff are required to have Japanese language skills, while procurement and sales staff are required to have English and Chinese language skills, the company supports employees through subsidies for language learning expenses and language allowances. This helps them improve their communication abilities and facilitate smooth communication with internal and external stakeholders.

In addition to these human resource development initiatives, Sakai Chemical (Vietnam) is creating a workplace where each employee can demonstrate their abilities regardless of gender or occupation. Female employees play important roles and are active in a wide range of positions, including general affairs and procurement. Going forward, the company will continue to build an organization that supports the growth of the Vietnam business through both human resource development and the success of diverse talent.



Siam Stabilizers and Chemicals Co., Ltd.

Profile: In line with the plastic additives business's overseas expansion policy, this Thai PVC stabilizer manufacturer was acquired in 2018. Became a wholly owned subsidiary of Sakai Chemical in 2024, serving as one of the key players in Southeast Asian market development. Meets customer needs with both lead-based and lead-free stabilizers.

Value being provided to society	Net sales	No. of employees
Supporting the creation of a safe and secure social foundation	**¥2,017 million** (Fiscal year ended March 31, 2026)	**66** (As of March 31, 2026)

Creating a workplace where diverse human resources can demonstrate their abilities

Thailand is experiencing a decline in the number of births and an aging population, making the securing of a workforce an important future challenge. In light of this environment, Siam Stabilizers and Chemicals has positioned the creation of a workplace where diverse talent, including women and employees raising children, can work with peace of mind and continue their careers as a key focus of its human resource initiatives. As a result of implementing various initiatives, women account for more than 60% of both core talent and management positions, maintaining a high level within the Sakai Chemical Group. The rate of paid leave taken also exceeds 90%, indicating that a workplace culture conducive to taking leave has become established. Furthermore, in January 2026, the company revised its childcare leave system to support employees with children in balancing family and work, increasing the salary paid during the leave period for employees taking leave following their spouse's childbirth from the previous 50% to 100%, for a maximum leave period of 15 days.

Going forward, the company will continue to develop systems and a workplace culture that enable employees to demonstrate their abilities regardless of their stage of life, with the aim of addressing the social challenge of securing a workforce for the future while achieving sustainable corporate growth.



Strengthening the safety and quality management system

Cross-division cooperation and the practice of autonomous PDCA

Safety and quality are the most fundamental management foundations for the Sakai Chemical Group to earn the trust of society and continue providing value in a sustainable manner.

In terms of safety, without allowing the memory and lessons of serious accidents to fade, we have steadily implemented measures to prevent recurrence, including returning to the basics in terms of facilities, education, and training. We are now taking these efforts a step further by promoting occupational health and safety activities in which each worksite autonomously operates the PDCA cycle by identifying risks on its own, considering and implementing measures through dialogue, and reviewing the results. Rather than simply following established rules and implementing measures, we will foster a mutually encouraging safety culture in which each individual heightens their sensitivity to hazards, speaks up to others, and learns from one another.

In terms of quality, based on the establishment and operation of a quality management system (QMS), the Quality Assurance Divisions serve as hubs for enhancing the quality of cooperation across different divisions. We share lessons learned from complaints, audit findings, and daily observations throughout the Company and link them to recurrence prevention and continuous improvement.

Neither safety nor quality can be achieved by a single division alone. Across all business processes, including research, manufacturing, sales, and logistics, we will continue to drive behavioral change and strengthen systems as two mutually reinforcing efforts, with the aim of earning customers' trust, ensuring a stable supply, and enhancing corporate value.

This section reports on the Sakai Chemical Group's current progress in its transformation and the next steps through its basic policies, promotion systems, major initiatives, results, and future direction.

Sakai Chemical Industry Co., Ltd. is promoting safety and quality based on the following basic policies.

Basic Safety and Health 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.

Basic Quality Policy

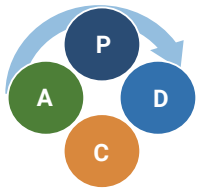
We will contribute to society by continuously improving the effectiveness of our quality management system, emphasizing product safety, and achieving stable, high-quality supply at low cost in order to improve customer satisfaction.

Occupational health and safety

Building an autonomous safety culture through individual initiative and mutual support

■ Promotion system

At Sakai Chemical Industry Co., Ltd., the Health and Safety Committee oversees occupational health and safety activities at each site and factory, and the Safety Promotion Office supports these activities in collaboration with individual worksites while operating the PDCA cycle. At each worksite, leaders take the lead in promoting activities and share and disseminate information on accident cases, near misses, and good practices.



Plan - Do - Check - Act
Continuous improvement cycle operated by the Safety Promotion Office together with each worksite

■ Major initiatives

In addition to developing facilities and systems, fostering a safety culture requires each person working at the worksite to take ownership of safety and to build on improvements through their daily work. In the fiscal year ended March 31, 2026, we implemented the following four initiatives with the aim of establishing autonomous occupational health and safety activities at each worksite.

(1) The three safety officers (chair and 2 vice chairs of the Health and Safety Committee) lead by example

Under the strong leadership of executives, managers, and supervisors, the three safety officers led by example at worksites and spearheaded efforts to build a safety culture.

(2) Clarification of safety rules

We clarified and communicated the safety rules that must be followed and established shared standards to ensure that everyone can make decisions without hesitation.

(3) Development of a safety education framework

We developed an education framework tailored to different organizational levels and job grades. We also utilized e-learning to enhance employees' ability to understand hazards as knowledge.

(4) Stepping up occupational health and safety activities at worksites

We digitized the near misses reported on a daily basis to make it easier to use them in developing countermeasures. We also utilized VR and other tools to provide simulated experiences of hazards, thereby enhancing employees' sensitivity to hazards, which is difficult to develop through knowledge alone.

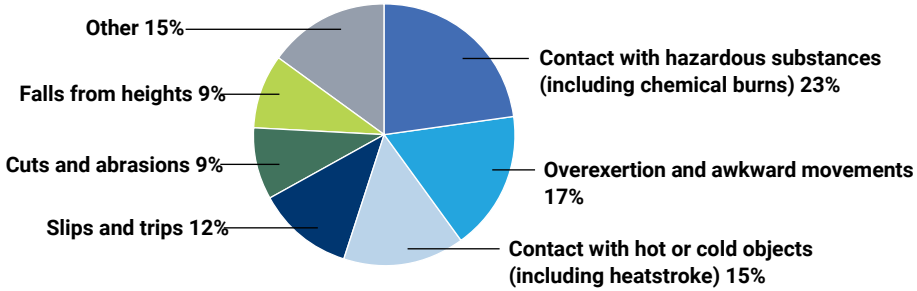
■ Results and emerging challenges

Through repeated planning and implementation of major initiatives, we have established a foundation for building a worksite-participatory and dialogue-based safety culture that goes beyond safety management centered on rule compliance.

We believe that some of the accidents that have occurred could likely have been prevented through strict adherence to basic procedures and safety rules. Therefore, we need to strengthen our efforts toward zero accidents by enabling employees to take ownership of occupational accidents occurring around them. We will proactively assess accident cases by applying them to our own workplaces based on actual conditions at each workplace and translate these assessments into actions that help prevent accidents.

■ Breakdown of occupational accidents (fiscal year ended March 31, 2026)

*Including occupational accidents at Group companies



■ Future direction

To foster a safety culture in which each worksite autonomously operates the PDCA cycle and employees mutually encourage one another, we will implement the following initiatives to step up dialogue-based safety activities in which employees take ownership of safety.

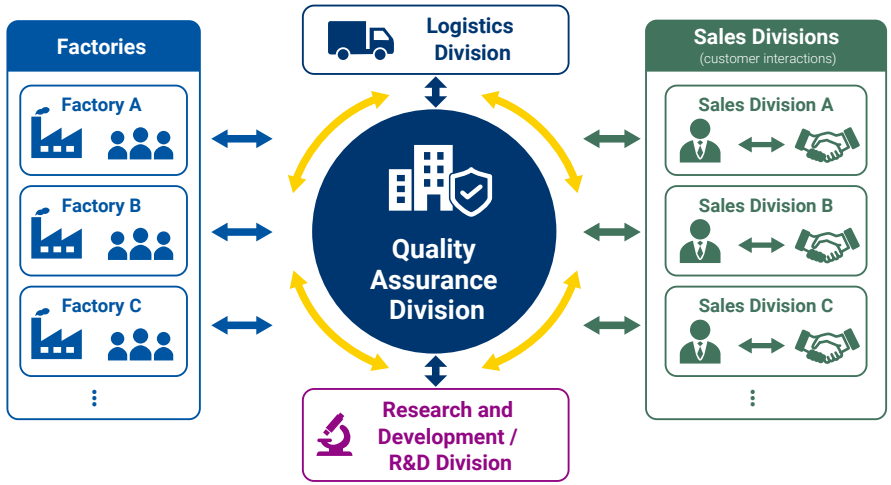
- Use digitized near-miss reports to analyze high-risk cases and occurrence trends, visualize unsafe conditions and behaviors that require attention, and support the sharing of relevant reference cases and discussions tailored to each worksite
- Provide dialogue-based support from the Safety Promotion Office to departments with significant occupational health and safety challenges
- Conduct safety awareness surveys regularly to monitor progress in fostering safety awareness

Product quality

Toward a culture of building quality across divisions

■ Promotion system

At Sakai Chemical Industry Co., Ltd., the Quality Assurance Divisions at each business site serve as hubs for autonomously identifying quality issues, making repeated improvements through the PDCA cycle, and working to reduce complaints and defects.



■ Main initiatives

In the fiscal year ended March 31, 2026, we promoted the following initiatives. To establish a shared foundation for building quality into our products and services, we worked across the entire value chain, from research and development through manufacturing, quality assurance, and logistics to customers.

(1) Establishment and promotion of the QMS

We established and promoted a quality management system that supports a shared foundation across the entire Company.

(2) Revision of Company-wide standards

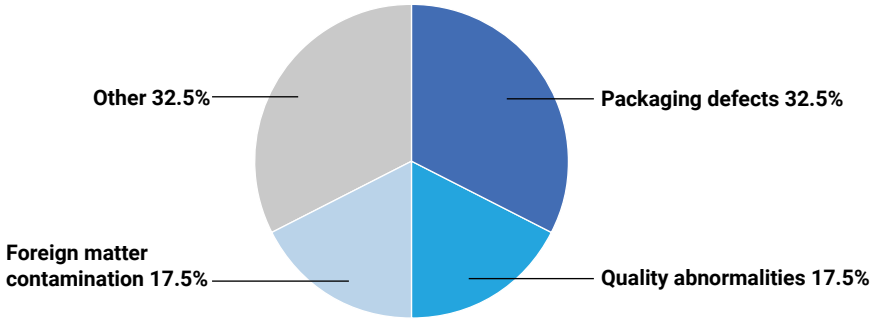
We revised and standardized quality manuals, change management, and document management to establish shared rules that serve as a basis for decision-making.

■ Results and emerging challenges

With the development of the shared foundation progressing, we are putting in place a system capable of handling post-incident matters such as complaints at a consistent speed.

On the other hand, when we examine the content of complaints, many relate not to product quality itself but to business processes, including packaging defects. We believe that the causes span three areas: people, organizations, and systems. We will work to improve quality through measures that make more effective use of the foundations and systems we have developed to date across organizational boundaries, while also maintaining an awareness of costs.

■ Breakdown of complaints (fiscal year ended March 31, 2026)



*Issues related to business processes include "Packaging defects" and "Other."

■ Future direction

The Quality Assurance Divisions will serve as hubs, promoting the development of mechanisms with a focus on optimizing operations as a whole and rolling them out horizontally across the entire Company. To establish a system in which each division autonomously builds quality, embed improvement through PDCA, and steadily prevent similar risks from taking root, we will implement the following responses and improvement measures.

(1) People : Reduce human error through systematization and strengthen recurrence prevention
(2) Organization : Reduce similar risks through information sharing
(3) Systems : Revise management methods and standards as needed to bring them more in line with actual conditions

Group safety and quality activities

Enhancing the safety and quality culture across the Group

We aim to deepen the Group's safety activities, which have begun to take root, into more effective activities, with the goal of enabling each company to autonomously explain its challenges and measures in its own words.

■ Group-wide initiatives

- **Group Safety Conference (twice a year)**
  Shares the Group's occupational accident status and discusses initiatives toward zero accidents.
- **Group Safety Patrol**
  Regularly conducts on-site inspections of domestic and overseas factories.
  In the fiscal year ended March 31, 2026, patrols were carried out at six companies in Japan and one company overseas.

■ Key points for enhancing Group activities

We are working to cultivate a safety culture with a focus on the following three points.

- Building a system in which Group companies identify their own challenges and improve through PDCA
- Conducting hearings and investigations when accidents occur to identify the causes and promote the implementation of measures to prevent recurrence
- Continuing preventive support through the Group Safety Patrol and sharing good examples at the Group Safety Conference



Group Safety Patrol

[Case Study] Initiatives at Kaigen Pharma Co., Ltd.

■ A company-wide journey from instilling the purpose to implementation

As one example of building an organizational culture that supports quality, we highlight below an initiative undertaken by a Group company.

Kaigen Pharma Co., Ltd. has been working to instill the purpose it formulated in 2024 throughout the company. To date, this has included explanations and group work at town hall meetings where the president visits offices nationwide, workshops aimed at cultivating department heads as "evangelists," and the creation of key visuals and a purpose story. In addition, employee-led activities have also been actively rolled out, including distribution of the Purpose Newsletter, incorporating the purpose into the KAIGEN logo and business cards, and the production of original *happi* (traditional Japanese jackets). Furthermore, at the town hall meeting in the first half of the fiscal year ending March 31, 2027, group work was conducted on the theme "What do you value in your work?" This gave employees the opportunity to consider the common ground and connections between their own values and the company's purpose and philosophy.

Through these initiatives, steady progress has been seen in the two company-wide surveys conducted so far: Positive responses to questions measuring "awareness," "understanding," and "empathy" improved from 83% to 87%, from 74% to 86%, and from 78% to 85%, respectively. Based on the belief that aiming to become a purpose-driven organization will nurture a quality culture, Kaigen Pharma will continue to move forward positively as a company.

Group work on the theme "What do you value in your work?"



- **Employee feedback (Production Division)**
  I was able to face my feelings about my work head-on. What each individual can do is small, but I want us to combine our strength to bring about major change.
- **Employee feedback (Development Division)**
  I was reminded once again that there are patients who depend on my work.
- **Employee feedback (Sales Division)**
  Through the group work, I was able to genuinely feel that even though our jobs differ, we are aiming for the same goal. I want to think about what we can do, based on our purpose, mission, and vision.

Initiatives to reduce environmental impact

The Sakai Chemical Group recognizes environmental issues such as climate change, increasing greenhouse gas emissions across the entire supply chain, and water security as important management risks that could affect business continuity. At the same time, we view steadily addressing these issues as an important opportunity to strengthen our business foundation and create corporate value over the medium to long term.

Initiatives for climate change and supply chain collaboration

The Sakai Chemical Group is promoting practical measures toward decarbonization, including the use of carbon-offset city gas and participation in the GX Future Consortium. In addition, through third-party assessments based on our disclosures to the CDP, we objectively assess our initiatives and use the results to enhance our efforts and realize continuous improvement.

In addition, we are continuously reducing Scope 1 and 2 emissions associated with our business activities through more efficient production processes and the planned replacement of equipment with energy-efficient facilities. We are also promoting the use of renewable energy, including by expanding solar power generation at our subsidiaries and affiliates in Vietnam and Indonesia, and working to further reduce Scope 1 and 2 emissions.

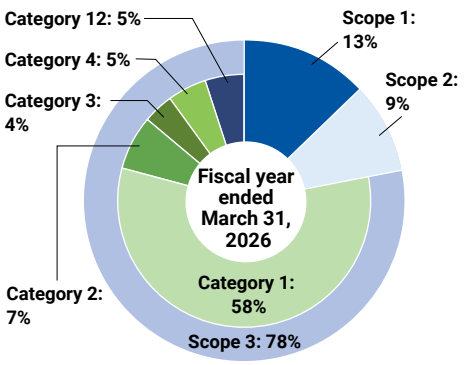
Initiatives to address climate change (CDP climate change)

- **CDP climate change score: B (FY2025)**
- **Scope 1 and 2 emissions: 39% reduction (FY2030 target: 30% reduction compared with FY2013)**

Achieving a decarbonized society requires reducing greenhouse gas emissions (Scope 3) across the entire supply chain, from the procurement of raw materials through the use and disposal of products. The Sakai Chemical Group calculates and monitors emissions for each major Scope 3 category and is building a foundation for emissions reductions.

These climate change and supply chain initiatives help diversify our exposure to and mitigate climate-related risks and serve as an important foundation for supporting sustainable value creation.

CO_2 emissions by category



CO_2 emissions (thousand t-CO_2)

Scope	Category	Category overview	Emissions
Scope 1	—	Direct emissions	67
Scope 2	—	Indirect emissions	48
Scope 3	1	Purchased goods and services	308
	2	Capital goods	37
	3	Fuel- and energy-related activities not included in Scope 1 or Scope 2	22
	4	Upstream transportation and distribution	24
	5	Waste generated in operations	1
	6	Business travel	0
	7	Employee commuting	1
	12	End-of-life treatment of sold products	24

Initiatives for water resources

We regard water resources as an important management issue and are visualizing water use at each business site. This enables us to promote water conservation and process improvements, thereby improving water-use efficiency and reducing risks such as water shortages and operational constraints.

Water resource initiatives (CDP water security)

- **CDP Water Security score: C (FY2025)**
- **Water usage reduction rate: 14% reduction (FY2030 target: 25% reduction compared with FY2021)**

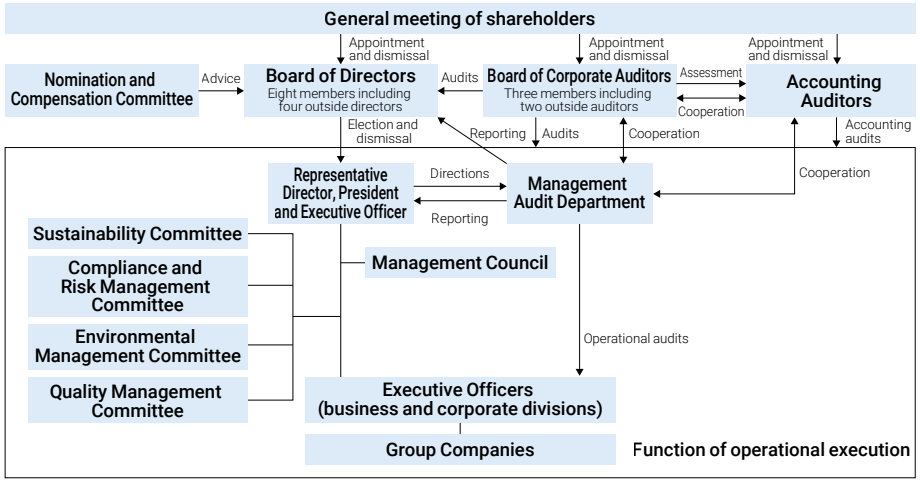
Turning environmental resilience into value creation

These initiatives not only reduce our environmental impact but also strengthen our corporate resilience, enabling us to create value consistently even in an increasingly uncertain business environment.

The Sakai Chemical Group views environmental resilience as a source of value creation and will contribute to enhancing long-term corporate value and realizing a sustainable society through continuous improvement and proactive disclosure.

Corporate governance system

Sakai Chemical Industry Co., Ltd. has adopted the form of a company with a board of corporate auditors. We recognize the enhancement of corporate governance as an important management issue. Accordingly, we aim to increase corporate value by conducting business activities under a transparent and fair management system and pursuing the interests and satisfaction of stakeholders.



As of June 30, 2026

Skill matrix of the Board of Directors

Skills	Yagura	Okamoto	Magara	Ogama	Ito	Miyagawa	Hamazaki	Machida	Definitions of skills
(1) Corporate management	○				○				Skills in detecting current trends and implementing structural changes, including business reforms, business expansion, and the selling of businesses, based on one's experience of serving as CEO of a Sakai Chemical Industry subsidiary or another company
(2) R&D and production technology		○	○	○	○			○	Skills in creating new businesses based on one's mastery of R&D, manufacturing, quality control, etc.
(3) Business strategy and marketing	○		○	○		○	○		Skills in working as a person responsible for business strategy based on one's mastery thereof
(4) Finance and accounting				○	○	○			Skills in accurately assessing the Company's business performance, making right investment decisions, and communicating effectively with the capital market
(5) Human resources and organizational administration	○				○		○	○	Skills in organizational development and personnel management based on one's mastery of human resources and organizational administration
(6) Legal affairs and risk management	○							○	Skills in addressing obvious business and management risks based on one's mastery of legal affairs concerning corporate activities
(7) ESG and the SDGs	○	○	○	○		○	○		Skills in submitting proposals on sustainability-focused corporate management and performing such management based on one's understanding of the positioning and roles of the Company's businesses in society

Compensation for directors (and other officers)

The basic policy for the compensation system for directors and auditors is to promote the sharing of value with shareholders, provide objectivity and transparency to fulfill accountability, consider a level of compensation for securing and retaining excellent human resources, and promote the sustainable growth of the Sakai Chemical Group and the increase of corporate value in the medium to long term.

From fiscal 2024, we revised the calculation items and evaluation criteria for executive bonuses to serve as an incentive for the medium- to long-term enhancement of corporate value. In addition to conventional profit/loss indicators, non-financial items and priority themes for each fiscal year are also included in the evaluation. The specific initiatives and outcomes are reviewed and deliberated by the Nomination and Compensation Committee, after which the committee determines the evaluation.

New bonus evaluation items / Ratios / Evaluation criteria (from FY2024)

		Performance indicators	Non-financial items	Priority themes
Before revision		100%	–	–
After revision		60%	20%	20%
Evaluation criteria	Scoring	Quantitatively evaluate the achievement of each fiscal year's plan within the Medium-Term Management Plan and assign points. 110% or above / 100% to less than 110% / 80% to less than 100% / below 80%	Comprehensively evaluate initiatives targeting each materiality KPI from both quantitative and qualitative perspectives, and assign points. Result achieved and evaluation ○ / Result achieved and evaluation △ or × / Result not achieved but in progress / Result not achieved and not started	Comprehensively evaluate initiatives for each theme from both quantitative and qualitative perspectives, and assign scores. Result achieved and evaluation ○ / Result achieved and evaluation △ or × / Result not achieved but in progress / Result not achieved and not started
	Assessment	(1) Add up points (performance indicators + non-financial items) and assign scores across four levels. (2) The sum of the scores from (1) and the scores for priority themes is assessed on four levels (A, B, C, and D), and the bonus amount is determined by applying the coefficient specified for each assessment.		

Main differences between new and previous bonus evaluation items

Item	Previous	New
Results	Mainly profit/loss indicators and amounts (sales, profit)	Be conscious of ROE and evaluate not only profit amount but also profit margin and operating cash flow (sales removed)
Non-financial	–	Evaluate the PDCA cycle and its effectiveness for KPIs related to the four priority themes essential for medium- to long-term growth
Priority themes	–	Set annual priority themes for each business and evaluate the effectiveness of actions taken to resolve those themes

Compensation for corporate auditors

Compensation for corporate auditors consists of base compensation only. This is because corporate auditors are responsible for auditing the performance of duties across the entire Sakai Chemical Group.

Please see our website for more details. URL https://www.sakai-chem.co.jp/en/ir_governance/

Governance that supports transformation from structural reform to the growth phase



Under the Medium-Term Management Plan Transformation: BEYOND 2030, the Sakai Chemical Group is advancing business portfolio reform and shifting toward high-value-added fields. As structural reform begins to deliver tangible results, an important theme going forward will be to channel those results into growth investment and achieve sustainable enhancement of corporate value. In this dialogue, newly appointed Outside Director Machida and President Yagura discuss the progress and challenges of the transformation, the role of the Board of Directors, and the future direction of governance.

How can we transition to the growth phase?

Machida Since taking office as an Outside Director, I have had opportunities to learn more about the businesses and frontline operations of the Sakai Chemical Group. I have been impressed by the solid business foundation supported by its high level of technical expertise, as well as the sincere, conscientious attitude of the people working on the front lines. My first impression was that this is a company with a steady and sound corporate culture. The question now is how we can turn those strengths into growth. I see Transformation: BEYOND 2030 as a plan designed to tackle precisely that challenge. I agree with the direction of initiatives such as shifting toward high-value-added products and reforming the business portfolio, and I believe the key focus from here will be to define the businesses that will specifically drive growth after 2030 and make the transition into the growth phase.

Yagura I am very grateful that you have come away with an impression of us as a company with a steady and sound corporate culture. Being described as a sincere and conscientious company is one aspect of our corporate culture that we have cultivated over more than 100 years of history. At the same time, it is also true that this steadiness has led us to maintain the status quo and created challenges in terms of our growth and earning power. It was precisely from that sense of urgency that we developed Transformation: BEYOND 2030. We need to leverage the technologies and know-how we have built up in our existing businesses, direct our management resources toward high-value-added fields, and propose value that looks beyond our immediate customers to their customers as well. I believe we need to transform our business model along those lines.

Machida I feel that we are beginning to see tangible results in this transformation phase. At the same time, the contribution to profits from our growth businesses is still to come. I would like to continue monitoring, from my position as an outside director, whether growth areas such as Smart Material will develop into future pillars of the business and how our human capital management will ultimately bear fruit.

Yagura We surpassed targets in some areas of the first and second years of the Medium-Term Management Plan. However, when I look at the outlook for the third year and the gap between it and our plan, I also feel that we need to pursue further structural reform. We need to calmly analyze what caused the gap between our plan and our results and turn those findings into our next actions.

Strengthening the effectiveness of the Board of Directors to support critical management decisions

Machida What matters with a Medium-Term Management Plan is executing it and turning it into results. An important consideration from a governance perspective is to ask how the Board of Directors is assessing the progress of Transformation: BEYOND 2030 and using its monitoring function to make the necessary course corrections.

Yagura Transformation: BEYOND 2030 is a plan that the Board of Directors spent considerable time developing and refining. At this stage, our central role is to determine whether the initiatives we have set out are progressing as planned and, where necessary, encourage course corrections. When we consider investment projects, we also check their consistency with the current Medium-Term Management Plan and examine why any gaps from the plan have arisen. With regard to the next Medium-Term Management Plan as well, we are discussing not only the growth story but also the governance structure that will support it.

Machida As we go through a period of transformation, we will face more and more cases that cannot simply be decided by extending past approaches into the future. In addition to business viability and profitability, it is important to consider whether a case will contribute to enhancing corporate value over the medium to long term and whether we have properly identified its risks. Ending the pigment-grade titanium dioxide business must also have been a difficult decision, given its impact on employees, business partners, and the local community.

Yagura Regarding pigment-grade titanium dioxide, we shared the recognition that it would be difficult to envision a viable future for the business from the perspectives of efficiency, profitability, and environmental considerations, and after more than six months of discussion, we decided to end production. We proceeded while carefully assessing the impact on employees, business partners, and the local community. It was a decision we made with both the short-term pain and the enhancement of corporate value over the medium to long term in mind. I believe that the fact that the entire management team was able to respond as one team gave us the strength to overcome such a difficult challenge.

Machida I feel that experience will also prove valuable when you make decisions about business portfolio reform and growth investment going forward.

Yagura To have meaningful discussions at the Board of Directors, it is also essential to create an environment where people can freely express their opinions. As chair, I make a point of running the meetings in a way that provides a high degree of psychological safety. Our independent directors actively share their views as well, and we will continue to strengthen the Board's effectiveness by making good use of those perspectives.

Turning growth investment, human capital, and risk management into greater corporate value

Machida How do you plan to direct the capital generated through structural reform into growth areas going forward?

Yagura Growth investment is an important allocation of funds within our capital allocation strategy. We are focusing on areas where we can leverage the technologies and customer base we have developed through our existing businesses and where we can expect to achieve both profitability and growth. Rather than simply expanding the scale of our business, we will make investments that improve the quality of our business portfolio. We also place importance not only on economic rationality but on whether we can clearly articulate the story behind an investment.

Machida I will be watching closely to see whether growth areas such as Smart Material develop into future pillars of the business. Alongside growth investment, I am also interested in human capital management and risk management. People are the driving force behind transformation, and I believe that developing the people who will lead the next generation and strengthening our organizational capabilities will form the foundation for our transition into the growth phase. At the same time, as we take on challenges in new business areas, I would also like to see how we are building a framework that enables us to identify risks appropriately and reflect them in management decisions.

Yagura Exactly. Human capital management is the single most important theme determining whether our transformation succeeds. To clarify what strengths we will use to grow toward 2030, we need people who can develop their own stories and turn them into action. At the Management Council, we continue to ask the departments bringing proposals forward how they will leverage their strengths to build a competitive advantage. As a result, we are seeing employees emerge who develop their own stories and bring forward proposals based on them. In terms of risk management, we share the assumptions and risks at the Board of Directors and discuss them from multiple perspectives. I hope that you will give us candid advice and point out anything that needs to be addressed from an independent perspective.

Machida For now, I would like to deepen my understanding of the Group as a whole while taking part in a wide range of discussions. As I do so, I hope we can continue talking together about whether the initiatives under Transformation: BEYOND 2030 are steadily producing results and, looking beyond that, how we should envision our future growth.

Yagura I certainly hope you will. An outside perspective gives us a valuable opportunity to question things that we may take for granted. To realize the future we are aiming for, we have to see this transformation through. We need to deepen our discussions at the Board of Directors so that we do not stop at structural reform but instead turn the results of reforms into growth.

Directors, corporate auditors, and executive officers (as of June 30, 2026)



Top row (from left to right): Hisao Miyagawa, Outside Director; Yoshikazu Ito, Outside Director; Yoshiko Hamazaki, Outside Director; Megumi Machida, Outside Director; Hiroshi Ushio, Corporate Auditor; Tomonori Yasuda, Corporate Auditor; Hiroyuki Hattori, Corporate Auditor
Bottom row (from left to right): Koichiro Magara, Director and Executive Officer; Yasuhiro Okamoto, Managing Director and Executive Officer; Toshiyuki Yagura, President, Representative Director, and Executive Officer; Shinji Ogama, Director and Executive Officer

Directors

Toshiyuki Yagura (62 years old) Tenure: 6 years

President, Representative Director, and Executive Officer

Overall General Manager
In charge of Internal Control over Financial Reporting

Apr. 1988 Joined the Company
June 2014 General Manager, Corporate Planning Department
Sept. 2019 General Manager, Human Resources and General Affairs Department
June 2020 Director; Head, Administration Division
June 2021 Director and Executive Officer; Head, Administration Division
June 2022 President, Representative Director, and Executive Officer
In charge of Internal Control over Financial Reporting (to present)

Yasuhiro Okamoto (63 years old) Tenure: 10 years

Managing Director and Executive Officer

Head of Onahama Manufacturing Site
Head of Production Technology Division

Apr. 1987 Joined the Company
Dec. 2011 General Manager, Manufacturing Department, Inorganic Chemicals Division
Oct. 2014 General Manager, Production Department 2, Inorganic Chemicals Division
June 2015 Director; Head, Production Technology Division and Sakai Manufacturing Site
Sept. 2019 Director; General Manager, Onahama Manufacturing Site
June 2021 Executive Officer; General Manager, Onahama Manufacturing Site
June 2022 Director and Executive Officer; General Manager, Onahama Manufacturing Site; Deputy Head, Production Technology Division
May 2023 Director and Executive Officer; General Manager, Onahama Manufacturing Site; General Manager, Otsurugi Factory; Deputy Head, Production Technology Division
Oct. 2023 Director and Executive Officer; General Manager, Onahama Manufacturing Site; Deputy Head, Production Technology Division
June 2024 Director and Executive Officer; General Manager, Onahama Manufacturing Site; Head, Production Technology Division (to present)
June 2026 Managing Director and Executive Officer; General Manager, Onahama Manufacturing Site; Head, Production Technology Division (to present)

Koichiro Magara (59 years old) Tenure: 2 years

Director and Executive Officer

In charge of Cosmetic Innovation
Head of Research & Development Division

Apr. 1990 Joined the Company
Sept. 2018 General Manager, Advanced Materials Department
Apr. 2019 General Manager, Matsubara Factory, Onahama Manufacturing Site
June 2022 Executive Officer; Deputy Head, Research & Development Division
In charge of New Business (sales and development)
Sept. 2023 Executive Officer; Deputy Head, Research & Development Division
In charge of New Business (sales and development) and Cosmetics
June 2024 Director and Executive Officer; Head, Research & Development Division
In charge of Cosmetic Innovation (to present)

Shinji Ogama (55 years old) Tenure: 0 years

Director and Executive Officer

In charge of Investor Relations
Head of Corporate Strategy Division, General Manager of Corporate Planning Department

Apr. 1993 Joined the Company
Sept. 2016 Manager, Technology Section, Otsurugi Factory, Electronic Materials Division
Feb. 2021 General Manager, Corporate Planning Department, Corporate Strategy Division
June 2023 Executive Officer; Deputy Head, Corporate Strategy Division; General Manager, Corporate Planning Department
June 2026 Director and Executive Officer; Head, Corporate Strategy Division; Head, Corporate Planning Department
In charge of Investor Relations (to present)

Yoshikazu Ito (66 years old) Tenure: 5 years

Director (Outside and Independent Director)

Apr. 1983 Joined Ajinomoto Co., Inc.
Apr. 2005 Deputy President, Ajinomoto U.S.A., Inc.
Aug. 2006 Deputy General Manager, Kawasaki Plant, Ajinomoto Co., Inc.
Oct. 2008 General Manager, Production & Technology Administration Center, Ajinomoto Co., Inc.
July 2013 Corporate Fellow, General Manager, Kawasaki Administration & Coordination Office and Kawasaki Plant, Ajinomoto Co., Inc.
July 2017 Representative Director and President, Knorr Foods Co., Ltd.
Apr. 2019 Senior Managing Director, Ajinomoto Food Manufacturing Co., Ltd.
July 2020 Advisor, Ajinomoto Co., Inc.
June 2021 Outside Director of the Company (to present)
Mar. 2023 Outside Director, Kanro Inc. (to present)

Hisao Miyagawa (66 years old) Tenure: 2 years

Director (Outside and Independent Director)

Apr. 1985 Joined Nomura Securities Co., Ltd.
Sept. 2001 Senior Director, U.S. Thomson Financial Consulting Group
Aug. 2007 Executive Manager, Senior Specialist, IB Consulting Dept., Nomura Securities Co., Ltd.
Apr. 2010 Full-time Lecturer, Graduate School of Business, Osaka City University (current Osaka Metropolitan University)
Oct. 2010 Associate Professor, Graduate School of Business, Osaka City University
Apr. 2014 Professor, Graduate School of Business, Osaka City University (to present)
Mar. 2015 Visiting Scholar, University of Washington
June 2015 Outside Director, SUGIMURA WAREHOUSE CO., LTD.
Apr. 2020 Visiting Scholar, School of Business Administration, Hitotsubashi Business School, Hitotsubashi University
June 2022 Outside Director (Audit and Supervisory Committee Member), SUGIMURA WAREHOUSE CO., LTD. (to present)
June 2024 Outside Director of the Company (to present)
Apr. 2025 Visiting Professor, Faculty of Global Business, Showa Women's University (to present)

Yoshiko Hamazaki (64 years old) Tenure: 1 year

Director (Outside and Independent Director)

Apr. 1982 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation)
Apr. 2005 General Manager, Panasonic Center OSAKA
Apr. 2008 Director; in charge of Overseas Support, Showroom Strategy Planning Office
Oct. 2009 Implementation and Promotion Manager, Panasonic Risupia Vietnam Establishment
Oct. 2011 Implementation and Promotion Manager, Osaka North Yard Site Establishment Project
Apr. 2014 General Manager, Panasonic Center TOKYO
Oct. 2017 International Olympic Committee Culture and Olympic Heritage Commission member
Feb. 2019 Director, Japan Olympic Museum, JAPANESE OLYMPIC COMMITTEE
Oct. 2021 Brand and Communications Sector, Panasonic Corporation
Jan. 2022 Deputy General Manager, Business Administration Department, Comsis Co., Inc. (currently Marble Corp.)
June 2024 Outside Director, Imasen Electric Industrial Co., Ltd. (to present)
June 2025 Outside Director of the Company (to present)

Megumi Machida (65 years old) Tenure: 0 years

Director (Outside and Independent Director)

Apr. 1985 Joined Nippon Kayaku Co., Ltd.
June 2015 Manager, Clinical Development Management Dept., Pharmaceuticals Development Division, Pharmaceuticals Group, Nippon Kayaku Co., Ltd.
June 2020 Manager, Regional Administration Division, Administration Group, Nippon Kayaku Co., Ltd.
June 2021 Full-time Audit & Supervisory Board Member, Nippon Kayaku Co., Ltd.
June 2023 Standing Audit & Supervisory Board Member, Nippon Kayaku Co., Ltd.
June 2025 Advisor, Nippon Kayaku Co., Ltd. (to present)
June 2026 Outside Director of the Company (to present)

Corporate auditors

Hiroshi Ushio (63 years old) Tenure: 2 years

Corporate Auditor (Outside and Independent Auditor)

Hiroyuki Hattori (62 years old) Tenure: 0 years

Corporate Auditor

Tomonori Yasuda (56 years old) Tenure: 2 years

Corporate Auditor (Outside and Independent Auditor)

Executive officers

Hiroshi Tokunaga (57 years old) Tenure: 3 years

Hiroshi Nakao (55 years old) Tenure: 2 years

Wataru Ibaraki (59 years old) Tenure: 3 years

Tsutomu Yamamoto (58 years old) Tenure: 0 years

Akira Morioka (58 years old) Tenure: 2 years

Hiromasa Kajimoto (55 years old) Tenure: 0 years

Sakai Chemical Industry Co., Ltd.

https://www.sakai-chem.co.jp/en/
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Integrated Report Publishing Committee

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