

Source of value creation (capital)

Business and human rights

Fulfilling our corporate responsibility to respect human rights

All people are born with the inherent right to personal safety and freedom, and to pursue happiness as human beings. We must never sacrifice the happiness of others for our own happiness. Our Group believes that respecting human rights is of the utmost importance as we work to solve social issues through our business activities. We have stated this belief in the Sakai Chemical Group Basic Human Rights Policy. Based on this Basic Human Rights Policy, we have established the Human Rights Subcommittee as a subordinate organization of the Sustainability Committee. The Human Rights Subcommittee identifies human rights issues that should be addressed as a priority (a process known as "scoping"). The entire Sakai Chemical Group is working to address these human rights issues.

Please refer to the Company's website for the full text of the Basic Human Rights Policy.
https://www.sakai-chem.co.jp/en/sustainability_human_rights_policy.php



Meeting of the Sustainability Committee

Due diligence for human rights

The Group is working to identify negative impacts related to human rights and strive to prevent their occurrence or reduce the risk of their occurrence. In fiscal 2023, we identified and assessed human rights risks for our domestic and overseas group companies. We set high-priority human rights risks for each of the three themes shown in the table on the right.

The identified high-priority human rights risks have been reviewed by external experts.

High-priority human rights risks of Sakai Chemical Group

Theme	High-priority human rights risks	Major stakeholders	Initiatives
Human rights in the supply chain	(1) Human rights issues throughout the supply chain	Workers in the supply chain, customers, employees, local communities	<ul style="list-style-type: none"> Implement human rights education Develop procurement policies
	(2) Responsible mineral procurement	Workers in the supply chain, local communities	<ul style="list-style-type: none"> Implement checklist for supplier audits
	(3) Responsible palm oil procurement	Workers in the supply chain, local communities	<ul style="list-style-type: none"> Acquire RSPO certification for cosmetic materials products
Occupational health and safety	(4) Health and safety	Employees, workers in the supply chain, customers, local communities	<ul style="list-style-type: none"> Develop Basic Safety and Health Policy Implement disaster prevention training
	(5) Proper storage and management of chemical substances	Employees	<ul style="list-style-type: none"> Safety promotion activities Quality control
Diversity and human rights in the workplace	(6) Mental health	Employees, workers in the supply chain	<ul style="list-style-type: none"> Education on mental health Follow-up by industrial health staff and mental health specialists Implementation of stress checks
	(7) Promotion of diversity	Employees	<ul style="list-style-type: none"> Diversity awareness survey Seminars and workshops Promotion of women's participation

Comments from external expert (summary)

The Board of Directors has adopted three themes, after the management proactively engaged in the process of identifying such areas. 1) The Company is conducting CSR assessment for business partners and ensuring understanding for CSR through awareness-raising activities for employees. 2) The Company is strengthening measures such as implementing human rights training for the Health and Safety Committee. 3) The Company is developing training targeting employees in various life stages, such as those who are balancing work with pregnancy, childbirth, and caregiving, and those who are going through menopause. I look forward to concrete measures for eliminating gaps and creating a comfortable workplace.



Emi Omura

Attorney

Please refer to the Company's website for the full comment.
https://www.sakai-chem.co.jp/en/sustainability_human_rights_policy.php

Responsible procurement

Based on our Basic Procurement Policy, we aim to conduct responsible and sustainable procurement. To achieve this goal, it is essential that our business partners understand our policy. Therefore, we strive to build good relationships and mutual understanding.

Please refer to the Company's website for the Basic Procurement Policy.
https://www.sakai-chem.co.jp/en/sustainability_procurement_policy.php



Wataru Ibaraki
 Sakai Chemical Industry Co., Ltd.
 Executive Officer
 Head of Sales & Marketing Division

Initiatives for responsible mineral procurement

Conflict minerals are a source of concern because they may be used as a source of funding for inhumane armed groups. In response, in accordance with the Sakai Chemical Group's Responsible Mineral Procurement Policy, we have our suppliers complete a supplier audit checklist (paper audit) as necessary to confirm that they are not involved in conflict minerals. The importance of responsible mineral procurement has been growing in recent years. Responsible procurement accounts for risks such as child labor and environmental destruction. The Sakai Chemical Group will continue to raise awareness among our suppliers and ask for understanding toward our policy.

Please refer to the Company's website for the Responsible Mineral Procurement Policy.
https://www.sakai-chem.co.jp/en/sustainability_mineral_procurement_policy.php

Special feature: Initiatives for the environment and human rights Acquire RSPO certification for cosmetic materials products

Sakai Chemical Industry Co., Ltd. has obtained RSPO certification for its ultrafine titanium dioxide, a cosmetic materials product that uses additives derived from palm oil. We are able to trace the production location and acquisition route for palm oil, products using palm oil, and shipping destination. Going forward, the Company will continue to ensure transparency throughout our supply chain and promote responsible procurement that considers the environment and human rights.



Supply chain risk (country risk)

Some of the raw materials used by the Company are imported from regions with relatively high country risk. The business performance and financial position of the Company could be impacted if the prices of these raw materials were to rise, or if there were to be a shortage or delay in supply. Therefore, we make every effort to secure sources of imported raw materials from multiple countries and suppliers. We also manage inventory levels by considering the procurement difficulty and required procurement period.

Human rights education

The Sakai Chemical Group provides the necessary education to ensure that all executives and employees have a correct understanding of human rights and can effectively reflect that knowledge in our business activities.

In fiscal 2023, we conducted training on the human rights due diligence system for fiscal 2024 for all employees of all domestic group companies.

	No. of participants	No. of employees targeted	Participation rate
Group total	1,752	1,782	98%
Sakai Chemical Industry Co., Ltd.	855	870	98%
		(Administrative Department)	98%
		(Sales Department)	94%
		(Procurement Department)	90%
		(Manufacturing Department)	99%
		(Research Department)	99%

* Employees who have not attended the training include those on childcare leave or leave of absence

Building a remedy system

The Company became a full member of the Japan Center for Engagement and Remedy on Business and Human Rights (JaCER). JaCER is an organization working to establish a non-judicial grievance handling platform based on the United Nations Guiding Principles on Business and Human Rights and to support and promote grievance handling for participating companies from an expert perspective.

JaCER's website regularly discloses anonymous information on the content and status of reports. The Company is working to establish a more effective remedy system starting with the use of the JaCER grievance reporting form.

