

## Human resources strategy



We announced our Medium-Term Management Plan “Transformation: BEYOND 2030” in May 2024. The plan states reforms including the enormous decision to end the pigment-grade titanium dioxide business. This decision reflects the need to break free from convention and create a new Sakai Chemical Group.

Similarly, our human resources strategy must no longer be an extension of the past; instead, the strategy needs to be revised by incorporating new ideas. We will take this opportunity to implement various reforms.

I believe that “management by all” is an important element in achieving our mission of Chemistry for a Friendly Future.

### Management by all and human resources strategy

“Management by all” means that all members of the Sakai Chemical Group incorporate the organization’s goals and challenges into their own work and act with initiative. In other words, it means being autonomous, taking personal responsibility for various challenges, and continuing to act with motivation. Human resources who proactively address organizational challenges and social issues are essential for future growth of the Company. Rather than waiting for “someone” to take action, employees should consider their own capabilities, embrace challenges for achieving goals, and take action.

“Transformation: BEYOND 2030” is not a plan for “someone” to enact; rather, each employee should take personal responsibility for a portion of this ambitious goal, consider their own capabilities, and take action to achieve their personal goals. “Management by all” is an attitude in which each employee takes on challenges leading to a goal, reviews their approach in the event of failure, and continues to give their best effort.

Going forward, we will work to solve the following human resources issues.

#### 1. Strengthening the development of a succession system for human resources and the organization

The Group will create a human resources portfolio to sharpen the human resources strategy of each section. Based on this human resources portfolio, we aim to enable each section to flexibly assign personnel and invest in training with an eye toward a succession system.

Furthermore, as the declining birthrate and aging population in Japan makes it increasingly difficult to secure personnel, there is an even greater need to develop and retain personnel. The Group will develop a menu of education programs tailored to each purpose; for example, hierarchical education, selective education, and specialized education. Through this menu, we will accelerate the creation of a talent management system in order to implement job rotations that encourage growth through action.

#### 2. Transforming the employee mindset: Cultivating a business-creation mindset

Giving birth to new businesses and building a foundation for the future are essential aspects of the Group’s development. Although it is important to maintain legacy products and businesses, our legacy alone will not enable significant growth for the future. In addition to expanding growth businesses such as electronic materials and cosmetic raw materials, we also need to quickly shift our organic chemicals business into a growth business. Not all employees will be directly involved in new businesses. Nevertheless, it is important for all employees to continue challenging themselves to promote transformation and creation in their respective positions and fields. Creating a culture that respects and nurtures this sense of business creation is inherent in our vision of an Exciting Company.



## Management by all: Roles of each level

### Roles of executive management

Executive management (executive officers) checks the results of management by all against each indicator and evaluates the degree of achievement for expected effects. Based on that evaluation, executive management supports the smooth operation of each headquarters and SBU (strategic business unit). Executive management engages in two-way communication with employees, thereby taking the lead in creating a work environment full of trust and respect. In particular, executive management focuses on caring for managers by ensuring that managers are in an environment that facilitates fulfillment of their new roles and have sufficient resources. Through these efforts, executive management supports the foundation of management by all.

### Roles of managers

Managers must recognize the importance of a psychologically safe workplace, create an environment where subordinates feel comfortable expressing their opinions, and stimulate communication. In terms of goal management, managers assist in translating management policies and business goals into concrete goals which are aligned with the goals of the organization and subordinates.

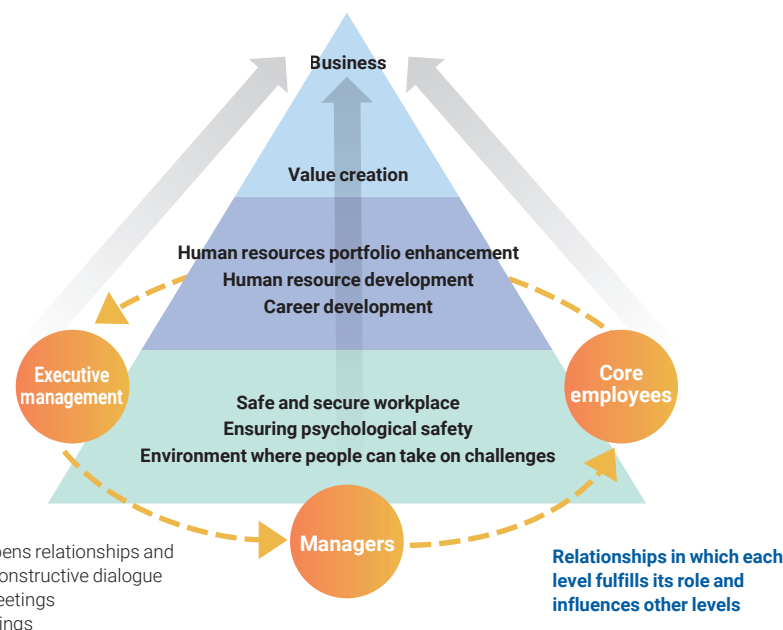
Managers also support the growth of their subordinates. Therefore, they must adjust the growth vector desired by their subordinates and the growth vector pursued by the organization. To fulfill these roles, managers must improve their leadership and communication skills. The Company will continue to plan and implement various types of skill education and measures for managers.

### Roles of core employees (general employees)

Core employees (general employees) other than managers are responsible for identifying and improving issues in daily work. In order to devise and implement solutions to identified issues, core employees must improve their ability to perform work, plan, and solve problems. Ultimately, core employees are expected to contribute to the future operation of the Company as the next generation of managers, practical experts, and creative human resources. The Company and supervisors will support the efforts of such human resources.

## Chemistry for a Friendly Future

Materialities of Sakai Chemical



### Five important values

- (1) Stimulate communication to convey the true meaning and purpose of work
- (2) Executive management should define judgment criteria that enable employees to act proactively rather than passively
- (3) Expand the scope of each employee's interests (scope of work)
- (4) Foster a culture of immediately addressing problems and voicing opinions
- (5) Create an environment that encourages action even when there is a possibility of failure, and advocates for new challenges to improve business performance

### Improving engagement

Unfortunately, employee engagement scores remain low at Sakai Chemical Industry Co., Ltd. Upon investigating the cause, that overall engagement scores were being decreased by low scores for “empathy with the corporate philosophy and vision” and “trust with management.” The Company took this result seriously. From fiscal 2023, we started holding roundtable discussions (town meetings) in which management and employees can engage in dialogue. In fiscal 2024, as a measure for further stimulating dialogue, we started *Syain kai* meetings where employees are the stars and can reach their fullest potential. Every month, we hold *Syain kai* meetings to openly share information such as the Company’s business situation, management issues, and the background of each measure, as well as to introduce employees who are vibrant and active. Through such efforts, the Company is working to foster a sense of unity.



Scene of *Syain kai* meetings where employees are the stars

### Why are we holding *Syain kai* Meetings?

#### Improving job satisfaction

Share the goal being pursued. Understand how the goal relates to your work.



### Safe working environment

Creating a safe and secure working environment is also an essential element in improving engagement. In addition to statutory meetings, the Company is striving to enhance safety and health in a variety of ways. For example, we are promoting safety and health activities throughout the Company, sharing information on small group activities and periodic safety activities, and distributing articles on in-house education, safety, and health.

### Human resource development

Enhancing systems and programs for developing human resources is also important for improving engagement. Sakai Chemical Industry Co., Ltd. is currently encouraging and supporting self-development and self-improvement by establishing a system to encourage the acquisition of public qualifications and a system that subsidizes the development of management skills for obtaining MBA or MOT degrees.

The Company also plans to introduce a talent management system. This system will promote career development for each employee by comprehensively managing their work experience, level of proficiency, qualifications, self-reports, and aptitude test results. At the same time, the Company will review our company-wide education system, organize the basic knowledge and skills required by rank, and work to systematize education programs and curricula that will enable each employee to independently acquire knowledge and skills.

### Diverse working styles

Sakai Chemical Industry Co., Ltd. has introduced a Global-Area System that allows employees to select their place of work. This system allows flexible response to life stages and accompanying lifestyle changes of employees and their families; for example, diversifying values, childcare/caregiving, and participation in social contribution activities.

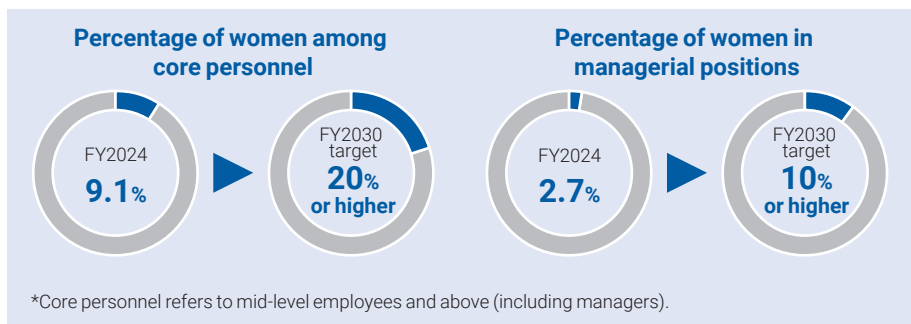
The Company is also working to create an environment for more flexible working styles by relaxing the requirements for taking accumulated leave and introducing new systems such as teleworking and staggered work hours.

### Diversity, equity, and inclusion

When using traditional methods and personnel structures, there are limitations to being able to keenly sense changes in the external environment and quickly change the internal environment. Furthermore, the labor force in Japan is steadily declining and the competition to acquire talent is intensifying. The keys to future growth are securing the required human resources and enabling people with diverse backgrounds to thrive.

#### Promotion of women’s participation

The current challenge in promoting diversity at Sakai Chemical Industry Co., Ltd. is the low absolute number of female employees. In recent years, we have been increasing the number of women we hire through both regular and mid-career recruitment. Furthermore, as part of creating an environment in which women can thrive, we provide diversity education and awareness-raising for all employees, including executives and managers. Examples include in-house training sessions on common women's health issues and conditions, as well as seminars for mid-level female employees to foster and enhance career awareness. The Company will continue to proactively hire and assign women so that they can play active roles in the future, and encourage appropriate promotion of women according to their abilities.



#### Promotion of participation by seniors

Although the population of young people in Japan is decreasing, the healthy life expectancy of the elderly is increasing. It is therefore, necessary to create an environment in which seniors can remain active for a long time. The upper limit for the senior-aged employee system at Sakai Chemical Industry Co., Ltd. is 66 years old. We have also established a system to broaden the scope of activities available to senior-aged employees; for example, allowing employees who have transitioned into the senior-aged employee system from managerial positions to continue in their roles as department or section managers and paying them a separate allowance for managerial responsibilities.



#### Childcare support

Sakai Chemical Industry Co., Ltd. has established systems for childcare leave, nursing care leave, and accumulated paid vacation. We encourage employees to use these systems.

The number of men taking childcare leave has been improving every year, with the usage rate in fiscal 2023 being 39.1%. Increasing the number of male employees taking childcare leave leads to increased opportunities for women to play active roles. Therefore, Sakai Chemical Industry Co., Ltd. has set a goal of increasing the rate at which male employees take childcare leave to 50% or higher by fiscal 2025.

Raising awareness is important to achieving this goal. With this in mind, we feature the experiences of employees who have taken childcare leave and their supervisors in our internal newsletter. We also hold information sessions to deepen understanding of the childcare leave system. Currently, the Company is working to address the issue of how to respond when shift workers are taking childcare leave. We are considering measures such as ways to reduce the burden on the workplace.

