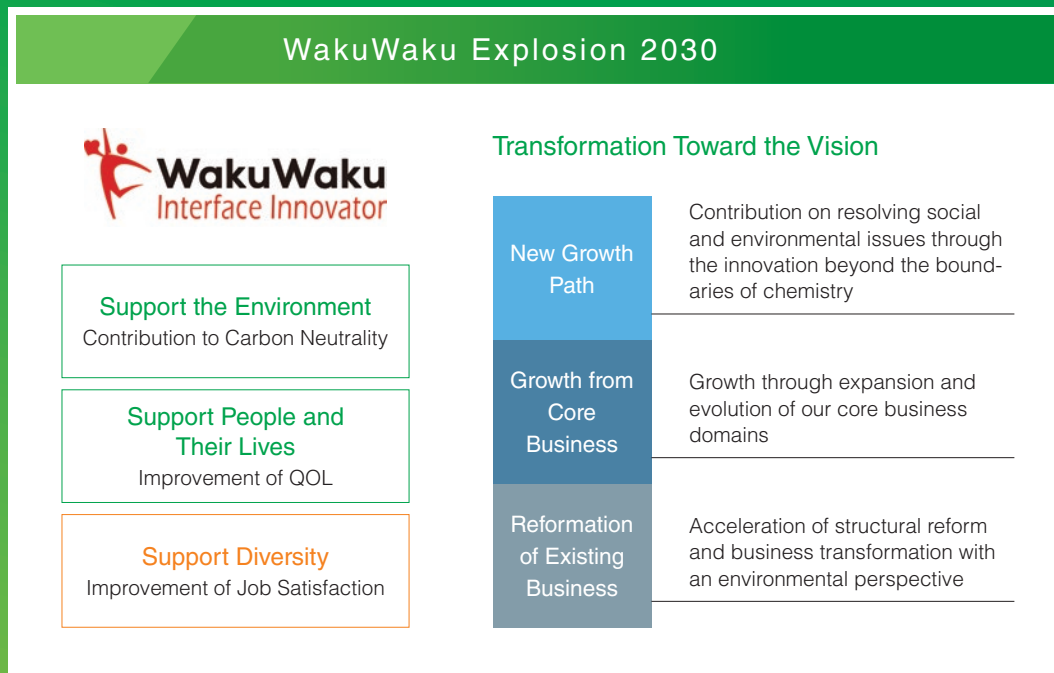


## New Medium-Term Management Plan 2025

# Accelerate Transformation to Realize Our Vision

In March 2022, the Sanyo Chemical Group announced “WakuWaku Explosion 2030,” which envisions our vision for 2030 based on our company mission, “Establish a better society through our corporate activities.”

One year later, in May 2023, we launched the three-year New Medium-Term Management Plan 2025 as the first phase toward achieving our Vision 2030. The Group is now united in its efforts to “Accelerate Transformation to Realize Our Vision.”



# Accelerate Transformation to Realize Our Vision

## Basic Policies

### Business Strategy

#### 1. Growth from Core Business

We will position five focus product groups that contribute to carbon neutrality (CN) and improvement of QOL (quality of life) as “high-value-added products categories,” and accelerate research and development as well as capital investment in these product categories in order to generate earnings.

#### 2. Reformation of Existing Business

We will improve profitability by transforming the business process throughout the supply chain and implementing structural reforms in the polyurethane and superabsorbent polymer (SAP) businesses.

#### 3. Global Deployment

We will expand facilities in overseas plants and strengthen the functions of overseas sales offices.

### Toward the Future Beyond 2025

#### 1. New Growth Path

We will focus our resources on growing areas where we can contribute to carbon neutrality and improvement of QOL. We will reinforce innovative actions including opportunities for strategic alliances and M&A.

#### 2. Solutions to Social Issues

We aim to pursue significant reduction of CO<sub>2</sub> emissions through Carbon dioxide Capture and Utilization (CCU). We will proactively address human rights issues in the supply chain.

#### 3. Initiatives to Support Growth

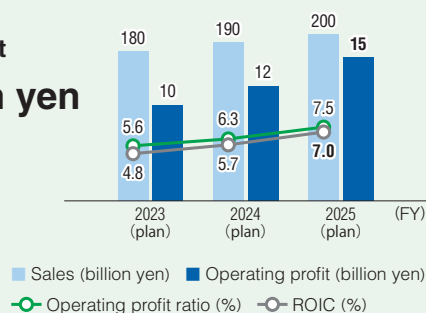
We will promote human resources development and improvement of the work environment. We will manage with safety and quality as our top priority and promote transparent management.

### FY2025 Quantitative Targets

Reflecting the external environment and the progress of internal transformation, we have revised the target of “20 billion yen in operating profit in FY2024” set forth in the management policy.

**Operating profit**  
**15 billion yen**

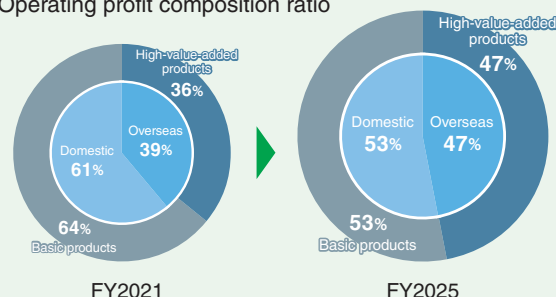
**ROIC**  
**7.0%**



### Target Business Portfolio

In order to transform our business portfolio, we will increase the proportion of high-value-added products that contribute to CN and the improvement of QOL, as well as the overseas net sales ratio.

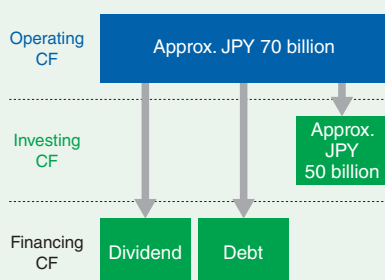
#### ▶ Operating profit composition ratio



### Cash Flow and Investment Policy

We will improve our ability to generate cash based on our business strategy, and generate approximately 70 billion yen in operating cash flow over the next three years. Of this amount, we plan to allocate approximately 50 billion yen to growth investment and approximately 20 billion yen to shareholder returns and the repayment of interest-bearing debts.

#### ▶ Targets for 2023–2025



#### Operating CF

**EBT: 37 billion**

Profit increase from high-value-added products and basic products (Continuing intensive expenditures in R&D: 17 billion)

**Depreciation: 34 billion**

ERP system renewal and CAPEX

**Working capital reduction: 5 billion**

Cash generation by Monozukuri Transformation (Manufacturing Innovation)

**Miscellaneous including taxes: -6 billion**

#### Investing CF: Investment Plan of 50 Billion Yen over Three Years

**Growth from Core Business (high-value-added products): 5 billion**

Production capacity increase in response to strong demand and emerging markets

**Reformation of Existing Business: 35 billion**

Process optimization through Monozukuri Transformation and facility renovation/automation

**New Growth Path (growing businesses): 10 billion**

Strategic investment in M&A and commercialization of new businesses focusing on CN and improvement of QOL

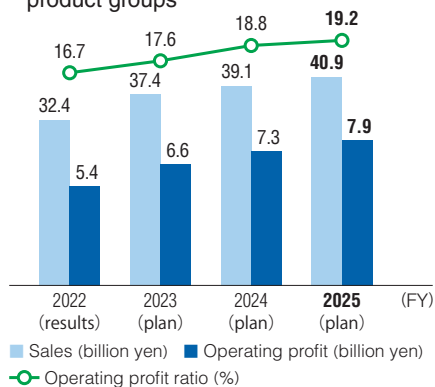
**Reduction of cross-holding: -Several billion**

Business Strategy

# 1. Growth from Core Business

Positioning chemicals for special fibers, chemicals for special electronic parts, lubricant additives, permanent antistatic agents, and medical and pharmaceutical products, which contribute to carbon neutrality and the improvement of QOL, as five focus product groups, we plan to make capital investment of nine billion yen from FY2021 to FY2025, which includes the period of the Medium-Term Management Plan. We expect an incremental operating profit of 2.5 billion yen from this capital investment, and aim to achieve an operating profit of 7.9 billion yen by FY2025 from the five focus product groups. We will also consider additional investments in order to further expand our business.

▶ Results and targets of sales / operating profit / operating profit ratio for five focus product groups



(Note) Research and development expenses (approx. two billion yen per year) related to new businesses are recorded as company-wide expenses and are not included in the above operating profit.

▶ Accelerate capital investment in high-value-added products

- Secure profits by accelerating capital investment in the five focus product groups that can contribute to CN and QOL improvement.
- Consider additional investments aiming for further growth acceleration.

Classification	Product groups	2021	2022	2023	2024	2025 (FY)
CN	Chemicals for special fibers				Installation in Kashima (2024/0.7)	
CN	Chemicals for special electronic parts				Expansion in Nagoya (2023/0.4, 2025/0.5)	
CN	Lubricant additives		Expansion in China (2021/0.3), Installation in Korea (2021/2.4)		Planned expansion in Kashima and Kyoto (2025/0.8)	
QOL	Permanent antistatic agents		Installation in Thailand (2022/3.4)			
QOL	Medical and pharmaceutical products				Expansion in Nagoya (2024/0.1), Expansion in Kyoto (2024/0.3)	

(Note) (Start year / Investment amount [billion yen])

FY2021 to 2025 Amount of total investment **9.0 billion yen**

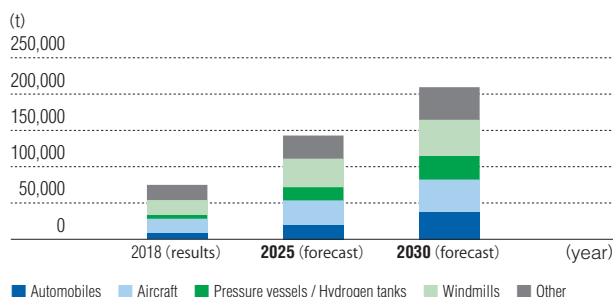
Incremental operating profit during the period of the New Medium-Term Management Plan **2.5 billion yen**

## Chemicals for special fibers CN

These products contribute to carbon neutrality. Our chemicals for special fibers are mainly used for carbon fibers. Blades of windmills, which are one of the main uses of carbon fibers (windmills, automobiles, aircraft, and pressure vessels), are seeing a rapid increase in demand due to the spread of renewable energy. Demand for carbon fibers is expected to expand as wind power generation increases, and blades become larger. In addition, the development of applications in new fields is progressing. In order to respond to growing demand for carbon fibers, we have decided to increase the production capacity for sizing agents for carbon fibers. In addition to the existing facilities at the Nagoya and Kyoto Factories, we plan to establish a new production facility at the Kashima Factory. The facility is scheduled to start operation in May 2024, increasing production capacity by approximately 50%. We will seek to secure a stable supply of sizing agents for carbon fibers in order to respond to the growing global demand. We would also like to play a major role not only in the utilization of renewable energy and the development of its industry, but also in addressing climate change. We will continue to consider



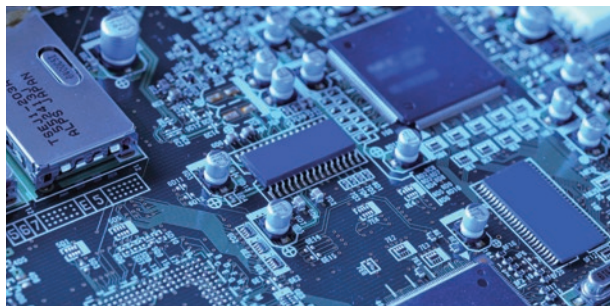
▶ Global market forecast for carbon fiber reinforced plastics by application



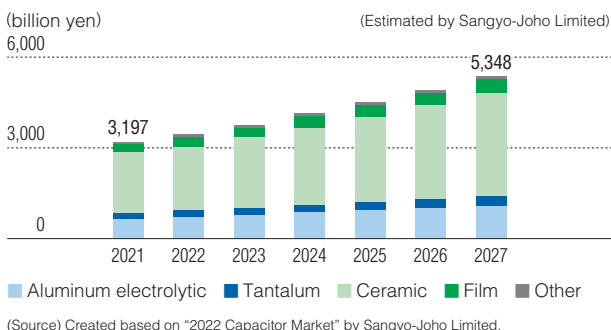
(Source) Created based on "Global carbon fiber reinforced plastics (CFRP/CFRTP) materials and technology report: Market size, applications, share, trends 2020" by FUJII KEIZAI CO., LTD.

further capacity expansion in order to meet the growing demand for carbon fibers.

Chemicals for special electronic parts CN



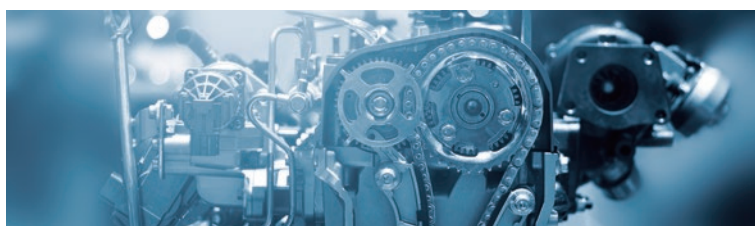
► Forecast for global production of capacitors



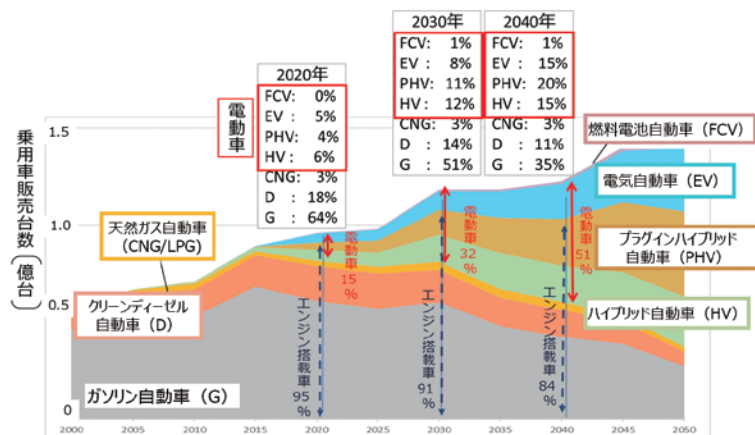
These products contribute to carbon neutrality. Our chemicals for special electronic parts include electrolytes for aluminum electrolytic capacitors, which are mainly used in electronic circuits. Electrolytes for aluminum electrolytic capacitors are used in a wide range of applications, from general electronic devices to important electronic parts that support social infrastructure. Our electrolytes for aluminum electrolytic capacitors exhibit high electrical conductivity over a wide temperature range and are excellent in long-term stability at high temperatures. As industry-standard long-run products, they are used in capacitors that require higher reliability, such as automobile control units. Currently in the automobile industry, an increasing number of automobile electrical parts, such as driving support system circuits, are used due to the electrification of vehicles such as electric vehicles (EVs). In order to ensure a stable supply that meets this growing demand, we have decided to increase our production capacity. The current production capacity will be increased by 60% by March 2025.

Lubricant additives CN

These products contribute to carbon neutrality. In the automobile industry, in order to reduce CO<sub>2</sub> emissions, there is a growing need for fuel-efficient gasoline vehicles, along with the trend toward electrification. Since our lubricant additives are highly effective in improving fuel efficiency, they are used in the engine oils of gasoline vehicles, hybrid vehicles (HVs), and plug-in hybrid vehicles (PHVs). It is assumed that their replacement demand at the time of after-sales maintenance will increase. To meet the growing global demand for these products, we have established a production site in South Korea, following those in Japan and China, which has already started operation. We are also working on the development of lubricant additives optimized for EVs in order to contribute to improving the fuel efficiency of all vehicles.



► Forecast for sales of gasoline vehicles, hybrid vehicles, and plug-in hybrid vehicles



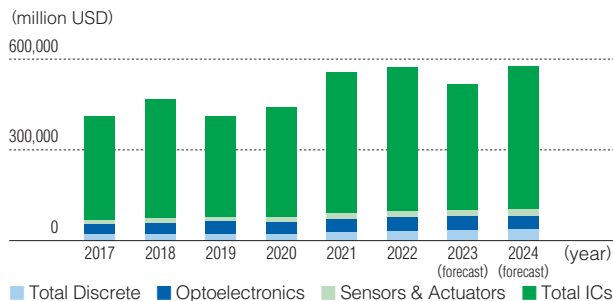
(Source) Ministry of Economy, Trade and Industry, "Technology Diffusion Scenario Presented by IEA (a case where an average temperature rise of 2°C is achieved)" (2021) (in Japanese) [https://www.enecho.meti.go.jp/about/special/johoteikyogosei\\_nenryo.html](https://www.enecho.meti.go.jp/about/special/johoteikyogosei_nenryo.html)



## Permanent antistatic agents QOL



### ► Semiconductor market forecast by product



(Source) Created based on "WSTS Semiconductor Market Forecast Spring 2023" by WSTS (World Semiconductor Trade Statistics) Japan Council

These products contribute to the improvement of QOL. Permanent antistatic agents are used in a wide range of applications to prevent various problems caused by static electricity (destruction of electronic circuits, malfunction of electrical appliances, adhesion of dust) and accidents (fires, explosions). In recent years, in addition to an increase in demand centered on semiconductor carrier trays and the packaging of electronic devices and precision parts, explosion-proof and other applications are expanding. In order to meet future demand expansion, we have launched a new production site at the Rayong factory of Sanyo Kasei (Thailand) Ltd., which has been in operation since July 2022. Since permanent antistatic agents are our unique, high-functionality products, we will strive to open up new markets while taking into account the possibility of further expanding the production facility depending on our future demand. We will also promote the development of new materials.

## Medical and pharmaceutical products QOL

These products contribute to the improvement of QOL and mainly include polyethylene glycol for pharmaceuticals and non-absorbable topical hemostatic materials for the central circulatory system.

Polyethylene glycol for pharmaceuticals is used as a pharmaceutical additive in a base material for ointment and tablet coating agents, and is used as an active pharmaceutical ingredient for colon cleaning agent. It is also used in various applications such as tissue regeneration and cell culture. To meet demand expansion due to increased sales, which is caused by the development of generic drugs, we plan to expand the facilities at the Nagoya Factory. These facilities are scheduled to start operation in May 2024, with the production capacity expected to increase by approximately 20%.

Non-absorbable topical hemostatic materials for the central circulatory system are surgical hemostatic agents made of polyurethane materials that react with water to form a flexible film. Since their launch in 2014, they have been used in many cardiovascular surgeries in Japan as hemostatic materials used in the anastomosis of the thoracic aorta and the branch of the aortic arch for artificial



blood vessel replacement. In March 2020, the scope of their application was expanded to include the anastomosis of whole blood vessels except cerebral vessels. In July 2019, we obtained the CE marking for products for overseas shipping, and started their sales in the European market. Using this as a foothold, we are accelerating our overseas expansion, including entering the Hong Kong market in July 2021 and the Taiwanese market in December 2021. We will ensure its stable supply to satisfy growing demand by increasing our production capacity to approximately five times (scheduled to start operation in February 2024).

## 2. Reformation of Existing Business

### Profit improvement

Approximately 40% of the products sold by the Sanyo Chemical Group are related to the automobile industry. By country, we have a profit structure with a high percentage of sales to China. In FY2022, production adjustments by automobile manufacturers continued due to the shortage of semiconductors and difficulty in parts procurement, leading to a prolonged slump in our sales to the automobile industry. In addition, amid various changes in the global environment, such as China's lockdown due to COVID-19, rising prices due to the situation in Ukraine, and sharp yen depreciation, our sales of products related to the automobile industry as well as of paper diapers and construction paints in China fell. Thus, we were greatly affected by this situation. Demand for these products is expected to recover from FY2023 onward due to the recovery of the automobile industry and the re-opening of the Chinese market. We believe that improving our production and sales systems will greatly contribute to improving profitability.

As a reform of the overall supply chain, we will promote the optimization of product prices in response to the market conditions of raw materials such as naphtha and various cost increases, and will start the company-wide project "Monozukuri Transformation (Manufacturing Innovation)" aimed at increasing efficiency throughout the supply chain to improve profitability. Through these initiatives, we anticipate an incremental operating profit of three billion yen over the next three years.

### Monozukuri Transformation (Manufacturing Innovation)

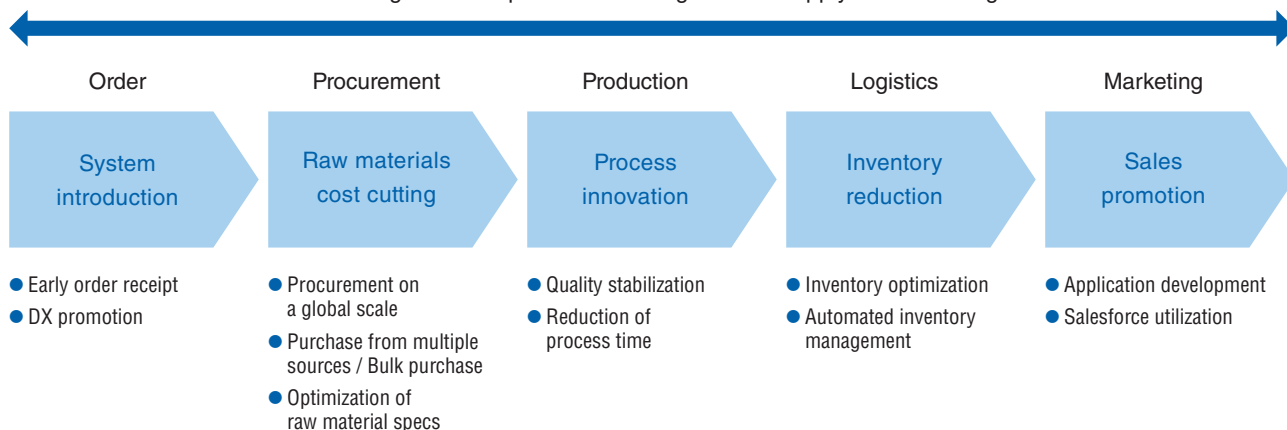
We will work on the following measures to reduce working capital. We aim to improve our operating cash flow by five billion yen by increasing our ability to generate cash.

- ① Visualize and improve data throughout the supply chain by the ERP renewal and promotion of DX
- ② Establish new processes that enable smooth connection from order receipt to production planning
- ③ Establish a new organization to conduct fundamental process reform by dispatching dozens of R&D staff to production sites
- ④ Promote active investment in facility renewal, incorporating process optimization and automation
- ⑤ Implement total cost analysis and overhaul of operations

#### Overall picture of Monozukuri Transformation (Manufacturing Innovation)

**Realize a cash flow improvement of five billion yen through reduction of working capital.**

Transforming business processes throughout the supply chain utilizing DX



Business Strategy

### 3. Global Deployment

#### ■ Structural reforms

We will promote reforms centered on the polyurethane and superabsorbent polymer (SAP) businesses.

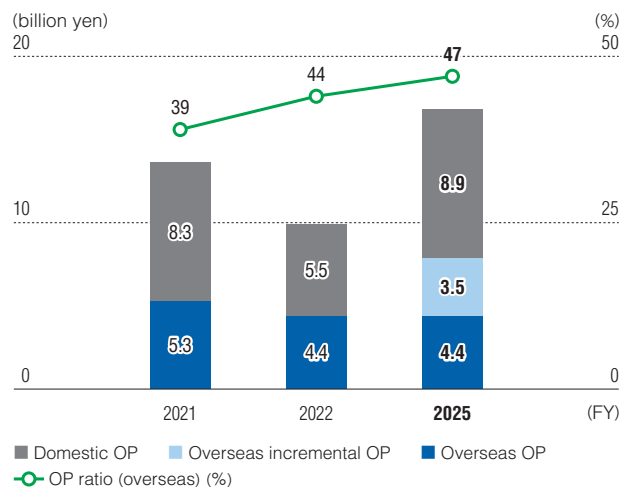
In the polyurethane business, we will streamline production capacity through strategic alliances with other partners, increase production efficiency through process improvement and grade integration based on Monozukuri Transformation, optimize production locations through collaboration with GC Polyols Company Limited, and shift to high-value-added products. In May 2023, we established Japan Polyol Limited Liability Partnership (LLP) as a 50-50 joint venture with Mitsui Chemicals, Inc. with the aim of resolving common issues such as improving the profitability of polypropylene glycol (PPG) in Japan and ensuring supply stability in the future. Through the establishment of the LLP, both companies will work to ensure both continuous stable supply and profit in the PPG business.

In the SAP business, we will work on the following initiatives:

- making drastic cost improvements, including the consolidation and/or elimination of surplus facilities,
- increasing production efficiency through process improvement and grade integration based on Monozukuri Transformation,
- implementing a sales strategy focused on China and South Asia with high market growth potential, where we can leverage the strengths of our production sites,
- exploring high-value-added products for applications other than hygienic applications such as disposable diapers and sanitary napkins, and
- forming strategic alliances with other partners.

We aim to expand our business in overseas markets to earn 47% of our total operating profit in overseas markets by FY2025. To prepare a production system that meets demand, we invested in production facilities for lubricant additives (13,000 tons) in South Korea and China in 2021, and invested in production facilities for permanent antistatic agents (1,500 tons) in Thailand in 2022. We plan to invest in production facilities for high-performance surfactants (1,800 tons) in Thailand in FY2024. We will also boost sales to non-Japanese companies by promoting local staff to senior management positions, and strengthen local technical service functions through R&D staff involvement. Moreover, we will expand our sales channels by launching product websites, actively participating in overseas exhibitions, and using a pull marketing strategy in order to promote sales expansion overseas.

#### ▶ Promote overseas sales



(Note) Research and development expenses (approx. two billion yen per year) related to new businesses are recorded as company-wide expenses, and are not included in the above operating profit (OP).

Toward the Future  
Beyond 2025

## New Growth Path

The Sanyo Chemical Group has set “Achieve carbon neutrality as Interface Innovator” and “Improve QOL by performance through chemistry” as material issues on business domain. During the period of the New Medium-Term Management Plan 2025, we will focus on developing new businesses and products that contribute to carbon neutrality and improvement of QOL, with the aim of creating next-generation businesses that will open up a new growth path toward 2030. We will aim for the commercialization of new businesses and products at an early stage by continuing to inject resources and reinforcing innovative actions, including opportunities for strategic alliances and M&A.

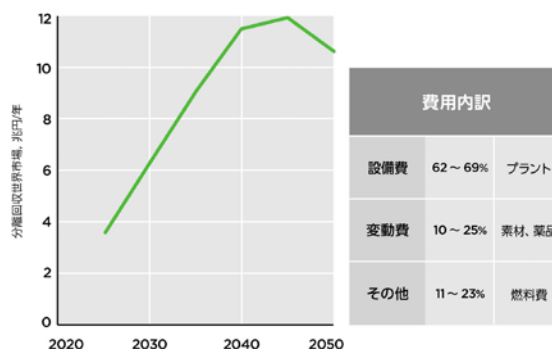
### Carbon recycling (CCU\*) CN

We have accumulated know-how in the design and manufacture of ionic liquids over many years through our main business of electrolytes for aluminum electrolytic capacitors. Currently, we are considering how to apply our ionic liquid technology to the systems that can efficiently capture and utilize CO<sub>2</sub> (CCU). CCU is expected to play a key role in sustaining the use of fossil fuels and the current industrial processes while controlling greenhouse gas emissions, which contribute to climate change. It is also expected to achieve negative emissions of CO<sub>2</sub> when combined with renewable energy.

We aim to apply our ionic liquid technology to the separation of CO<sub>2</sub> from the air, which is attracting attention as a negative emission technology, as well as from flue gas through consortium activities involving engineering partners, municipalities, and other chemical manufacturers, without being bound by the existing business framework.

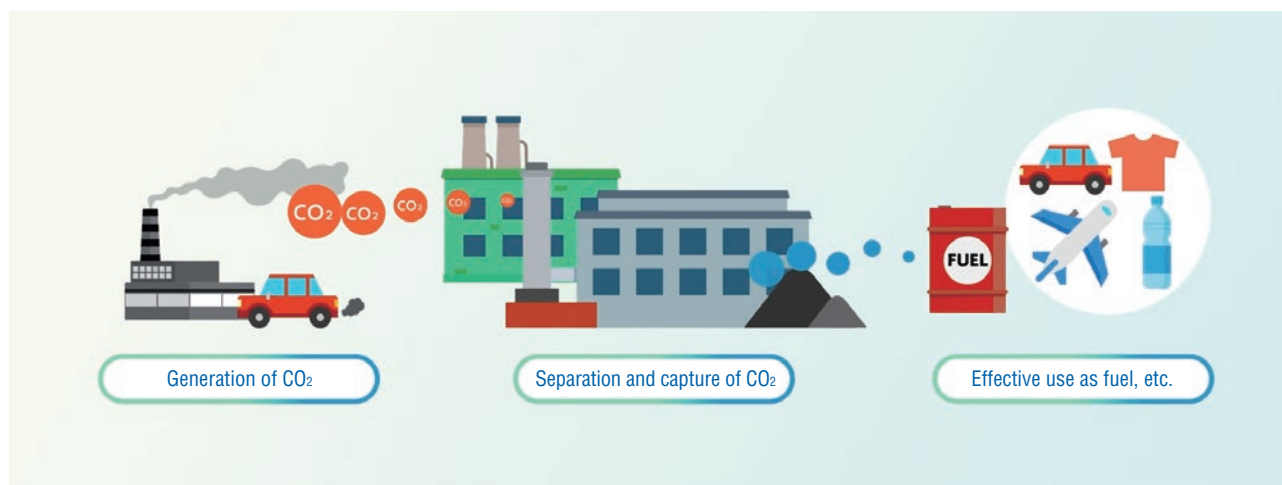
\* Carbon dioxide Capture and Utilization

#### ▶ Market potential for CO<sub>2</sub> separation and capture



(Source) Ministry of Economy, Trade and Industry “What is CCUS Technology?” (in Japanese) [https://www.meti.go.jp/policy/energy\\_environment/global\\_warming/roadmap/innovation/ccus.html](https://www.meti.go.jp/policy/energy_environment/global_warming/roadmap/innovation/ccus.html)

#### ▶ CCU process

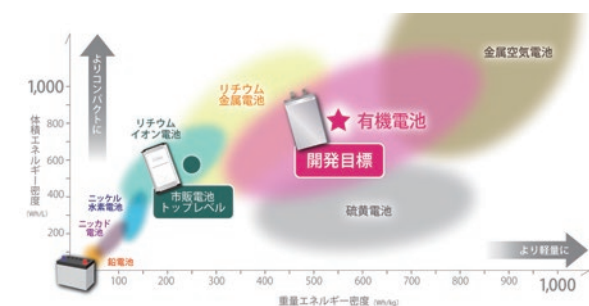




## Energy (Organic cathode active materials) CN



### ▶ Image of an organic cathode secondary battery



(Source) SoftBank Corp. (in Japanese)

As expectations for next-generation devices, such as drones and HAPS (High Altitude Platform Station), a stratospheric communication platform, are increasing, it has become necessary to develop light, safe next-generation batteries with high weight energy density in order to dramatically improve the performance of these devices. Also, from the perspective of sustainability, high-performance batteries are indispensable for promoting electrification and storing renewable energy, which are measures to achieve carbon neutrality. Current lithium-ion batteries are said to be close to the upper limit of their performance, and we are promoting material development with a focus on organic cathode secondary batteries as a type of next-generation battery.

Organic cathode secondary batteries are characterized by the replacement of current inorganic materials containing rare metals, used as cathode active materials, with organic materials, and are expected to significantly improve weight energy density. They also help avoid the shortages and soaring prices of rare metal resources and risks to their stable supply.

We will develop and manufacture the key organic materials, aiming to achieve early results in cooperation with partner companies.

## Agriculture (Peptide materials) CN

In modern agriculture, food crises due to labor shortages and abnormal weather, as well as the environmental impact caused by pesticides and chemical fertilizers, have become major social issues. Peptide agriculture, which we aim to put into practical use in FY2023, is a technology that maximizes the innate functions of plants by giving peptides, which are biostimulants,\* to vegetables and fruit trees. Peptides are expected to improve in quality and yield through the mitigation of their damage due to disease and climate change, and to help reduce the use of pesticides and chemical fertilizers.

By making full use of our fundamental technologies, such as interface control technology, we can produce peptides extracted from natural products, including unused resources, and fermentation-produced peptides derived from natural products. This will provide the world's first agricultural solution using multiple functional peptides. As a pioneering attempt, we plan to sell peptide fertilizers and then provide peptide spraying meth-



\* This is a new technology that reduces plant damage caused by climate and soil conditions by controlling abiotic stresses (high and low temperatures, physical damage, etc.) to plants in order to provide healthy plants. Its global market size is expected to be three billion dollars, with an average annual growth rate of more than 12%.

ods suitable for each crop and techniques for preserving product freshness, with the aim of building a business model that contributes to the production of high-value-added vegetables and fruits.

### Diagnostic and regenerative medical care (Extracellular vesicles: EVs) QOL



In recent years, body fluid components, called “exo-some-containing extracellular vesicles,” have been attracting considerable attention in medical fields that are directly linked to improving QOL, such as disease discovery and regenerative medicine. It is expected that the research market alone will grow to over 100 billion yen by 2030. Jointly with Tokushima University, we have developed EXORPTION®, a method for collecting extracellular vesicles from various body fluids with high efficiency, high yield, and a high degree of purification, by applying the body fluid component collection technology and know-how that we have cultivated in the in vitro diagnostic reagent business.

By disseminating this technology, we aim to support new diagnostic and therapeutic research using extracellular vesicles, and to implement diagnostic agents to which this technology is applied in clinical settings.

### In vitro diagnostic medical products (Accuraseed) QOL

Immunoassay-based in vitro diagnostic reagents are used for the purpose of diagnosing diseases, and their domestic market size reached approximately 250 billion yen in 2021. We have developed reagents dedicated to Accuraseed®\* that use our unique magnetic particles, Magrapid. These are in vitro diagnostic reagents that enable rapid immunoassay in just 10 minutes. Since these agents dedicated to Accuraseed® were launched jointly with FUJIFILM Wako Pure Chemical Corporation in November 2015, their lineup has expanded to include 30 inspection items, including thyroid diseases and infectious diseases. This helps meet the need for rapid diagnosis in clinical settings. In June 2022, Sanyo Chemical Industries, Ltd. and FUJIFILM Corporation established FUJIFILM Sanyo Chemical Healthcare Corporation to consolidate the production systems for the reagents dedicated to Accuraseed® of both companies. We will strengthen our production base to achieve high productivity and respond to the growing demand for in vitro diagnostic reagents.



\* Accuraseed®: Fully automated chemiluminescent enzyme immunoassay system manufactured by FUJIFILM Wako Pure Chemical Corporation

## Wound healing material and meniscus repair (Silk-elastin) QOL



As Japan's aging society progresses, an increasing number of people are suffering from diabetic skin ulcers, pressure ulcers, knee osteoarthritis, and other diseases. In particular, many patients whose natural healing powers have declined due to aging are finding it increasingly difficult to recover with conventional treatments. It is said that there are 150,000 patients with refractory skin ulcers and eight million patients with knee osteoarthritis in Japan.

We use the functional protein "silk-elastin," which is under development at the company, for such patients to enhance their natural healing powers, thereby trying to heal their wounds (tissue regeneration) that could not be healed by conventional treatments. Since 2016, we have conducted clinical trials on skin defect regeneration and meniscus repair to confirm the efficacy and safety of silk-elastin. We plan to implement it in society by 2024 as a regenerative medical device "wound healing material" intended to regenerate refractory skin defects. We also plan to implement it in society by 2026 as a meniscus repair for patients with knee osteoarthritis. We aim to extend healthy life expectancy through silk-elastin to contribute to improving the QOL of the elderly.

## Digital olfaction (Electric nose) QOL

Reproduction of the five human senses is being actively studied in order to cope with the recent IoT trends and realize next-generation communication using the five senses. In particular, it is difficult to reproduce the olfactory sense, and products and services that visualize odors and aromas have yet to be fully and practically implemented in society. Digital olfactory technology, which digitally identifies and quantifies specific odors, is expected to be applied in the medical field and the life-related fields including food and beverages, and its market size is expected to reach \$3.12 trillion by 2026.

The Group provides 3,000 types of functional chemicals. By using the technology and knowledge that we have acquired in this field, we have developed a highly practical electric nose that can be easily customized for various odors.

In addition to this feature, our electric nose is characterized by the ability to quickly and continuously identify complex mixed odors, which is difficult for commercially available gas sensors.



Toward the commercialization of electric noses, we are working on initiatives that use electric noses to contribute to the improvement of QOL. For instance, we consider the visualization of sanitary environment conditions to improve the environmental and enhance work efficiency as well as the visualization of the aroma of foods and luxury items. We aim for the early commercialization of electric noses to create new value through the visualization of odors.

## Message from the General Manager of the Personnel Division

### HR (Human Resources) Philosophy to Achieve WakuWaku Management

Yoshiyuki Oku

Managing Executive Officer,  
General Manager of Personnel Division



The Sanyo Chemical Group has created a number of systems to enable everyone to take on challenges on their own initiative as part of its “people-oriented management.” In order to respond to changes in the times and to create an environment in which employees can work with job satisfaction and pride, we have deepened this “people-oriented management” and restructured our HR System for the first time in about 20 years, with “respect diversity and collaboration” as our HR Philosophy. Our goal is to build a better society by creating new values through the synergistic effects of individual connections based on mutual recognition of each other’s individuality.

#### HR System that promotes individual growth and enhances organizational strength

In the new HR System, we focused particularly on building an evaluation system, which is crucial to our efforts to develop human resources. In addition to reforming the evaluation system to make it more fair, transparent, and balanced, we have conducted evaluator training for all managers to ensure that it does not become “pie in the sky.” Under the new evaluation system, managers will not stop with day-to-day management and its evaluation, but will work to align the direction of employee and organizational growth through in-depth one-on-one discussions with each of their subordinates, so that they can practice support-ive management.

In terms of growth initiatives, we have launched a new leadership development training program for selected personnel in addition to the existing hands-on rotational training. Both practical work and training will contribute to the career development of our employees. We are also considering the introduction of an organizational evaluation system with the aim of maximizing organizational performance and linking it to the job satisfac-

tion and pride of each and every employee. The system will measure how One Team actions contribute to the company with respect to each organization’s medium- and long-term goals.

#### Expectations and aspirations for employees

What I expect from my employees going forward is for them to develop their career plans independently. I hope that each of you will be able to think about what kind of work you really want to do and what kind of experience you want to have and be active in. And in these times of turmoil, I hope you will grow to be able to tackle challenges for which there are no right answers. I believe the role of the Personnel Division is to provide support for that. We will respect the desires of our employees and promote the development of an in-house environment in which diverse human resources can play an active role. We will also focus on increasing engagement by eliminating the distance between management and employees. Furthermore, the Personnel Division will continue to change so that the company and its employees can build a relationship of mutual trust.



Toward the Future  
Beyond 2025

# HR Development and Work Environment Improvement

HC

In order to realize the vision of the Group set forth in the New Medium-term Management Plan 2025 and to promote changes toward the Vision, we believe it is important to create a company in which each and every employee can be excited (“WakuWaku”) based on the idea that “Every department is a profit center” (each and every diverse employee from all walks of life plays a leading role).

## HR Philosophy

Our philosophy is to “respect diversity and collaboration,” aimed at creating new values through the synergistic effects of individual connections based on mutual recognition of each other’s individuality.

## HR Policy

Based on the HR Philosophy, we have established our HR Policy “create an environment in which individual abilities can be maximized,” with the aim of becoming a company in which all employees can work in good health and with peace of mind, while valuing their individuality.

## HR Development Policy

The Group positions human resources as the driving force that creates innovation toward the realization of our Vision. Aiming to spotlight everyone and to promote changes in an exciting way (“WakuWaku”), we set our HR Development Policy to “have everyone play an active role” and “develop an environment in which leaders (successors) grow naturally.” At the same time, we will promote efforts to reform work styles, diversify human resources, and create a work environment in which all human rights and diverse values are respected and accepted and in which all employees are encouraged to perform active roles, thereby leading to the sustainable growth of the Group.

## Two pillars of the HR strategy: HR Development, Work Environment Improvement

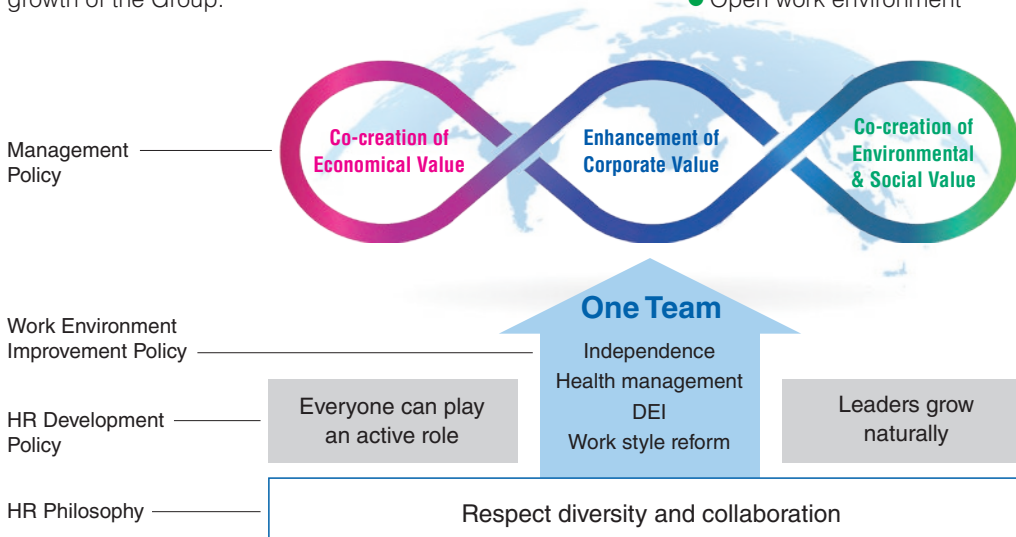
We believe that HR Development and Work Environment Improvement are the two key elements for “One Team to create new ideas and continue to take on challenges.” Thus, we have included “develop human resources and improve work environment by recognizing diversity” in the material issues. The introduction of a fair, transparent, and balanced evaluation system is also required. In addition to existing initiatives, we will implement systems and measures that take into account the diversification of values and human resources and changes in the environment.

### HR Development

- Creating a system in which everyone can play an active role
- Creating an environment in which leaders (successors) grow naturally
- Establishing a fair, transparent, and well-balanced evaluation system under which employees can work together to achieve organizational goals with One Team

### Work Environment Improvement

- Health management
- DEI (Diversity, Equity & Inclusion)
- Open work environment





## Respect for Human Rights RM

The Sanyo Chemical Group has set its Vision 2030: “Grow into a global, unique, and highly profitable company where every employee feels pride and satisfaction from his/her work.” We believe that the success of diverse human resources is possible only when there is a foundation for understanding the human rights of each individual and recognizing their individuality and values. In addition, in order to advance our business activities in various regions of the world, we are required to address human rights issues, including labor-related rights for stakeholders involved in our business activities and throughout our supply chain. To address human rights issues, we formulated the Sanyo Chemical Group Human Rights Policy in March 2023.

### ■ Basic attitude of the Human Rights Policy

As corporate activities become increasingly globalized, companies are expected to take the initiative in eliminating human rights violations from the perspective of creating an inclusive society. The Group will conduct management that respects the human rights of all people and recognizes that its business activities may have a negative impact on human rights. At the same time, we will work with our customers, business partners, suppliers, and government agencies to avoid such negative impacts, thereby gaining recognition from investors, customers, and society at large. We will also cooperate with diverse stakeholders to support the socially vulnerable.

**Basic Policy**  
We proactively address human rights issues in the supply chain in accordance with the newly formulated human rights policy.

**Priority measures**

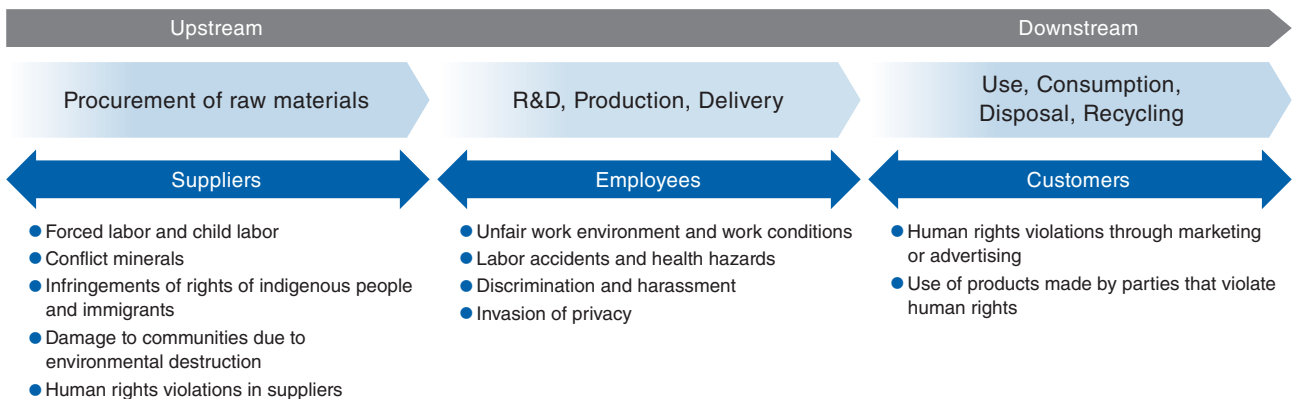
- Implement human rights due diligence in procurement activities
- Eliminate harassment thoroughly
- Promote DEI, raise LGBTQ awareness, and create a workplace where human rights are addressed
- Accept Ukrainian students

### ■ Initiatives to address human rights issues in the supply chain

Based on the Sanyo Chemical Group Human Rights Policy, the Group identified three prominent issues: ① labor in the supply chain, ② employee safety and health, and ③ human rights risks due to geopolitical situations and conflict impacts. We will continue to work on these human rights issues.

Going forward, we will continue to fulfill our responsibility to respect human rights by implementing human rights due diligence in procurement activities, working to eliminate and prevent harassment, and accepting Ukrainian students, based on the Guiding Principles on Business and Human Rights.

#### ▶ Human rights issues in the supply chain



## HR Development HC

The Group has long been committed to “people-oriented management,” and has established systems that allow everyone to take on challenges on their own initiative, aiming to be a company in which each and every employee can grow together with the company and feel job satisfaction and happiness. We position human resources as the driving force that creates innovation toward the realization of our Vision. Aiming to spotlight everyone and to promote changes in an exciting way (“WakuWaku”), we set our HR Development Policy to “have everyone play an active role” and “develop an environment in which leaders (successors) grow naturally.” Under this policy, we will strengthen our human resources base to support our sustainable growth.

### ■ Everyone can play an active role

In order for everyone to play an active role, it is important for each individual to demonstrate his or her “strong individuality” (each playing a leading role) and to continue to take on challenges without being bound by conventional ways of doing things. An organization composed of “strong individuality” can become a “strong organization (One Team)” where everyone is taking action toward the goal by drawing up a vision for their own organization and incorporating it into their goals.

#### **An environment in which all employees can play an active role regardless of course (job group)**

- Unification of generalist and specialist positions into an associate position

#### **Support for proactive challenge taking and independent learning**

- Improvement of existing systems to encourage taking on challenges, such as the “Internal multiple work system,” “Awards from General Managers to encourage challenges,” the “Challenge system,” “Commendations from the president,” “JET,” and “Training retreats” to make them more user-friendly for active utilization
- Training programs to support career autonomy
- Rotation based on the characteristics of each employee based on aptitude tests for all employees (the right person for the right job)
- Training programs such as the “Study abroad system,” “Overseas training,” and “Language training” to develop human resources who can play an active role on the global stage

#### **System for organizational evaluation**

- Introduction of an organizational evaluation system with the aim of maximizing organizational performance (aiming for an achievement rate of 80% or more of organizational goals by FY2025)

### ■ Development of an environment in which leaders (successors) grow naturally

We believe that the ideal environment is one in which candidates for future management or key positions in major businesses and functions are growing naturally. To achieve such an environment, we will first work on measures to develop leaders systematically. Then, we will develop an environment in which more and more employees will see the careers of those who grow into leaders and want to become leaders themselves, and realize their goal.

#### **Systematic leader development**

- Selection of candidates for next leaders and identification of missing human resources requirements
- Implementation of training for selected leadership candidates, enabling them to see the company from a manager’s perspective and acquire the skills to formulate strategies
- Implementation of rotations to fill missing human resources requirements
- Implementation of career training to encourage young employees to envision their career paths

## Accelerate Transformation to Realize Our Vision

### Diversity, Equity & Inclusion (DEI) HC

Aiming to be a company in which all employees can work comfortably with peace of mind while valuing their individuality, the Sanyo Chemical Group promotes “DEI (Diversity, equity & inclusion)” to create a work environment in which all human rights and diverse values are respected and accepted, and in which all employees are encouraged to perform proactive roles. In the promotion of DEI, the perspective of equity is particularly important, as it leads to the valuing of individuality. We will contribute to the creation of a sustainable society by generating added value through a combination of diverse needs and the ideas and technologies of each of our employees.

#### ■ Women’s participation and advancement

We have formulated a voluntary action plan based on the Act on the Promotion of Women’s Active Engagement in Professional Life, with the goal of increasing the female leader ratio to 15% or more and the female manager ratio to 6% or more by FY2030, leading to a steady increase in the number of women in management positions. In order for more women to play leading roles in various organizations in the future, we need to further accelerate our efforts. As such, we have set a new target of a female manager ratio of 15% or more by FY2030. In addition, since January 2022, the company has been a member of the “IkuBoss Corporate Alliance” to change the mindset of both men and women by dispelling the stereotypical role-based division of labor, and to encourage male employees to take childcare leave. We will encourage women to work longer and continue to grow by reforming the corporate culture and promoting their participation in internal and external training programs, thereby supporting their success.

##### ▶ Percentage of male employees taking childcare leave (%)

2018	2019	2020	2021	2022
48.2	77.1	66.7	79.7	98.2

#### ■ Promotion of LGBTQ understanding

Since 2018, we have been working on initiatives related to LGBTQ sexual minorities.

We are encouraging understanding and inner promotion of LGBTQ issues by establishing internal and external consultation services, revising internal rules and systems, conducting training and study sessions for executives and employees, providing timely information via the intranet, etc., and participating in Rainbow Pride. We are also communicating to society in an effort to create an environment that respects diverse values. Led by You-Tuber Kazue-chan, an LGBTQ person who has been a member of the Group since August 2020 and is engaged in raising awareness about LGBTQ issues, we cooperate

and participate in activities of external organizations as well as within the company.

#### ■ Promotion of employment and activities of persons with disabilities

As part of our corporate social responsibility and beyond, we strive to create a workplace where all employees can work together with their colleagues regardless of their disabilities. In order to achieve this goal, we will promote various initiatives and focus on building a support system for continued employment.

#### ■ Promotion of employment of global talent

Diverse human resources from various cultures are essential for global business development. We are working to create an environment in which employees whose first language is not Japanese can play an active role (explanation of internal systems, policies, and personnel systems, translation of internal documents into English, support for visa procedures, etc.), and will actively promote the employment of global talent in the future.

##### ▶ KPIs for DEI

Female manager ratio	15% or more by FY2030
Percentage of male employees taking childcare leave	100% by FY2025
Platinum Kurumin	Certification continued to FY2025
“L-boshi (3 stars)”	Certification continued to FY2023
PRIDE Index Gold	Certification in FY2023
Percentage of employees with disabilities	2.7% or more by FY2026
Number of foreign employees hired	2 or more hired each year



Platinum Kurumin



“L-boshi (3 stars)”



PRIDE Index Gold

## Work Style Reform HC

In order to become “a company in which every employee feels pride and satisfaction in his/her work” and to further advance reforms, the Group is promoting work style reforms from the three perspectives: flexible work styles, business reforms, and the use of IT/AI. By offering a variety of work styles, we intend to create a work environment in which each employee can achieve results while feeling pride and job satisfaction.

### ■ Flexible work styles

Based on the concept of “work hard, rest well,” we will promote a true work-life balance through flexible work styles. In addition to weekly no overtime days, we have systems such as refreshment leave, memorial leave, hourly paid leave, and super flextime without core time. We are supporting more flexible work styles by easing restrictions on the reasons for using super flextime and by revising the system so that it can be used by employees who work shorter hours. In addition, although the reasons for taking paid leave under the unused paid leave reserve system had been limited to childcare and nursing care, the system has been made usable regardless of the reason. We also have a telecommuting system for all employees and a flexible leave system that allows employees to take personal leave once during their employment for a maximum of two years, at their own discretion. In FY2022, four employees used the flexible leave system for the purpose of obtaining qualifications, etc.

We strive to create an environment in which our employees can continue to be active while maintaining job satisfaction through flexible work styles that allow them to achieve a work-life balance.

### ■ Business reforms and the use of IT/AI

In addition to promoting flexible work styles that are not restricted by time or location, we are promoting the use of digital technologies such as Robotic Process Automation (RPA) and Business Intelligence (BI) systems to improve productivity. We create an environment that improves the quality of work and allows each individual to be creative in their work.

### ■ Work Style Reform Action Plan

In Phase I (FY2018 to FY2020), we worked to reduce long working hours, promote the use of paid leave, and encourage flexible work styles. Based on the results of Phase I, the Work Style Reform Action Plan Phase II, which covers the period from FY2021 to FY2023, has the following goals.

- ① Average total actual hours worked per year (day shift workers) of 1,800 hours or less
- ② Increasing the number of days of paid leave taken by

three days compared to FY2020

- ③ Increasing the utilization rate of the super flextime, telecommuting, and flexible leave systems

### ■ Open work environment

In order to create a state in which employees feel satisfaction and pride in doing their jobs safely and securely, and are willing to make a high level of contribution to the company while voluntarily demonstrating their abilities, it is important to have a thorough dialogue with executives, the organization, and people in various capacities. We actively provide opportunities for communication to enhance engagement, such as “Dojo,” a place for dialogue between executives and employees, and “Salon,” a place for managers and higher ranking executives to hold dialogue beyond the boundaries of their departments.

#### ▶ Main measures

##### Dialogue with executives

The “Dojo” is a system that allows executives and employees to have thorough dialogues. The executives act as dojo owners and invite students (employees) to join a dialogue once a month for a period of six months to one year. The theme (message to be conveyed to the employees) is left entirely up to the dojo owner. Twelve dojos were open in FY2022, with six to eight participants (students) in each dojo. This system will continue in the future. In addition, the “morning meeting for all employees,” in which executives give a lecture to all employees once a month, will continue to be held.

##### Training retreats

This is a system in which each division or department spend one or two days discussing organizational dreams and issues, and the company subsidizes the costs of the reception and lodging.

##### Salon

Managers and higher ranking executives lead the salon and talk with several employees.

##### Coffee meeting

This is a system to deepen mutual understanding through dialogue with the head of the organization.

#### ▶ KPI for Work Style Reform

Engagement score*	51 or more by FY2025
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\* Measured by a proprietary survey instrument using eight items that correlate well with the Utrecht Work Engagement Scale

## Health and Productivity Management HC

The Sanyo Chemical Group aims to further enhance its corporate value by creating an exciting (“WakuWaku”) company in which each and every employee is highly motivated to take on new challenges. To achieve this, it is essential for each and every employee to be healthy. We believe that working in good mental and physical health creates happiness for employees and their families and leads to the development of the company.

### Health Management Declaration

The physical and mental health of its employees is the company's greatest asset. The Sanyo Chemical Group will actively support health promotion initiatives to realize a mindful and fulfilling corporate life, respect the diversity of its employees, and enable each individual to achieve self-fulfillment by exercising their independence and creativity, thereby contributing to society through the development of the company.

Akinori Higuchi  
Representative Director, President and CEO

### ■ Promotion system

Since FY2020, the “Health Promotion Council,” which includes senior management, deliberates and decides on policies and initiatives, while the “Health Promotion Teams,” which include employees from each region, have been promoting awareness and penetration of health management among employees and implementing specific measures in their respective regions. The company, the labor union, and the health insurance union work in unison to promote company-wide health initiatives.

### Evaluation indicators

We are actively promoting health management, believing that it is an important management issue for the company to be actively involved in the maintenance and promotion of employees' health, rather than simply leaving it to the individual management of each employee. The Health Management Strategy Map was created to quantitatively demonstrate health management initiatives and results, and to implement the PDCA cycle of activities. Health investment measures for the five health promotion initiatives and evaluation indicators for verifying their effectiveness were defined, and targets for FY2025 were set.

We are actively developing health investment measures that will lead to improved productivity and job satisfaction, and ultimately resolve management issues.



### ▶ Action goals for the five initiatives

		(FY)				
Initiative	Item	2019	2020	2021	2022	2025 (Target value)
Exercise	To have an exercise routine at least once a week	29%	31%	50%	50%	70% or more
Sleep	To be well rested with sleep	54%	57%	66%	63%	80% or more
Diet	To have a balanced diet*1	—	—	76%	75%	90% or more
Drinking	To have two or more alcohol-free days per week	74%	75%	75%	76%	90% or more
Smoking	Not to smoke (Smoking rate reduction)	77%	77%	82%	83%	90% or more

\*1 Item added in 2021.

### ▶ Absenteeism\*2

		(FY)				
Initiative		2019	2020	2021	2022	2025 (Target value)
Personal injury/sickness absence rate		1.5%	1.5%	1.8%	1.9%	1.0% or less

\*2 A condition in which the employee cannot perform duties due to absence from work, leave of absence, or other reasons. Measured by the number of employees on sick leave who are absent for more than one month.

### ▶ Presenteeism\*3

		(FY)		
Initiative		2021	2022	2025 (Target value)
Labor productivity loss rate		37.5%	36.6%	30% or less

\*3 A condition in which the employee is present at work but is not able to work sufficiently due to mental or physical health problems. Measured by the WHO Health and Labor Performance Questionnaire.

### ▶ Work engagement\*4

		(FY)		
Initiative		2021	2022	2025 (Target value)
Self-motivated behavior and positive feelings toward work (deviation value)		49.7	50.1	51 or more

\*4 A state of mind that is positive and full of accomplishment, vitality, enthusiasm, and immersion in one's work. Measured by a proprietary survey instrument using eight items that correlate well with the Utrecht Work Engagement Scale.



## New HR System HC

Based on the Sanyo Chemical Group’s HR Philosophy to “respect diversity and collaboration,” the new HR System features a HR Policy to “create an environment in which individual abilities can be maximized.” Creating an environment in which individual abilities can be maximized and function effectively will cause employees to feel motivated and proud of their work.

### Reform of the three core systems in HR management (grading, compensation, and evaluation)

Based on the idea that people and organizations that achieve results should be recognized and rewarded, we have reformed our systems and launched the new HR System in April 2023.

Major changes

#### Grade system that makes better use of capabilities

- To eliminate disparities in course (job group) attributes and to enable all employees to play an active role in a wide range of fields, generalist and specialist positions were unified into an associate position.
- An expert position was newly established as a course for those in management positions to pursue expertise, with the aim of rewarding those who contribute to further business development by utilizing their expertise in a specific area as a specialist.

#### Compensation system based on competence and role

- As individual lifestyles and values diversify, customary and non-standardized treatment that is not related to the quantity or quality of work has been reviewed.
- By increasing the percentage of salary that varies depending on the role and ability of the employee, and by clearly establishing a gap in salary based on job qualifications, the salary system has been changed to one that allows employees to devote themselves to their work with a medium-term growth perspective.

#### Fair, transparent, and balanced evaluation system

- Simple criteria for salary increase and promotion were established, which would lead to the growth and motivation improvement of employees and be easy to understand for both the evaluators and the evaluated.

### Introduction of an organizational evaluation system

By evaluating how the organization is changing its action as One Team and how much it contributes to the company, we will maximize our organizational performance and foster pride and job satisfaction in each employee.

In fiscal 2022, trials were conducted in multiple departments. After organizing the issues and problems identified from the trial results, we will roll out the trial company-wide in the second half of FY2023. In addition to familiarizing employees with the organizational evaluation process, we will conduct a verification prior to full implementation, with the goal of introducing the organizational evaluation in FY2024. Each organization will set organizational goals toward its vision and strive to achieve them by creating a situation in which all members of the organization are involved in the organizational goals. For FY2025, we are targeting an 80% achievement rate for organizational goals.

#### ▶ Introduction schedule

