

Key questions and answers from ESG briefing - Human Capital and Health & Productivity Management –  
(held on March 28, 2025)

1. What will you disclose the effects of human capital development?
  - Although it is difficult to measure the impact of development and training programs, there are three general indicators.
  - The first is the result of an assessment program for an overseas subsidiary. This result is linked to the performance of the company or the domestic division and can be used as an indicator.
  - The second is an engagement score. For example, a change in the head of an overseas subsidiary can cause a dramatic change in the engagement score, which is also an indicator.
  - Finally, a 360-degree multilateral assessment for managers. How changes in leadership positions are perceived by those around them can be an indicator.
  - We will analyze the correlation between these indicators and the results of the various measures. Plan to disclose information based on the results of these studies.
  
2. What are the challenges for the transition to the new HR system in Japan?
  - The new personnel system aims to align roles and remuneration, but issues have remained in the implementation.
  - In particular, there are certain hurdles when it comes to how individual roles are presented and evaluated.
  - In addition to familiarizing all employees with the system, it is also important to educate managers, and we will proceed with it while carefully explaining it. Aim to shift to a new personnel system in FY26.
  
3. Why there was the significant progress in solving HR issues overseas?
  - In the past, the human resource function was weak, and the backlash from the business division hindered the progress of human resources measures. We believe this is the result of steady promotion of various HR measures while carefully explaining them to business divisions.
  - Some of the overseas subsidiaries lacked basic HR knowledge. It is also true that the managers of the subsidiaries did not welcome interference from the head office.
  - Changes in HR practices and perceived relationships with headquarters occurred through the leadership development program. We believe that this program has helped to resolve the issues by providing an environment in which heads at each subsidiary can complement their shortcomings and put them into practice.

4. Where are you now in relation to the ideal state of wellness management?

- We believe that we have achieved about 30-40% of our ideal state.
- The current management has built the foundation as the Chief Wellness Officer (CWO) by being certified as an excellent corporation for employee health and productivity management for nine consecutive years, and by assigning persons in charge of promoting health management to all domestic sites and departments.
- Through interaction with leading companies in health management, we recognize that SATO efforts are not yet at an adequate level. Quantitative analysis of health-related data is carried out to identify and solve problems as objective data, and SATO has just started this initiative. In addition, the health management strategy map explained on page 11 of this briefing needs to be revised as appropriate.
- The basic requirement is to be able to confirm whether employees are performing their duties in a healthy condition, which is appropriate for a corporation with excellent health management. In addition, by improving work-life balance and QOL through measures for each employee, we will promote the resolution of social issues through our main business and continue our efforts to improve corporate value.