

Value creation method (business)

The Sakai Chemical Group develops and provides society with materials that enrich people's lives.
 Our business activities are evolving together with changes to society and people's lifestyles.
 The Group is currently pursuing materials that contribute to a better life in the fields of environment and energy, electronics, and life sciences and healthcare.



Electronics

Support the development of an advanced information society (for a more equal society)



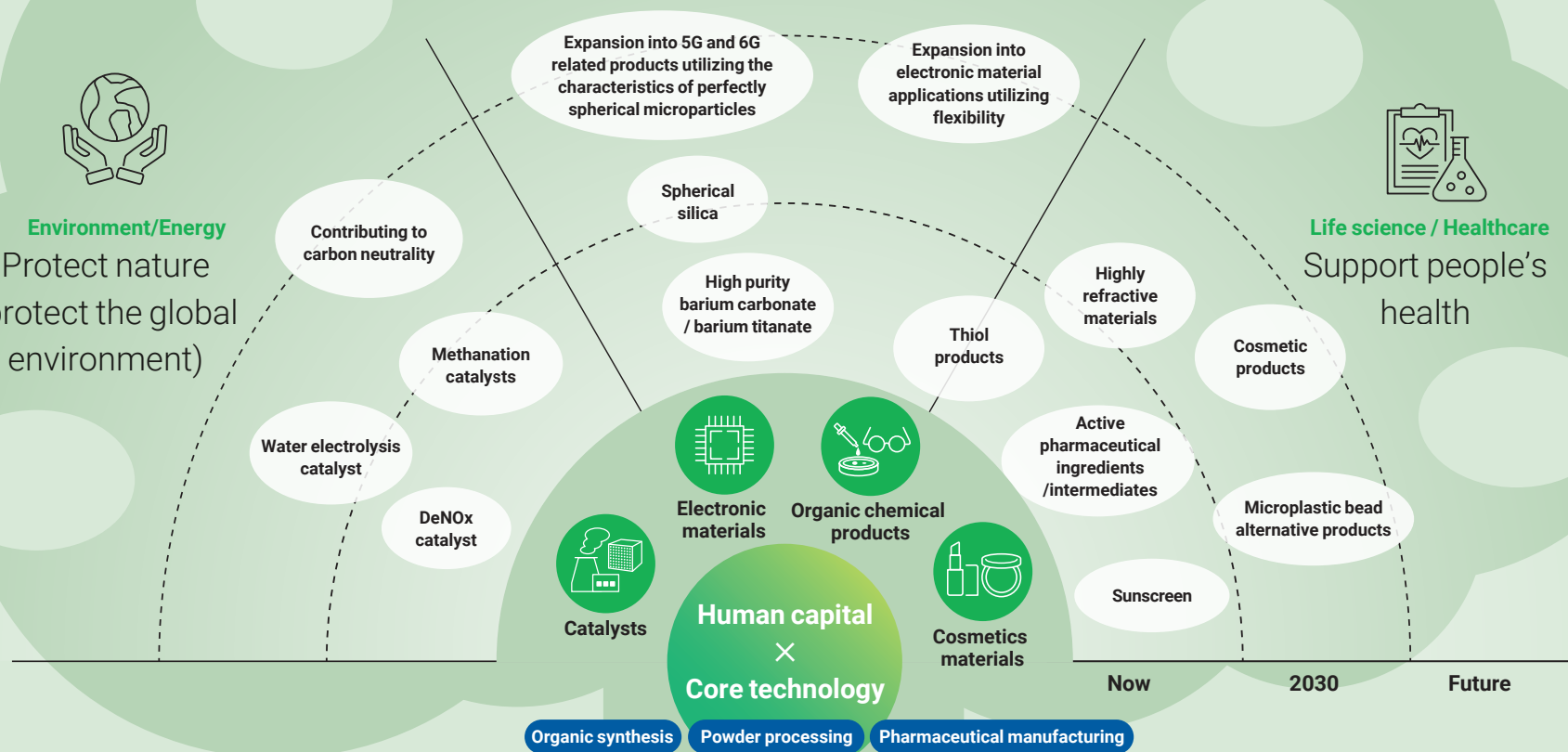
Environment/Energy

Protect nature
 (protect the global environment)



Life science / Healthcare

Support people's health



Examining the future business of Sakai Chemical Group from the perspective of the external environment (megatrends)

In Japan, a declining birthrate and aging population will require our attention. After all, such conditions make it impossible to foresee meaningful growth in domestic GDP in the medium to long term. For example, the Ministry of Land, Infrastructure, Transport and Tourism made the alarming announcement that the number of new housing starts has fallen by more than 30% over the past 25 years. The Company handles countless chemicals used in household products. One example is stabilizers for polyvinyl chloride resin. However, in view of medium-to long-term trends, it is essential for us to recognize that the market for household-related products in Japan lacks potential. Overseas, the Chinese market is slowing down after having boasted a high GDP growth rate until now. Even so, we still expect a high rate of growth in markets in ASEAN and India. "Expanding sales in overseas markets" —this is now an essential strategy for the Company.

Although we can no longer reasonably expect growth in Japan, there are markets in which we foresee steady expansion in growth businesses. One such promising market is electronics (electronic materials). The Sakai Chemical Group conducts business in materials (high-purity barium carbonate and barium titanate) for multilayer ceramic capacitors (MLCCs). MLCCs are passive components which are essential to electronic circuits. Of course, electronic circuits always contain semiconductors, so trends in the semiconductor market are inherently linked to the MLCC market. According to the World Semiconductor Trade Statistics (WSTS), semiconductor shipments in 2023 were expected to be \$526.8 billion. Compared to the previous year, this is a substantial drop of 8%. Nevertheless, that number is forecasted to grow to \$611.2 billion in 2024 and \$687.3 billion in 2025. This recovery will be driven by factors including the increasing popularity of electric vehicles, further use of computer systems in automobiles, and advances in generative AI. The majority of electronic materials produced by our company are used in MLCCs. Our estimates indicate that the capacitor market will enjoy annual growth of about 8% in the medium to long term, linked to the growth of the semiconductor market. We need to diligently keep pace with this high-growth market.



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In the life sciences and healthcare field, we foresee growth in the areas of cosmetic materials (sunscreen) and eyeglass lenses. Sakai Chemical is growing a business that produces materials for sunscreens (ultrafine zinc oxide and ultrafine titanium dioxide). Demand for sunscreen is increasing because people are more conscious of protecting their skin from the sun and caring for their skin. This is true both in Japan and overseas. Although demand for sunscreen had fallen significantly in recent years due to people staying at home during the COVID-19 pandemic, we estimate that demand will grow at an annual rate of about 5% going forward. The organic absorbers used in sunscreens to absorb UV rays are harmful to the environment. Therefore, absorbers are being replaced by inorganic scattering agents with lower environmental impact. Fortunately, Sakai Chemical offers a lineup of inorganic scattering agents, so this business environment is an opportunity for us to achieve growth exceeding the market.



We also offer a lineup of eyeglass lens materials with a high refractive index. According to the International Myopia Institute, there were 2.6 billion nearsighted people in the world in 2020, which was a 30% increase over the previous 10 years. It is estimated that the nearsighted population will reach 4.8 billion by 2050. While eyeglass lenses are expected to grow at an annual rate of around 3%, even higher growth is expected for high refractive index eyeglass lenses.

When considering our business portfolio from the perspective of SDGs and ESG, the Company needs to review our business structure, which consumes large amounts of energy and produces large amounts of products. Shifting our business portfolio toward high value-added products will enable capital-efficient management. It will also lead to an environmentally friendly business structure, which is an opportunity to grow the Company's products that benefit the environment. For example, we are developing products for promoting carbon neutrality, such as methanation catalysts and water electrolysis catalysts. The Company aims to balance contributing to our future profits by developing and growing environmentally friendly business.

Considering the external environment described above, we will expand sales in overseas markets and transform ourselves into an "excellent company capable of contributing to society with Smart Material" in the three fields of environment and energy, electronics, and life sciences and healthcare.