
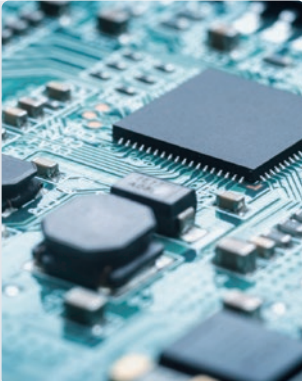


Business strategy



**Electronic materials** | Electronics



Achieving growth speed that surpasses the market through reliable technical capabilities

**Market growth potential**

The Company's electronic materials business manufactures and sells dielectrics and dielectric materials for multilayer ceramic capacitors (MLCCs). The MLCC market is expected to expand significantly due to digitalization, the shift to electric vehicles, and advances in generative AI. Going forward, we forecast an annual growth rate of about 8% (the Company's estimate). In the Strategy for Semiconductors and the Digital Industry published by the Ministry of Economy, Trade and Industry in 2023, MLCCs are described as "an important area of industrial policy in which Japanese companies have high competitiveness." Improvements to the business environment surrounding MLCCs are expected as a policy of the Japanese government. The Company expects the market for dielectrics and dielectric materials that we manufacture and sell to grow in line with the expansion of the MLCC market.

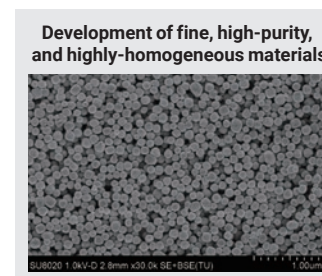
**Market environment**

The market for dielectrics and dielectric materials has a relatively small number of entrants in terms of both customers and competitors. The top few MLCC manufacturers that are the Company's customers are all mega-corporations that account for more than 80% of the world market share. Consequently, the Sakai Chemical Group is exposed to significant pressure of purchasing power. On the other hand, there are many Japanese companies among MLCC manufacturers. This gives us the advantage of being able to frequently meet and talk with customers on a regular basis.

The Company has several competitors in dielectrics and dielectric materials. Even so, competition is not a major threat at this time because supply and demand are expected to tighten in the future due to the increase in demand for dielectrics. Furthermore, the Sakai Chemical Group still possesses an advantage in terms of technical capabilities and relationships with customers.

**Competitive advantages**

The competitive advantages of the Company's electronic materials business are "flexibility and speed of products development," "integrated response from procurement to manufacturing and sales (supply chain strengths)," and "good customer relationships cultivated over many years."



**Flexibility and speed of products development**

In recent years, the demand for higher-performing electronic devices has led to an ever-increasing need for fine, more pure, and more homogeneous materials. The Sakai Chemical Group uses powder processing technology that we have accumulated over many years to flexibly and quickly develop the materials needed by our customers.

**Integrated response from procurement to manufacturing and sales (supply chain strengths)**

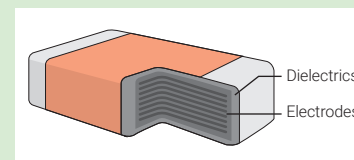
Barium chloride is the main raw material for dielectrics and dielectric materials. Although barium chloride must be imported from overseas, Sakai Chemical Industry Co., Ltd. has developed various procurement routes to ensure a stable supply of raw materials. Furthermore, with the acquisition of Sakai Trading Co., Ltd. as a wholly owned subsidiary in 2023, the Company has accelerated the diversification of our suppliers, thereby building a strong, flexible supply chain with a high level of competitive advantage.

**Good customer relationships cultivated over many years**

For many years, the Company has maintained close and highly-trusting relationships with our customers. Combined with our technical capabilities and strengths in our supply chain, these relationships ensure that customers come to us first when needing assistance.

**Multilayer ceramic capacitors (MLCCs) and dielectrics**

Dielectrics (barium titanate) are the main material in MLCCs. Dielectrics have the ability to store large amounts of electricity. The Sakai Chemical Group has developed fine, uniformly shaped spherical dielectrics which contribute to improving the performance of MLCCs. We also manufacture high-purity barium carbonate as a dielectric material.



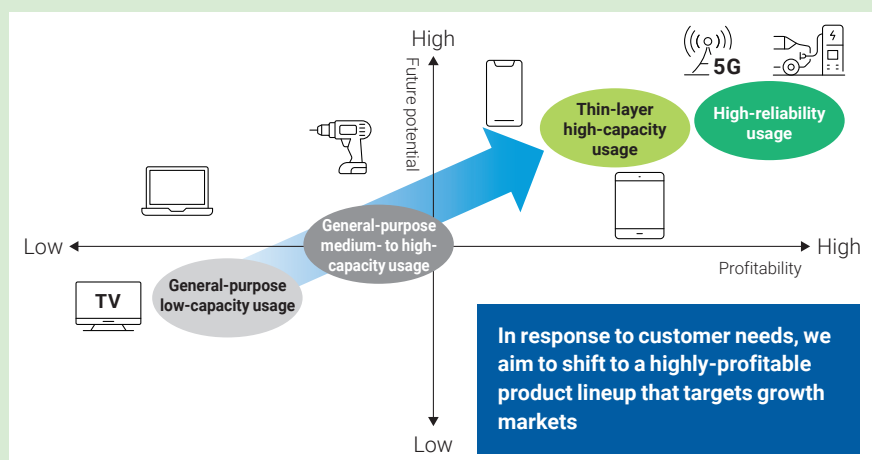
### Business strategy

We will focus on shifting to high value-added products and growing our business at a speed that surpasses market growth.

### Sales strategy

Rather than simply aiming to increase the sales volume of existing products, we will focus on changing our sales mix. Increasing opportunities to propose high-end products to customers will lead to the adoption of high value-added products. Furthermore, we will solidify our revenue base by shifting to fair prices for existing products.

### Vision of the electronic materials business (dielectrics and dielectric materials)



### Development strategy

Sakai Chemical Industry Co., Ltd. manufactures dielectrics using a unique method called the hydrothermal synthesis process. This process has advantages over other companies' manufacturing processes in terms of high uniformity and crystallinity of particles. It is also compatible with miniaturization. The Company will continue to refine these unique features and respond to the growing needs for finer size, high purity, and high homogeneity. In particular, we will focus on enhancing our high-end product lineup and strongly promote initiatives to improve our sales mix.

Moreover, the Company will explore all possible measures in order to acquire new technologies and know-how; for example, conducting joint research with universities and academic institutions and strengthening the recruitment of experienced R&D personnel. We also regularly consider collaborations and M&A with other companies in an effort to capture every single good opportunity.

In the medium to long term, the Company is promoting development with the aim of entering fields for semiconductor-related materials. We aim to enter markets other than MLCCs, such as semiconductor-related fields. Our first step in achieving entry will be to develop applied products in our technical fields of expertise such as silica and organic chemicals.



### Procurement and inventory management

Barium chloride is a raw material for dielectrics and dielectric materials. Many of the countries where barium chloride is produced are regions with relatively high country risk. These risks include sudden increases in raw material prices, tight supply, and delayed supply. To prepare for these risks, the Company is working with our subsidiary Sakai Trading Co., Ltd. to secure suppliers in multiple countries. We also manage inventory levels with a margin of error which accounts for the procurement difficulty and procurement period.

### Yasuhiro Okamoto

Director and Executive Officer  
Electronic Materials Business  
Sakai Chemical Industry Co., Ltd.



## Value creation method (business)

## Business strategy

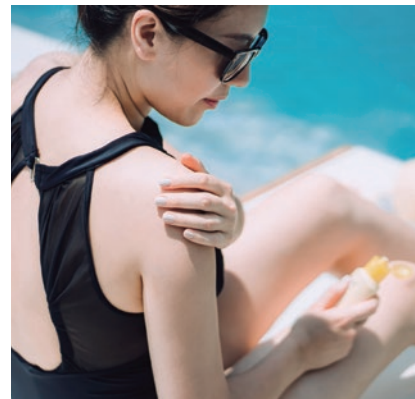
**Cosmetic raw materials**Life sciences  
and healthcare

Creating unique cosmetic raw materials which bring beauty, health and spiritual richness to the world

**Market growth potential**

The global cosmetics market is expected to grow at an annual rate of 5% heading toward 2030. In Japan, demand for cosmetics has expanded thanks to inbound demand. However, the COVID-19 pandemic has made significant market growth difficult. Overseas, market growth is expected due to growing interest in skin care; for example, sun protection, brightening, and anti-aging. Another factor in increasing demand and accelerating market growth is that men have also begun to use cosmetics.

The use of organic UV absorbers in sunscreens and microplastic beads (MPB) in makeup products has become problematic due to growing environmental awareness. Going forward, inorganic fillers are expected to replace organic UV absorbers, and materials with low impact on the ecosystem are expected to replace MPBs. Consequently, Sakai Chemical Industry Co., Ltd.'s products can be expected to grow at a rate greater than the market growth rate.

**Competitive advantages**

The competitive advantages of Sakai Chemical Industry Co., Ltd. in cosmetic raw materials come from two sources: "use of powder processing technology to create unique cosmetic raw materials" and "high-level manufacturing management and quality control systems."

**Unique cosmetic raw materials**

Zinc oxide and titanium dioxide for materials in sunscreens are treated with microparticulation technology, surface treatment technology, and easy dispersion technology. Although microparticulate powders are difficult to handle, these technologies improve the handling properties of powder when used in sunscreens. Zinc oxide also contributes to the high transparency of sunscreens.

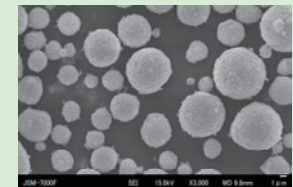
In the case of materials for makeup products, applying shape control to various fillers makes it possible to create spheres or plates. It also enables the creation of fillers in unique shapes such as spheres that are an accumulation of plates. This makes it possible to impart various functions to makeup products.

**High-level manufacturing management and quality control systems**

Our fine particle zinc oxide and titanium dioxide products are manufactured and inspected under a GMP management system, and have passed inspections by the U.S. FDA.

**MPB alternative products: Barimaru and Calmaru**

The product lineup offered by Sakai Chemical Industry Co., Ltd. includes Barimaru (spherical barium sulfate) and Calmaru (spherical calcium carbonate). These products are offered as an alternative to MPB, which raises concern due to its adverse impact on the ecosystem. In this way, the products help reduce environmental burden.



Barimaru, a spherical barium sulfate composite powder

### Business strategy

The Sakai Chemical Group positions cosmetic raw materials as a growth business. We aim to achieve growth that surpasses market growth and to further expand profits.

With this goal in mind, we have established a new organizational structure integrating development and sales. Utilizing this new structure enables the Company to further deepen our materials for sunscreens, while at the same time working to expand sales of materials for makeup products. We will establish a new position as a cosmetic materials manufacturer both in Japan and overseas, and increase our brand power.

#### Materials for sunscreens

The Company will accelerate and deepen our overseas expansion of materials for sunscreens, which are the core of cosmetic raw materials. The key to doing so is enabling joint development through relationships with major overseas customers. When making new proposals to customers, the Company will work to expand our business to customers who are facing challenges in building their business. For example, we propose an easily-dispersible types of ultrafine zinc oxide particles to customers who are experiencing handling difficulties, or a supply of a dispersion to customers who cannot use a powder.



Making cosmetics using the Company's materials

#### Materials for makeup products

The Company will expand our materials for makeup products as a new pillar of our cosmetic raw materials business. In addition to providing plate-shaped fillers and spherical fillers that can be differentiated through shape control technology, we also offer a lineup of inorganic fluorescent materials for cosmetics created by applying the know-how we have cultivated for industrial applications. In order to grow sales of these many unique materials and expand the scale of our business, we will also increase production concurrently. The Company plans to complete construction of a cosmetics multi-plant in February 2026.

Through our makeup product strategy, we will increase the variety and diversity of unique proposals for makeup product usage in addition to sunscreen usage. By fostering even deeper relationships with customers, the Company plans to increase overall profits for cosmetic materials.

#### Organizational structure that supports growth

In 2023, we reviewed our organizational structure and launched the Cosmetic Innovation Department to integrate sales and development. The department is tasked with strengthening the connection between sales and development, consolidating and sharing market information, customer information, and development status more efficiently, and establishing a system for quickly making valuable material proposals from the customer's perspective.

Previously, when overseas customers made product inquiries and the performance evaluation of the specified product was poor, the Company was unable to respond further. This prevented us from building relationships with the customers. In one case, the customer was surprised that we offered a certain type of zinc oxide because our products were not well known. We recognized that such a situation is unacceptable.

However, by reviewing our organizational structure, we built a foundation for continued strategic and proactive proposals and consistently leaving strong impressions on customers. Going forward, the Company will place greater focus on marketing activities, development of high-performance materials, and active material proposals. We will also emphasize making in-depth proposals on formulations and focus on branding.

#### Koichiro Magara

Director and Executive Officer  
In charge of Cosmetic Innovation Business  
Sakai Chemical Industry Co., Ltd.





Business strategy



**Organic chemicals** | Electronics  
Life sciences and healthcare

Realizing an expansion strategy in the organic chemicals field through active investment

Market growth potential

The Sakai Chemical Group's organic chemicals business includes thiol products, which are representative sulfur compounds, as well as active pharmaceutical ingredients (APIs) and pharmaceutical intermediates.

Thiol products manufactured by Sakai Chemical Industry Co., Ltd. (until March 31, 2024, SC Organic Chemical Co., Ltd.) are mainly used as raw materials in eyeglass lenses and concrete. Eyeglass lens applications are expected to grow at an annual rate of about 3%. The main application of high refractive index lenses is expected to grow at an even higher rate. To meet future demand, the company is considering increasing its production capacity.

APIs and intermediates are manufactured by Katayama Seiyakusyo Co., Ltd. The company's main customers are pharmaceutical companies that produce new drugs. We manufacture under a management system that is compliant with GMP (Good Manufacturing Practice) and provide safe, high-quality pharmaceuticals to patients through pharmaceutical companies. This field has an annual growth rate of about 6% and is expected to grow faster than the market growth rate. Therefore, we are positioning it as an area of further focus in the future.



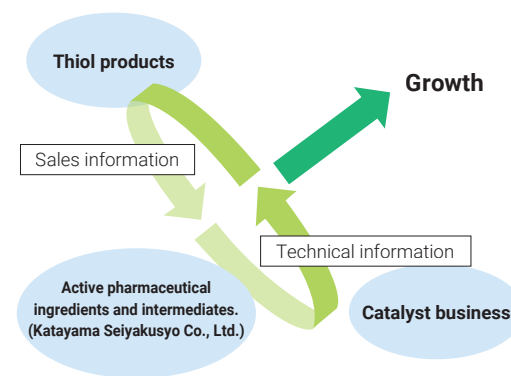
Competitive advantages

The competitive advantage of thiol products is their uniqueness. There are few thiol manufacturers worldwide. In particular, Sakai Chemical Industry Co., Ltd. is the only manufacturer of β-Mercaptopropionic acid in Japan. By utilizing this advantage and continuing to provide products that meet customer demands, we have established a solid position. On the other hand, our high reliance on β-Mercaptopropionic acid remains an issue. Going forward, the Company will focus on developing highly original new products while optimizing our investment strategies.

Synergies within the Sakai Chemical Group

By handling thiol products and APIs/intermediates in the same segment, we are strengthening the integration of scattered technologies and sales information. This integration will promote the proposal of new value. The two research teams have already begun engaging in communication, and they look forward to growing together.

Furthermore, since catalysts are essential for organic synthesis, we are also collaborating with the catalyst business of Sakai Chemical Industry Co., Ltd. to develop technologies for efficient control of new reactions.



Thiol products used as raw materials for adhesives

Various thiol products made from our main product, β-Mercaptopropionic acid, take advantage of high reactivity to contribute to reducing the energy required for curing adhesives.



### Business strategy for thiol products

#### Expansion strategy

The future growth of thiol products depends on optimizing transaction costs and investment strategies. We are currently considering various options, including marketing, while formulating a future vision for our organic chemicals business.

#### Development strategy

One of Sakai Chemical Industry Co., Ltd.'s unique developments is a material called Multhiol. Existing thiol products have issues with water resistance. However, we imparted Multhiol with water resistance and impact resistance by revising its chemical structure. We believe that this new functionality will enable us to offer innovative value in adhesives for electronic devices, etc.

#### Business issues

Sakai Chemical Industry Co., Ltd. merged and absorbed SC Organic Chemical Co., Ltd. on April 1, 2024. For the time being, the Company will focus on increasing efficiency and streamlining our organizational structure. We will also work to quickly strengthen our quality assurance system.

### Business strategy for pharmaceutical ingredients and intermediates

Katayama Seiyakusyo Co., Ltd. has been conducting integrated manufacturing of products through organic synthesis for over 100 years. Since the 1980s, Katayama Seiyakusyo has been engaged in contract manufacturing of APIs and intermediates by utilizing our organic synthesis technology.

The pillar of our business expansion strategy in this field is becoming a Contract Development and Manufacturing Organization (CDMO). In addition to the conventional production of ingredients for clinical trials and post-approval pharmaceutical production, we provide a wide range of support for the development processes of pharmaceutical companies; for example, from development of synthetic routes in the early stages of pharmaceutical development to increasing scale with an eye toward industrialization. In order to raise awareness for these features, we actively exhibit at exhibitions and other events attended by many pharmaceutical company representatives.

In the summer of 2024, we will relocate our research laboratory, which is the core of our technology development, to a new building in the Hirakata Plant. This move will further strengthen the company's function as a CDMO. At the same time, we are also investing in equipment to improve the production capacity of the plant, and building a new warehouse in order to respond to the increase in consigned projects going forward.

In terms of technology, we are also focusing on acquiring continuous production technology, which is attracting attention as a new manufacturing technology for APIs and intermediates. This technology not only enables production that was difficult with conventional technology, but also reduces the burden on employees working at the plant. Moreover, it improves production efficiency, saves energy, and reduces the number of staff required. By proactively taking on new challenges such as those discussed above, we will continue to contribute to the healthy lives of people around the world as your best partner in pharmaceutical development.



New building in the Hirakata Plant to house the research laboratory



#### Keiichi Tabata

Executive Officer  
Organic Chemicals Business  
Sakai Chemical Industry Co., Ltd.

## Value creation method (business)

### Business strategy



### Value creation method (business) | Environment and energy

Focusing on efficiency in manufacturing divisions

### Nickel catalysts

#### Market environment

Nickel catalysts are used in the hydrogenation of organic compounds. They are also widely used in processes such as adding hydrogen to resins and in the processing of foods such as chocolate. The market for nickel catalysts is characterized by a slow growth rate and a small number of customers and competitors. Furthermore, it is difficult to expand business in the short term because sales must be slightly adapted to fit each customer. However, due to the high barriers to entry, relatively stable profits can only be expected once a relationship with a large customer has been successfully established.

#### Competitive Advantages

In the nickel catalyst business, the Company has spent many years building good relationships with customers who have competitive products. Due to the high barriers to entry in the nickel catalyst business, long-term relationships with customers create an advantage because replacement with competitor products is not easy.

#### Business strategy

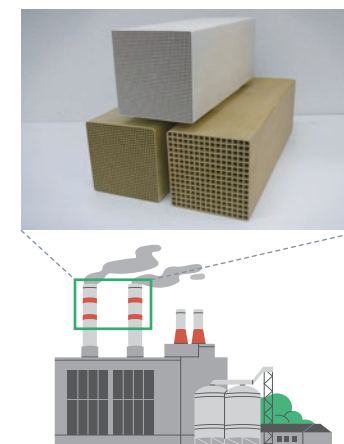
In the short term, the Company will thoroughly streamline our manufacturing divisions, reduce costs, and ensure profits. For nickel catalysts, we will optimize production capacity by consolidating production bases, and increase plant operating rates to reduce manufacturing costs per unit. For de-NOx catalysts, the Company will increase production efficiency and reduce fixed costs by maximizing the use of existing facilities.

In terms of sales, we will increase sales and profits by further ensuring that the Company's nickel catalysts meet the needs of our valued customers. For de-NOx catalysts, we will increase sales by expanding overseas (mainly in Asia) and by expanding services associated with our products. By steadily implementing these measures, we will quickly improve the efficiency of our catalyst business and transition it to a stable business.

### De-NOx catalyst

#### Market environment

De-NOx catalysts are used to reduce and remove nitrogen oxides generated during power generation and waste incineration. In Japan, demand for power plants and waste incineration facilities is declining due to the shrinking population. However, demand is strong in countries and regions experiencing rapid economic growth, such as ASEAN countries. Overseas market growth is expected, although risks may be posed by regulations related to public works and special practices. Sakai Chemical Industry Co., Ltd. will continue to expand our business in search of new opportunities in overseas markets.



#### Competitive advantages

The main raw material for de-NOx catalysts is the Company's custom-made grade titanium dioxide, which is molded into a honeycomb form under optimal blending conditions with other raw materials. The Sakai Chemical Group's competitive advantage is our technology and know-how. In terms of overseas business expansion, the Sakai Chemical brand reputation as a "Japanese company with superior technical ability" has earned the Company the trust of local government agencies. This gives us a competitive advantage over local competitors.

In the medium to long term, we will transform our catalyst business into a growth business centered on products specialized in the environmental field.

Starting from the environmentally friendly catalyst Ir/ENETIA which we successfully developed in January 2024, the Company is focusing on developing products that contribute to a hydrogen society and carbon neutrality.

However, it will take some time to commercialize these developments. Therefore, until the Company has developed a new products group specialized for the environmental field, we will free up more cash through special measures such as tightening our investment standards for existing nickel catalysts and de-NOx catalysts. At the same time, we will boldly allocate resources to investing in the development of catalyst products for the future.

Business strategy



**Plastic additives**

Increasing overseas market share through technology transfer

**Market environment**

Demand for vinyl chloride in Japan is declining due to factors such as a drop in the number of housing construction starts. In the Vietnamese market, demand is approaching 1 million tons per year and is expected to surpass the Japanese market in the near future.

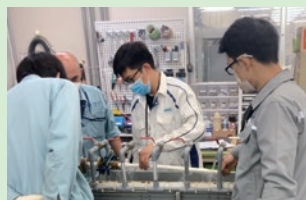
The ASEAN region is expected to continue to see sales growth for stabilizers for vinyl chloride.

**Competitive advantages**

The competitive advantages of the Sakai Chemical Group are the technology and know-how of non-lead stabilizers that we have cultivated through many years of business experience. The Company will maximize its competitive advantages through intra-group collaboration with Sakai Chemical (Vietnam) Co., Ltd. and Siam Stabilizers and Chemicals Co., Ltd., which have production bases in Vietnam and Thailand. These bases are promoting production without the use of lead.

**Business strategy**

The Company will accelerate our shift to overseas markets and transform our plastic additives business into a stable business. In the Japanese market, we will exit our business for lead-based stabilizers and promote sales of highly profitable finished goods regardless of use as plastic additives. In overseas markets, the Company will increase the number of customers in the ASEAN region by utilizing our know-how in developing and improving stabilizers. With this goal in mind, we will strengthen development capabilities by transferring our technology to staff at Sakai Chemical (Vietnam) Co., Ltd. and Siam Stabilizers and Chemicals Co., Ltd.



A joint training session on stabilizer development



**Hygienic materials**

Global expansion of hygienic materials for diapers

**Market environment**

Sakai Trading Co., Ltd sells materials for infant diapers, which are becoming increasingly popular overseas, and adult diapers, for which demand is expanding in Japan due to the aging population. We also sell superabsorbent polymer, the main raw material for diapers, to overseas markets. The overseas diaper market is expected to grow at 5.7% per year.

**Competitive advantages**

Drawing upon 30 years of experience in material sales, the Company has established a system for joint development with suppliers. Our extensive experience in handling merchandise complaints and our trading company functions have earned us the trust of our customers, and the Company is recognized as a reliable supplier.

**Business strategy**

In Japan, demand for adult diapers is growing as the population ages. There is also increased demand for toilet mats for pets. Globally, the penetration rate of disposable diapers is 50%. Particular growth is expected in Southeast Asia and North Africa. Amidst these market circumstances, the Company established the diaper film manufacturer PT. S&S Hygiene Solution in 2012 as a joint venture between Sakai Trading Co., Ltd. and PT. Multi Spunindo Jaya. In recent years, the Company has been steadily improving our technical capabilities, increasing our production capacity, and developing products that can be used for multi-color printing.



PT. S&S Hygiene Solution



PT. S&S Hygiene Solution employees and their families



## Business strategy

**Contract processing**

Gaining customer trust through speed and technical capability

**Market environment**

The Company's contract processing business is easily impacted by economic conditions. In recent years, the soaring prices of raw materials and fuel have created difficult conditions. On the other hand, the market is separated to a certain degree depending on the handled technology and equipment. Companies that have established a unique position can thrive in the consignment business.

**Competitive advantage**

Resino Color Industry Co., Ltd. creates unique results through its knowledge and experience in pigments, as well as a high level of dispersion technology. Nippon Color Ind. Co., Ltd. possesses an extensive lineup of equipment, especially spray dryers, which gives the company the competitive advantage of being able to meet a wide range of needs.

**Business strategy**

Taking advantage of the flexible business scale and unique technologies of Resino Color Industry Co., Ltd. and Nippon Color Ind. Co., Ltd., we will maximize equipment turnover and ensure profits.

Through speed and reliable technical capabilities unrivaled by large corporations, Resino Color Industry Co., Ltd. has been securing continuous orders. Going forward, the company will engage in more proactive sales activities to develop new customers, including overseas companies.

Nippon Color Ind. Co., Ltd. will expand its business opportunities by promoting its technical capabilities through an expanded website and YouTube. By taking on multiple processes as a whole, rather than just single processes, the company aims to contribute to the development and commercialization of its customers.

**Zinc**

Expansion into a variety of fields through a wide range of particle sizes

**Market environment**

Zinc oxide is mainly used as a vulcanization accelerator for rubber products such as automobile tires. There are many competitors in the usage of zinc oxide, and price competition is intensifying. Zinc oxide also has high added-value functions such as heat dissipation, antibacterial, and antiviral properties, and growth is expected in markets other than rubber applications.

**Competitive advantage**

The competitive advantage of the Sakai Chemical Group is our wide lineup of particle sizes, from ultrafine to large. This wide range of sizes is enabled by the powder processing technology that Sakai Chemical Industry Co., Ltd. has cultivated over many years. This wide lineup allows for expansion into many different fields.

**Business strategy**

In the zinc business, the Company will increase the sales ratio of high value-added products through our advantage in diverse particle sizes. Specifically, we will focus on dissipation applications for heat materials, an area for which demand is growing in the electronics field. Also, in the life sciences and healthcare fields, we will focus on sunscreen applications, an area for which awareness is increasing among consumers and the general public, as well as antibacterial and antiviral applications.



Business strategy



**Medical** | Life sciences and healthcare

Giving top priority to fostering a culture of quality

Key themes

In December 2023, administrative disciplinary action (order for cessation and order for improvement) was taken against Kaigen Pharma Co., Ltd. under the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices. The Sakai Chemical Group takes these orders seriously and is striving to regain trust from stakeholders by complying with laws/regulations and supplying finished goods with reliable quality (for details, see "Risk Management" on page 55).

Among these efforts, the most important reform is fostering a culture of quality. Top management will lead by example and instill a culture of quality within the Company. We are aware that organizational culture cannot be transformed overnight. Therefore, we are committed to implementing reforms through unremitting efforts centered on the management team.

Business strategy

First, the Group will do our utmost to foster a culture of quality. Furthermore, we aim to regain trust and maintain our market share by steadily supplying products that ensure quality, efficacy, and safety so that everyone can use them with confidence.

The Group will position the medical examination, gastrointestinal, and beauty fields as our new business foundations. By investing cash earned from existing products, we will continue to explore themes in the life science and healthcare fields with an eye to the next generation, and will take on the challenge of planning and developing businesses and merchandise. Specifically, we will focus on improving and expanding sales of medical devices, developing chemical devices (medical devices composed of chemical substances) such as Lifal K, and promoting businesses centered on the beauty field. In terms of medical devices, the Group launched SAKURA, a renewed version of our previous KD-1 (endoscope washer-disinfector), in June 2023. In addition to the existing gastrointestinal field, we also aim to popularize endoscope washer-disinfectors that use environmentally friendly electrolytic acid water in the otolaryngology field. In the beauty field, we are protecting our brand image by specializing in sales to medical clinics and cosmetic medical institutions. Based on the concept of "caring for brighter, clearer skin," the Group aims to further expand sales and develop the brand that has emerged around SolPro, a UV protection supplement (drinkable capsule) that currently sells extremely well.

Market environment

Kaigen Pharma Co., Ltd.'s main products are X-ray contrast agents and Alloid G, which is a treatment for peptic ulcers. These products are affected by official drug prices set by the government for ethical drugs. In recent years, another factor pushing up costs is rising raw material and fuel prices.

On the other hand, there have been no new entrants to the market for Kaigen Pharma's main products, and the competitive environment is stable. Although the macro environment is changing due to a decline in the Japanese population and changes in the way group medical examinations are conducted, we will prioritize quality and aim to generate stable cash flows by increasing the number of high-profit products.

Competitive advantages

The competitive advantages of the Sakai Chemical Group in the medical business are our strong sales channels and the Kaigen brand.

For many years, we have maintained roughly half of the domestic market share for X-ray contrast agents. The Group also possesses close connections with medical examination facilities. In the over-the-counter drugs category, the Group offers Kaigen, a cold medicine affectionately known as *Fujin-san* (Wind God) in Japanese, in reference to the medicine's mascot. Kaigen is particularly well-known in the Kansai region of Japan, and the Group is conducting sales activities that leverage the brand's power. We are also cultivating new brands in the beauty field.



Endoscope washer-disinfector SAKURA

