

## 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

