堺化学工業株式会社

Sakai Chemical Industry Co., Ltd.

New Medium-Term Management Plan Briefing Session

May 28, 2024

Event Summary

[Company Name]	Sakai Chemical Industry Co., Ltd.
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[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	2 Toshiyuki Yagura President, Representative Director Shinji Ogama Executive Officer

Presentation

Moderator: We would like to continue with the explanation of the new mid-term management plan. President Yagura, please start.

SAKAI CHEMICAL INDUSTRY CO., LTD.

New Medium-Term Management Plan "Transformation BEYOND 2030"

(FY03/25–FY03/27)

May 13, 2024

Yagura: Once again, I am President Yagura. Thank you.

I will now explain our new mid-term management plan, "Transformation: BEYOND 2030."

First, please take a look at this title. We have set a three-year plan, "Transformation: BEYOND 2030," for the period from the fiscal year ending March 31, 2025, to the fiscal year ending March 31, 2027.

Unlike previous plans, this mid-term management plan is a plan to create a vision for people's lives, society, and the Company in the future, while continuing to make changes, with a clear distinction between businesses that will grow toward that vision and businesses that will shrink or withdraw from the market. The title reflects this concept.

Message from the President

Sakai Chemical's Vision for the Future: "Excellent Company that Contributes to Society with Smart Materials"

Envisioning the lifestyles of 2050, we have explored how "chemistry" can play a role in “creating” that future.
Our aim is to become an "Excellent Company that Contributes to Society with Smart Materials" across three core fields: "Environment & Energy," "Electronics," and "Life Sciences & Healthcare."

New Medium-Term Management Plan: "Transformation BEYOND 2030" — A Stage of Transformation for the Future

To achieve our future vision, this new medium-term management plan is positioned as a transformation stage toward the future.
By growing through the dual engines of inorganic and organic chemistry and transitioning to businesses that benefit society in the long term, we aim to transform into a high-profit company.

Commitment to Complete Future Transformation

1. Realigning our business portfolio toward high-value-added products
2. Achieving ROE that exceeds capital costs and improving PBR
3. Rebuilding the management foundation through materiality promotion and accelerating non-financial initiatives

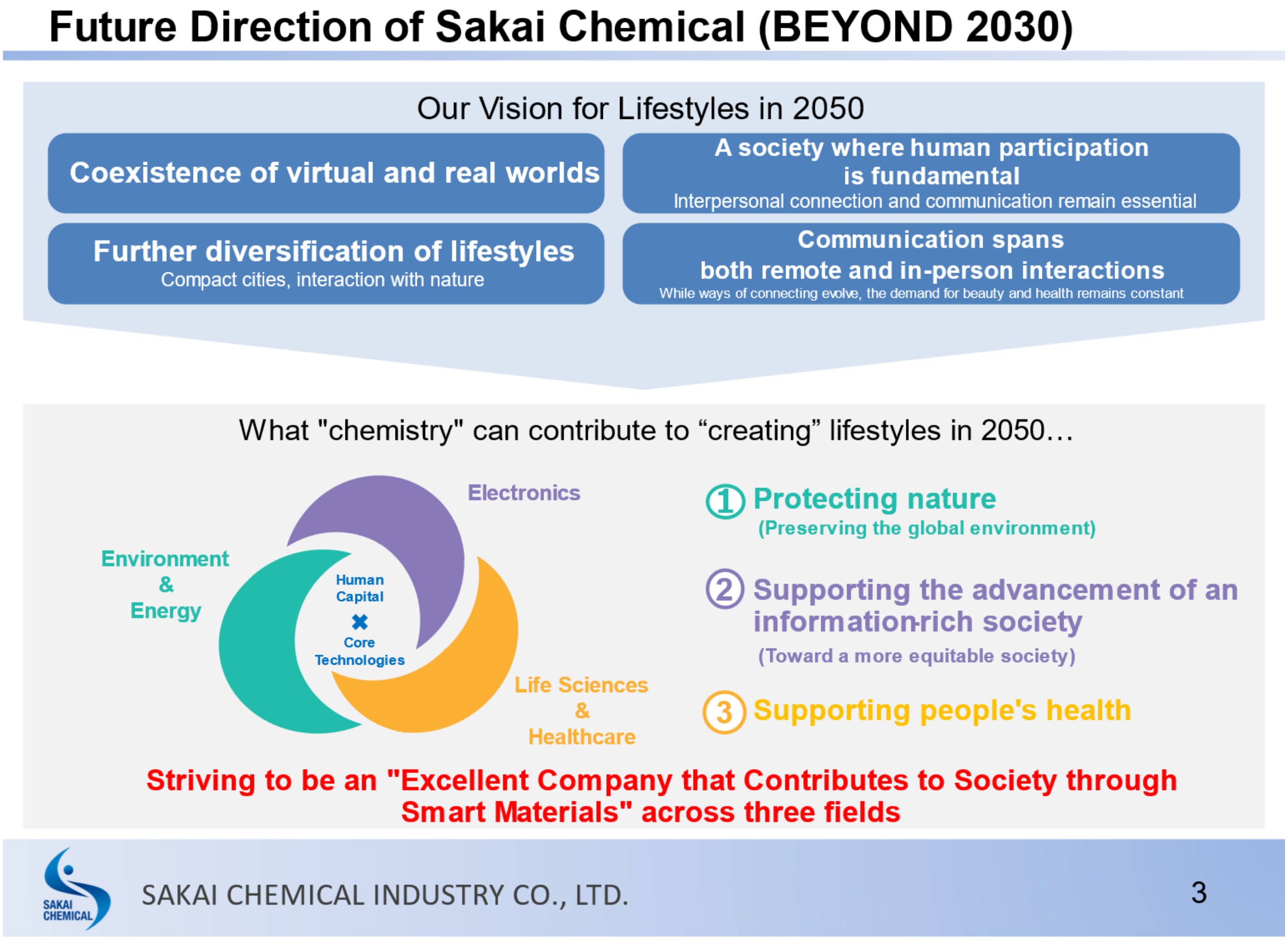
With strong resolve, we will pursue these three initiatives to drive our transformation for the future.

Toshiyuki Yagura
President &
Representative Director
Sakai Chemical Industry Co., Ltd.

Please look at the first page. This is the key slide among all pages.

I am pleased to present the entirety of this plan and express my determination to complete this transformation with my commitment.

As the future vision of Sakai Chemical Industry, we will transform ourselves into an excellent company capable of contributing to society with Smart Material. In order to move toward this vision, we have positioned "Transformation: BEYOND 2030" as a stage of change for the future. And with determination, we intend to complete these three transformations. I would like to ask for your continued support.



I would now like to explain the future direction of Sakai Chemical Industry, or BEYOND 2030.

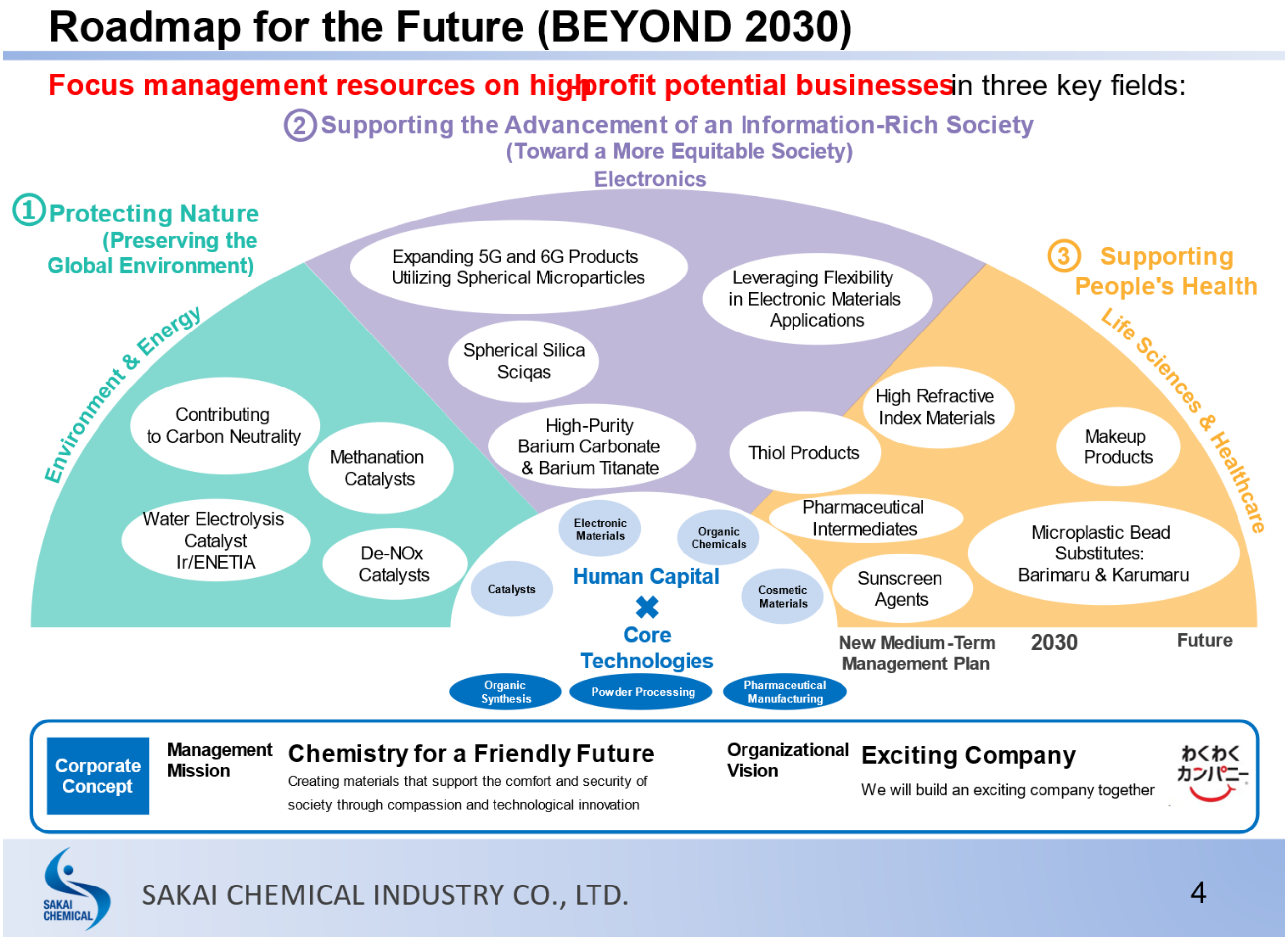
We have imagined life in the year 2050, a future beyond 2030.

As a result, we have four major images. One is a society where virtual space and real coexist. Even in such a world, human contact and communication will not disappear but will continue, based on the premise of a society in which people intervene. I also imagine that lifestyles will continue to diversify, and that communication will be both remote and real.

With this lifestyle in mind, we, as a chemical company, thoroughly discussed what we could do with chemistry, and came to the following three conclusions.

The first is to protect nature, the second is to support the development of an advanced information society, and the third is to support people's health. In other words, we want to be a company that can contribute to society in the three business areas of environment/energy, electronics, and life science/healthcare.

Then, how exactly will we contribute to society in the three business areas? It is shown on the next page.

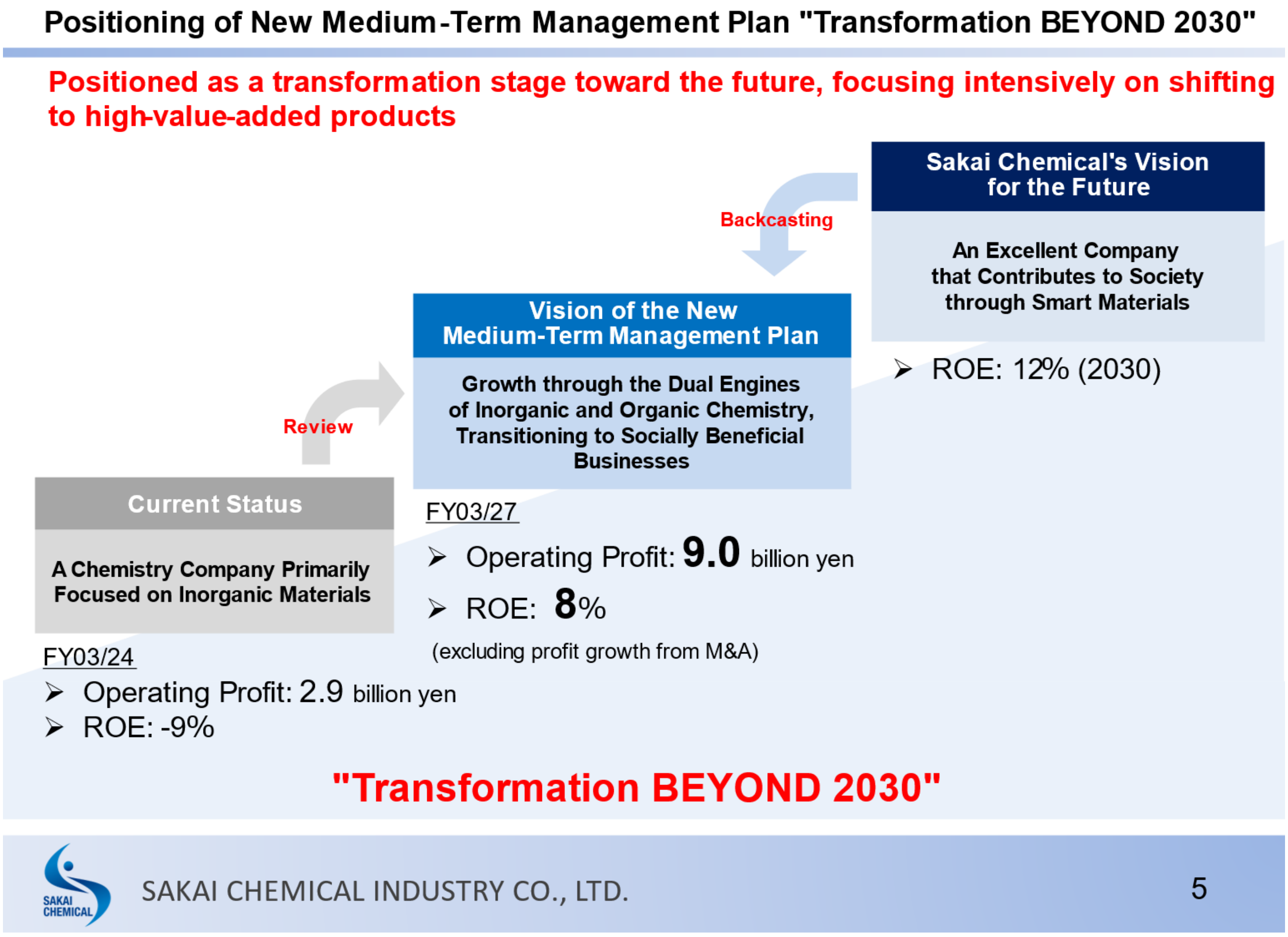


In fact, this page is one of my favorites.

While exchanging various opinions with young engineers and researchers, we came up with various themes that we are working on, want to work on, or need to work on. Here is a pictorial representation of it. The center in the foreground is the present, and the outward direction is toward the future.

Our management mission is Chemistry for a Friendly Future, or creating materials that support the comfort and security of society, and we are a company with many such seeds. The items listed here are representative, and there are many smaller items, some of which are still under confidentiality agreements and cannot be written about, and many more to come. Additionally, if we gather the power of the group, we can process it and distribute it from right to left.

We intend to actively invest management resources in highly profitable business seeds that can contribute to the future.



In order to do so, we must first liquidate the businesses that are currently unprofitable.

Therefore, we have positioned the mid-term management plan "Transformation: BEYOND 2030" as a three-year period to move toward the ideal state of Sakai Chemical Industry. While reorganizing our businesses, we will grow through the dual pillars of inorganic and organic chemistry, and shift to businesses that are useful to society with an eye on the future.

Our numerical targets for the fiscal year ending March 31, 2027, are operating income of JPY9 billion and ROE of 8%. And we will aim to achieve ROE of 12% by 2030.

To return to the original topic, we had initially planned to announce the new mid-term management plan by the end of 2023. When we announced our financial results a year ago last year, we also promised that we would announce it by the end of the year.

However, due to the poor performance and the large deviation from the plan, we were told by various investors and also harshly told by outside directors at the Board of Directors' meeting that we must first thoroughly reflect on the previous mid-term plan, SAKAINNOVATION 2023.

Therefore, we have reflected on the previous mid-term plan carefully.

Review of the Previous Medium -Term Management Plan (FY03/20–FY03/24)

Launched comprehensive business portfolio management in response to rapid external changes

Progress

Initiated business portfolio management
- Classified each subsegment as growth, stable, or under efficiency review; SC Organic Chemistry merger
- Adjusted prices or discontinued unprofitable products

Enhanced corporate governance
- Appointed experienced outside directors in strengthened areas such as GMP management and diversity initiatives
- Reduced cross-shareholdings and ended parent -subsidiary dual listing by making Sakai Trading a wholly owned subsidiary

Promoted development of people - and environment-friendly products
- Developed microplastic bead substitutes and methanation catalysts

Challenges

Preventing recurrence of quality and safety issues
- Faced administrative penalties for Kaigen Pharma's violations of the Pharmaceutical and Medical Device Act (PMD Act)
- Experienced an explosion at Yumoto Plant and a fire incident at Onahama Plant

Recovery from recent performance decline
- Saw a decline in growth businesses (impairment losses for electronic materials and cosmetic materials in FY03/21)
- Implemented fundamental measures for underperforming businesses (impairment losses in titanium dioxide, inorganics, etc. in FY03/24)

Improving CCC and cash flow, overcoming declines in ROE and PBR

In the new mediumterm management plan, we aim to accelerate progress and address challenges with steady resolve

This page shows how we have looked back, dividing into the results and issues. In this new mid-term plan, we will accelerate the results and steadily address the issues.

In the following pages and beyond, we would like to explain the issues we face.

Ensure Thorough Prevention of Quality and Safety Issues Recurrence

Rebuild quality and safety management system, strengthen group governance

	Kaigen Pharma business suspension order (PMD Act* violation)	Explosion and fire at zinc powder plant, Yumoto Plant	Fire at titanium dioxide plant, Onahama Plant
Incident date	December 22, 2023 (administrative action)	May 11, 2021	March 30, 2023
Causes	➢ Inadequate management and supervision structure ➢ Insular organizational culture (Kaigen Pharma)	➢ Accumulated dust ➢ Damage to rotating components	➢ Malfunction in specialized equipment
Individual measures	<Kaigen Pharma> ➢ **Management system overhaul** ➢ **Company-wide organizational restructuring and system improvement** ➢ **Resource management and job rotation** ➢ **Enhanced training for officers and employees** ➢ **Establishment of compliance management system** (Clarification of responsibilities and scope for responsible executives, internal reporting system reinforcement, and quality culture promotion) <Sakai Chemical> ➢ **Promotion and supervision of improvement plans** ➢ (Increased number of outside directors assigned to Kaigen Pharma to strengthen monitoring)	➢ Removal of accumulated dust during processes ➢ Improved frequency of dust removal	➢ Improvement of similar equipment to address malfunctions
Company-wide measures		**① Reinforcement of safety awareness:** **Reinforce the awareness that "it hasn't happened before" does not equal safety** ➢ Regular top-level messaging to prevent incident complacency **② Safety measures:** **Implementation of safety activities by all, from management to the field** ➢ Resolution of issues identified in external risk assessments ➢ Conducting training for enhanced risk management effectiveness ➢ Ongoing review of safety and health standards	

Note: The Pharmaceutical and Medical Device Act (PMD Act) refers to the Act on Securing Quality, Efficacy, and Safety of Products Including Pharmaceuticals and Medical Devices.

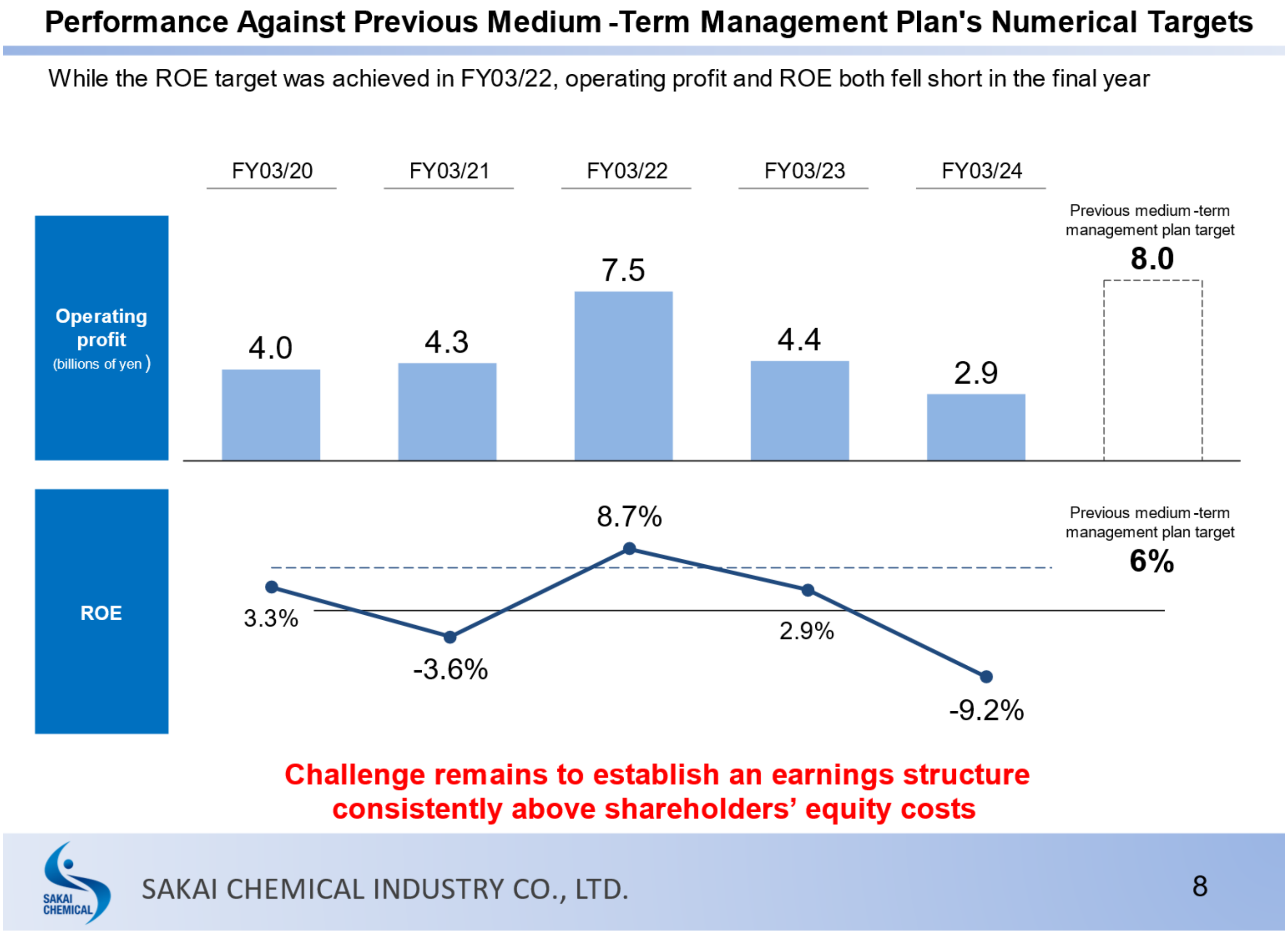
First of all, I would like to talk about quality and safety.

As for the quality issue, at the end of last year, Kaigen Pharma received an administrative sanction for violating the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices. In response, we have announced and implemented an improvement plan. We will disclose our progress as appropriate. We will not make the same mistake again.

At the end of last year, I also visited the Okusawa Plant, where the improper act at Kaigen Pharma took place, and discussed it at length with the employees. I am also planning to visit the Nagano Plant this July. I will continue on-site visits and employee dialogue not only with Kaigen Pharma but also with our other affiliates.

Two fire accidents also occurred. Giving the highest priority to safety, not only I, but also the executives and safety personnel have taken the initiative to walk around the plants and have dialogue with employees, and we will continue to do so.

Individual measures are as described here. We would like you to take a look at them later.



Next are the results against the numerical targets.

In the previous mid-term plan, the targets for the final year that ended March 31, 2024, were an operating income of JPY8 billion and an ROE of 6%. In the fiscal year ended March 2020, we have achieved a reasonable level of performance, but there was no continuity. The previous fiscal year ended in a significant underachievement. We need to continue to improve our performance.

Initiated Business Portfolio Management(from FY03/23)

Defined portfolio management policy

		Portfolio management policy	Subsegment	Operating profit: FY03/24 Actual	Operating profit: Ref.: Previous plan's annual average
Chemicals	Growth businesses	Positioned as **drivers of mid - to long - term profit growth,** with an accelerated focus on capturing market needs	Electronic materials	300mn yen	600mn yen
			Cosmetic materials	-100mn yen	300mn yen
	Stable businesses	To be maintained as stable revenue - generating businesses	Hygienic products	400mn yen	300mn yen
			Organic chemicals	1.4bn yen	1.5bn yen
			Contract processing	500mn yen	700mn yen
	Businesses under efficiency review	**Implementing fundamental measures to shift toward stable and growth businesses,** based on business structure and performance levels	Titanium dioxide and zinc products	-400mn yen	100mn yen
			Plastic additives	600mn yen	500mn yen
			Catalysts	100mn yen	100mn yen
	Medical	Shifting focus to products unaffected by drug price revisions		100mn yen	400mn yen

Note: Excludes "Other" in chemicals business

Next page shows the initiation and results of portfolio management.

After assuming the position of president, I divided the chemical business into three types of businesses and began to work on them. These are the growth businesses, the stable businesses, and the businesses considered for efficiency improvement. However, in the previous fiscal year, we fell far short of our goal.

There were two major factors. In other words, the growth businesses did not grow, and the titanium dioxide segment, which is under businesses considered for efficiency improvement, reduced performance.

These are our reflections.

Key Initiatives in New Medium-Term Management Plan "Transformation BEYOND 2030"

Transformation 01

Realigning our business portfolio toward high-value-added products

- Expand sales and profits in growth businesses through investment in electronic materials, cosmetic materials, and organic chemicals, and grow businesses through M&A while determining the most suitable ownership for each business
- Make future investments for the next medium-term management plan (including cosmetic materials)
- End the pigment-grade titanium dioxide business

Transformation 02

Achieving ROE that exceeds capital costs and improving PBR

- Manage cash flow and reduce assets through the sale of underutilized fixed assets
- Improve capital efficiency through active investments, including M&A in growth businesses, and shareholder returns

Transformation 03

Rebuilding the management foundation through materiality promotion and accelerating non-financial initiatives

- Ensure thorough measures to prevent recurrence of quality and safety issues
- Implement initiatives for human capital management as a source of growth

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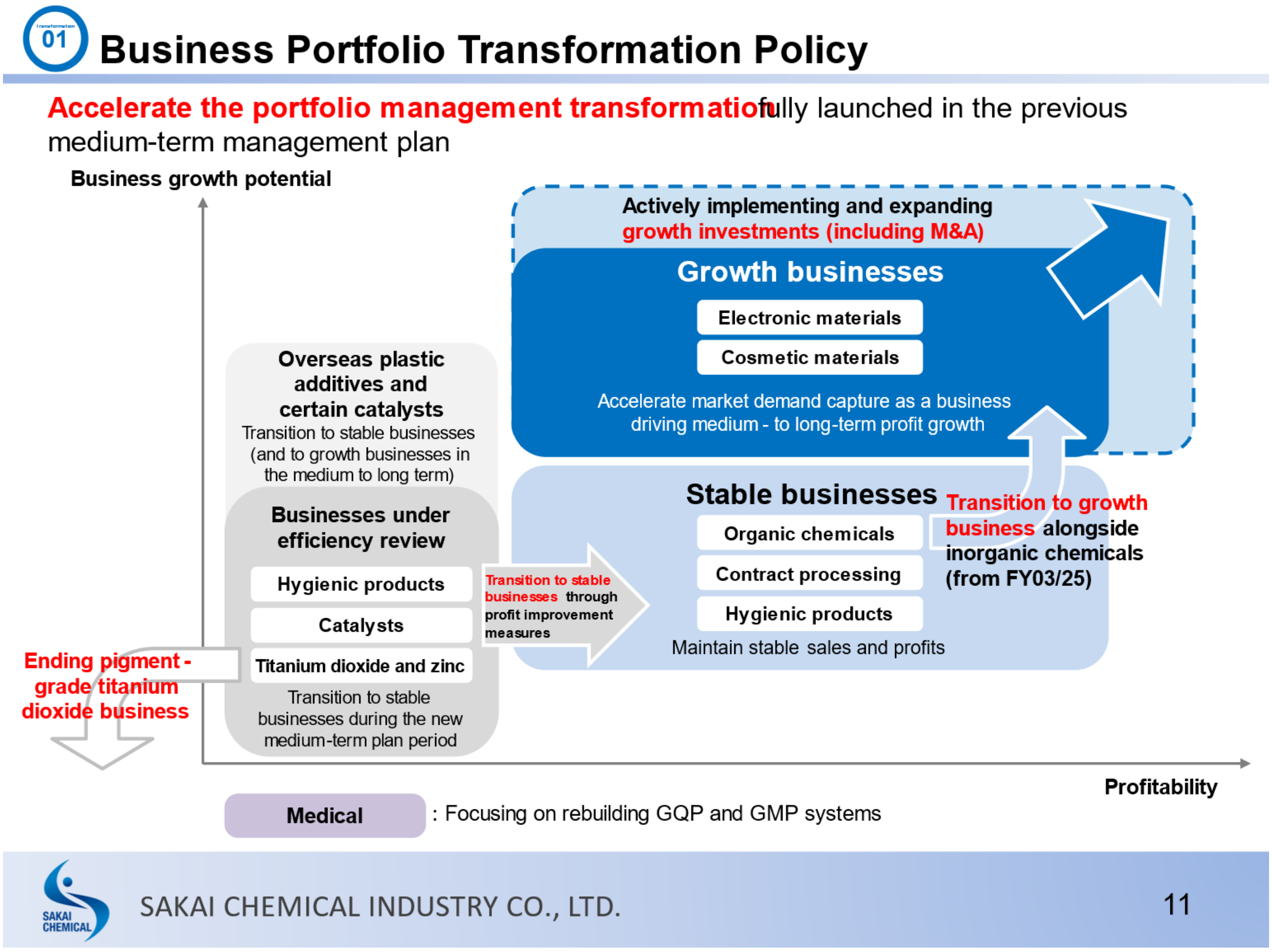
Based on these reflections, "Transformation: BEYOND 2030" will focus on the following three areas.

Transformation one is a business portfolio shift to high-value-added products. Transformation two is achieving ROE that exceeds the cost of capital and improving PBR. Transformation three is rebuilding the management foundation via materiality promotion and accelerating non-financial initiatives. These are the three transformations.

I will explain in detail on the next page and beyond.



A graphical image of business portfolio transformation looks like this.

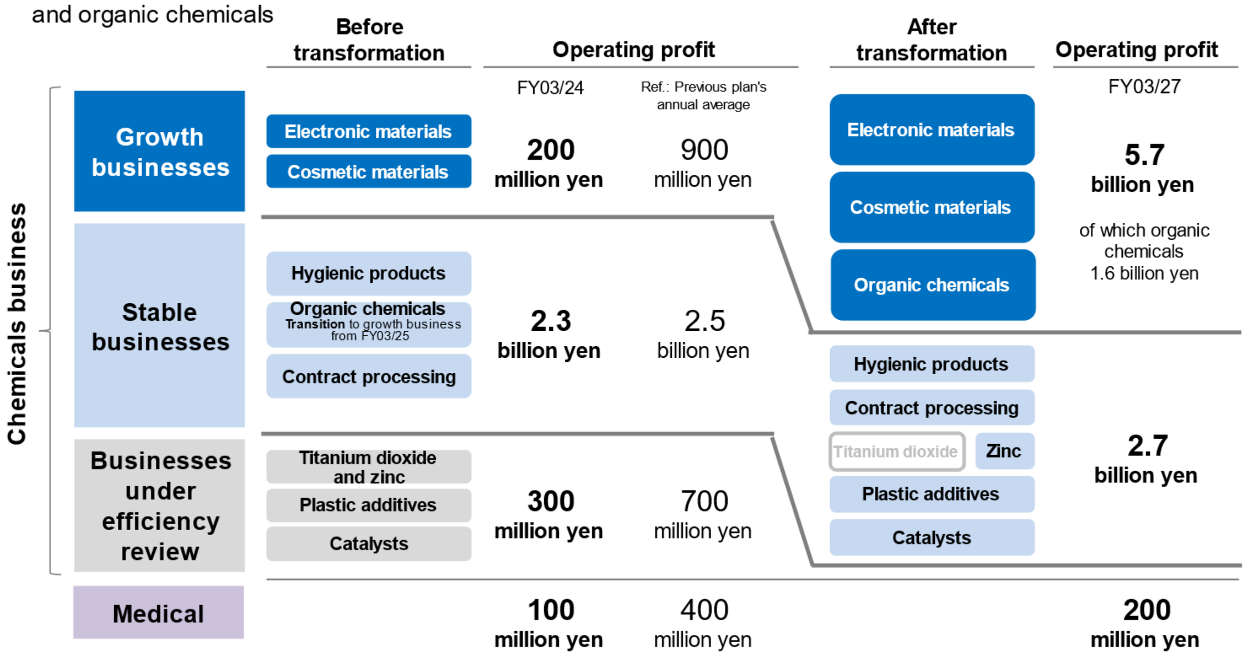
The plastic additives segment and catalysts segment, which are under businesses considered for efficiency improvement, will be shifted to the stable businesses through profit improvement measures. And in the titanium dioxide segment, the pigment-grade titanium dioxide project will be terminated. The profitable zinc segment will move directly into the category of stable businesses.

Among the stable businesses, organic chemicals will be brought into the growth businesses, and the growth businesses will be expanded with both inorganic and organic products.

Profit Growth through Business Portfolio Transformation

Transform businesses under efficiency review into stable businesses by focusing on sustainable profit generating products

Expand sales and profit in growth businesses through investments in electronic materials, cosmetic materials, and organic chemicals



Note: Excludes "Other" in chemicals business

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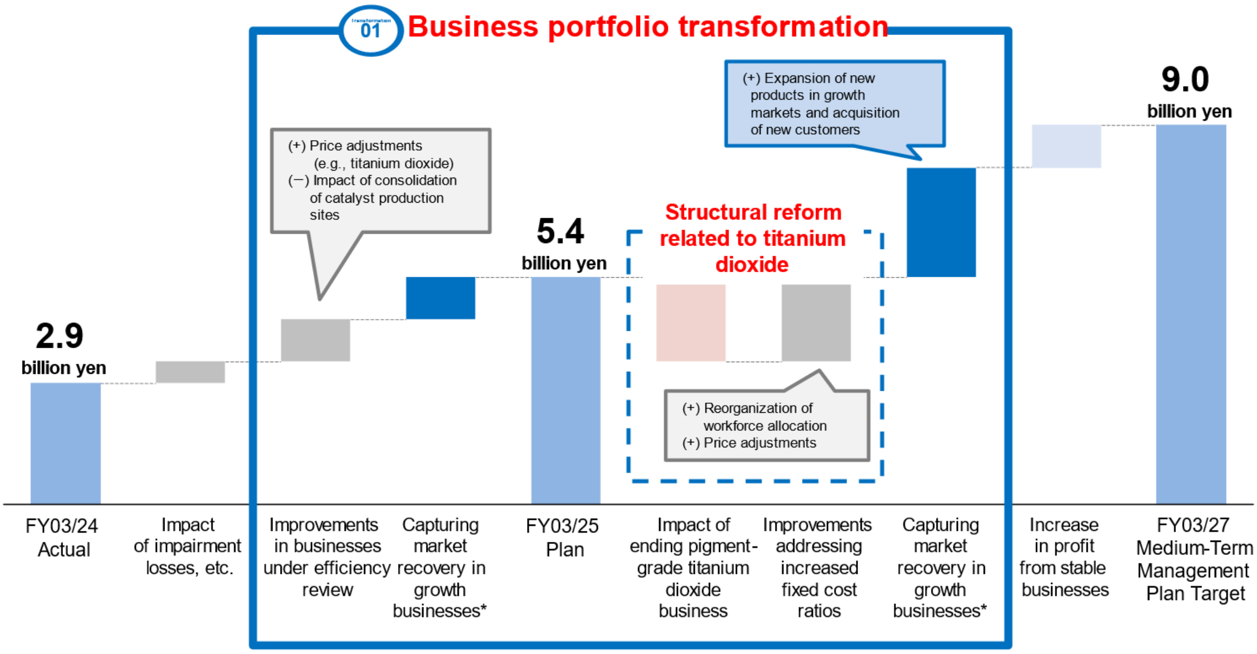
The next page shows the image of the figures in terms of operating income.

We will greatly expand the growth businesses, and withdraw from the businesses considered for efficiency improvement or reallocate them to the stable businesses. The growth businesses will drive profits so that it earns 63% of operating income.

We will reconfigure our businesses.

Overall Approach to Achieving Operating Profit Targets

Improve businesses under efficiency review while capturing recovery and growth in growth businesses, **shifting to high-value-added products through portfolio transformation**



* Includes electronic materials, cosmetic materials, and organic chemicals

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The overall picture and image for achieving the operating income target are on the next page.

We will increase operating income not only through the growth of businesses but also through the improvement of the businesses considered for efficiency improvement. The entire group will achieve JPY9 billion by reviewing personnel assignments to eliminate the increase in fixed costs due to the termination of the titanium dioxide segment, and by continuing the ongoing price correction toward appropriate prices.

We will pursue efficiency not only in the group companies, but also in the corporate and R&D divisions, and aim to increase profits across the Company.

This is the main objective of the structural reform.

Business Strategy for Growth Businesses

Position organic chemicals as a new growth driver alongside electronic and cosmetic materials, and pursue profit growth **through targeted growth investments in existing businesses and M&A**

Electronic Materials

- Dielectrics: **Capture high-end and mid-range markets with new products,** and adjust prices for unprofitable products
- Dielectric Materials: Optimize the product portfolio (Aggressively expand high -profit products and adjust prices for unprofitable items)

<Focus Area> **Electronics**

Cosmetic Materials

- Sunscreen Agents: **Expand sales to overseas cosmetics manufacturers** through surface treatment technology and formulation proposals (Performance evaluation completed, production system in place)
- Makeup Products: Advance investments targeting earnings contribution in the next medium -term management plan period

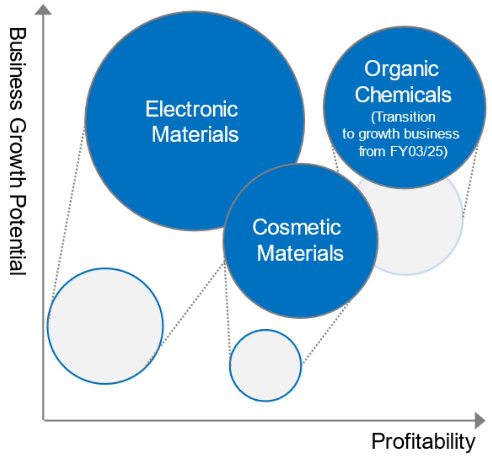
<Focus Area> **Life Sciences & Healthcare**

Organic Chemicals

- Eyeglass Lens Materials: **Allocate resources to maintain/expand top market share** in high-growth, high-refractive products
- Pharmaceutical Intermediates: Expand sales of existing contracted products with increased capacity, advance CDMO

<Focus Area> **Electronics** **Life Sciences & Healthcare**

<Direction for Profit Growth >



Circle Size: Profit
Dashed Line: Previous medium-term management plan
Solid Line: New medium-term management plan (FY03/27)

Next, I will explain the business strategy for the growth businesses.

In addition to the electronic materials segment and cosmetics materials segment, we will position the organic chemicals segment as a growth business. We intend to achieve profit growth by investing in the growth of existing businesses and utilizing M&A.

The following pages and beyond describe each sub-segment in detail, and I will explain them along with the descriptions.

Growth Strategy (1): Electronic Materials

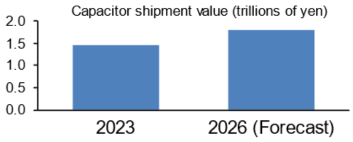
<Focus Area> **Electronics**

Develop and expand high-end and mid-range dielectrics and materials aligned with multilayer ceramic capacitor (MLCC) trends to achieve growth beyond market expectations

Market growth potential

MLCC **8%** annual growth (our estimate)

MLCC market expansion driven by digitalization, EV adoption, and advancements in generative AI



(Sakai Chemical Industry estimate, based on global semiconductor market statistics and JEITA data)

- Steady MLCC market growth supported by **demand for more functional, miniaturized electronic devices**
- Growing demand for MLCC miniaturization, higher capacity, and enhanced reliability amid market expansion

✖

Dielectrics & Dielectric materials **High value-add**

Expanding demand for high-end and mid-range products aligned with MLCC trends

- Rising demand for **high-end and mid-range dielectrics and dielectric materials driven by needs for miniaturization, high purity, and high uniformity** amid market growth

Strengths and initiatives

Technological Capabilities Powder Processing

Flexibility and speed in product development

- **Develop and deploy barium titanate and high-purity barium carbonate aligned with MLCC trends** using extensive expertise in powder processing
- **Develop and expand new electronic materials (e.g., Sciqas and Multiol)**

✚

Supply Chain

Integrated approach to procurement, manufacturing, and sales

- **Build a robust supply chain** capable of integrated support from raw material procurement to manufacturing and sales (BCP compliant)
- Diversify suppliers

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First is the electronic materials segment.

Based on semiconductor market statistics and other information, we estimate that the market will grow at 8% per year. Based on the MLCC trend, we expect the demand for high-end and middle-end products to expand, and we will accelerate R&D targeting this demand.

Another strength is the integrated supply chain approach with SAKAI TRADING, which has become a wholly owned subsidiary. We have strengthened our supply chain from raw material procurement to manufacturing and sales, and have gained considerable trust from our customers.

In addition to MLCC, we will continue to expand sales of new electronic materials, such as spherical silica Sciqas and multithiols, while expanding the trunk of materials for electronic material applications, in order to make them bloom in the next mid-term management plan.

Growth Strategy (2): Cosmetic Materials

<Focus Area> Life Sciences & Healthcare

Achieve growth beyond market expectations with **high-function, uniquely competitive products**

Sunscreen agents

Market growth potential

5% annual growth (our estimate)

Market growth × Shift to inorganic

- Growing awareness of sun protection and whitening overseas
- **Progress in replacing** high environmental impact organic absorbers **with low impact inorganic scattering agents**
  → Expected growth beyond historical rates

Strengths and Initiatives

Technological Capabilities Powder Processing

Enhancing functionality through surface treatment and micro-particulation

- **Improve functionality by utilizing powder processing technology** with foundational materials like zinc oxide and titanium
  - Transparency through ultra-micro-particles
  - Enhanced dispersion through surface treatment
- **Expand sales to overseas cosmetics manufacturers** (Performance evaluation completed, production system in place)
- Accelerate expansion of high-profit zinc oxide-based products in overseas markets

Makeup products

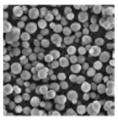
5% annual growth Company estimate

Market growth × Shift to MPB substitutes

- Concerns about the ecological impact of microplastic beads (MPBs) **drive a shift toward materials with lower environmental impact.**
  → High growth potential in the cosmetics market

Product Development Capabilities

Unique material lineup



Electron microscope image of Karumaru (particle size 5μm)

- **Accelerate development and expansion of makeup product materials**
  - MPB Substitutes: Barimaru & Karumaru
  - Unique cosmetic materials: Plate-shaped barium sulfate, hexagonal zinc oxide, cosmetic phosphors, etc.
- Conduct **advance investments (capital expenditures)** targeting earnings contribution in the next medium-term management plan

In cosmetics materials, we estimate that sunscreen agents will grow at 5% per year, and we will strive to enhance functionality through surface treatment and micronization. In addition, we will aggressively expand sales to overseas cosmetics manufacturers.

Our FINEX has been fully adopted by the world's number-one cosmetics manufacturer. The actual use of the product will start in the second year of the mid-term plan, and the sales volume will surely increase. We will aggressively promote sales expansion overseas since the brand will be attached to our products.

We are also focusing on cosmetic products in preparation for the next mid-term management plan. A new cosmetics plant at the Otsurugi Factory will be completed in H2 of the mid-term plan. The press release was issued yesterday. We will accelerate development and sales expansion. I think it will be the next flower.

Growth Strategy (3): Organic Chemicals

<Focus Area> Electronics | Life Sciences & Healthcare

Advance a **niche-top strategy focused on technological and quality strengths**
Position as a core business alongside inorganic chemistry

Eyeglass lens materials (high-refractive type)

Market growth potential

6% annual growth (our estimate)

Eyeglass lens market growth × expanded demand for high-refractive products

- The global population with myopia reached 2.6 billion in 2020, a 30% increase over 10 years; projected to reach 4.8 billion by 2050 (Source: International Myopia Institute)
- While the eyeglass lens market grows at 3% annually, high-refractive types are expected to grow at 6% annually (our estimate)

→ High growth potential within the eyeglass lens market

Strengths and Initiatives

Technological Capabilities: High quality Thiol products

Top position in niche markets

- **Continue stable supply** of high-quality raw materials **to domestic companies with leading market share**
  - **Establish technological expertise and know-how in high-entry-barrier, niche markets** with limited suppliers of high -quality thiol products
- Invest resources to strengthen top market share position

→ Ensure stable earnings and capture market growth

Pharmaceutical raw materials and intermediates

Increase in contracted volumes

Strengthen manufacturing capacity

- Execute **capacity expansion investments** (expected to contribute to earnings in the next medium -term management plan)
  - Further expand existing products and acquire new projects
  - Capture future growth in the pharmaceutical market

Strengths and Initiatives

Extensive track record in contract manufacturing

- **Build manufacturing expertise** through a long-standing track record with major clients
- **Transition from CMO to CDMO**
- Expand product lineup by **developing diverse synthesis processes**

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This is the organic chemicals segment.

Worldwide, myopia in children has become a social problem. The eyeglass lens market will grow. In particular, we expect growth of 6% per year for the high refractive index type, in which our thiol products are used. Only two companies in the world are capable of producing thiol products for this application. Sakai Chemical Industry is the only company in Asia. We will secure a leading position in the niche market.

As for the active pharmaceutical ingredients and intermediates, we have been investing in KATAYAMA SEIYAKUSYO for the conversion to CDMO since last fiscal year. We will continue to build a growing structure based on our extensive contracting experience.

Business Strategy for Businesses Under Efficiency Review

Focus on products and businesses capable of consistently contributing to profits, shifting them to stable businesses

Titanium dioxide and zinc

- Eliminate losses through price adjustments, etc. (FY03/25)
- **Discontinue pigment-grade titanium dioxide business** with low capital investment efficiency and high environmental impact in production **(FY03/26)** and **implement structural reforms** to address fixed cost ratio increases

→ Transition certain products, like zinc, **to stable businesses**

Plastic additives

- Domestic: Withdraw lead-based stabilizers in contract manufacturing (FY03/26)
- Overseas: Shift to lead-free stabilizers (increase production capacity) and expand in ASEAN region

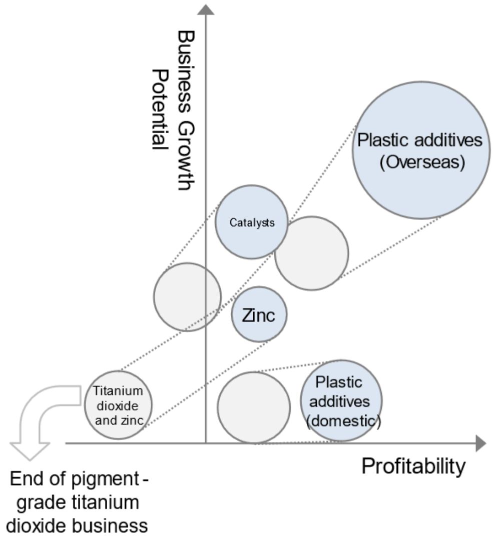
→ **Transition to stable businesses** through overseas expansion

Catalysts

- Achieve efficiency by consolidating production sites (FY03/25) and reduce costs by improving yield
- Improve profitability by adjusting prices of low-margin products

→ **Transition to stable businesses** through site consolidation and price adjustments

<Direction for Profit Improvement and Growth>



Circle Size: Profit
Dashed Line: Previous medium-term management plan
Solid Line: New medium-term management plan (FY03/27)

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Next, I will discuss the business strategy for the businesses considered for efficiency improvement.

First, in the titanium dioxide segment, we have been working to eliminate losses by correcting prices and other measures. However, we have decided to discontinue the project of pigment-grade titanium dioxide products in the fiscal year ending March 2026. In line with this, we will implement structural reforms throughout the Company.

In the plastic additives segment, we will withdraw from domestic stabilizers with low profitability in the fiscal year ending March 2026. We will shift this segment to a stable business by concentrating on non-lead stabilizers and profitable overseas operations, especially in ASEAN.

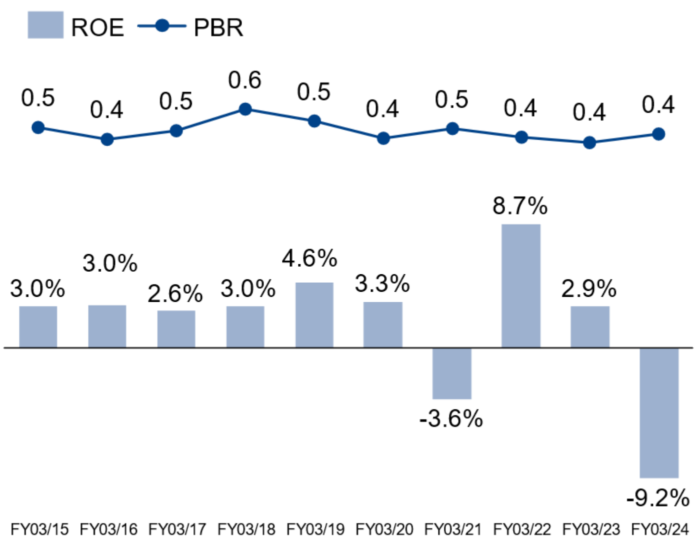
The catalysts segment will be shifted to a stable business by consolidating production bases and correcting prices. For the next mid-term management plan and beyond, we will also work on catalysts that contribute to carbon neutrality in the environmental energy area as part of the development of next-generation catalysts.

Through these strategies, we will eliminate the businesses considered for efficiency improvement in three years.

02 Achieve ROE Exceeding Capital Cost and improve PBR

Drive initiatives with a strong focus on capital efficiency to achieve the FY03/27 ROE target of 8%

ROE & PBR Performance Trends



Specific Initiatives

1 Shift to high-value-added products through business portfolio transformation

- Accelerate the expansion of growth businesses
- End pigment-grade titanium dioxide business

2 Asset reduction

- Improve CCC
- Sell underutilized fixed assets

3 Enhance capital efficiency

- Active investment, including M&A, in growth businesses
- Implement shareholder returns

Next, I will explain the achievement of ROE that exceeds the cost of capital and the improvement of PBR.

We will promote initiatives with a strong awareness of capital efficiency in order to achieve our ROE target of 8% for the fiscal year ending March 2027. These are three detailed initiatives.

Through business portfolio transformation, we will shift to a highly profitable business. We will increase the efficiency of money by reducing assets. And we will improve capital efficiency.

We would like to carry out what we have written here.

Capital Allocation (3-Year Cumulative)

Allocate cash generated from profit, CCC improvement, and asset sales to capital investment, shareholder returns, and M&A

Funding
Borrowing and warrants
Convertible bonds (already raised)

Sale of fixed assets

CCC improvement
7.0 billion yen

Operating cash flow 34.0 billion yen

Cash In

M&A

Shareholder returns 8.0 billion yen or more

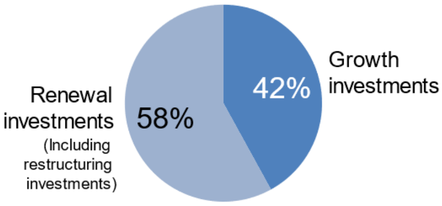
Capital investment 20.0 billion yen

Cash Out

Shareholder Return Policy

- Target dividends exceeding previous levels, aiming for a DOE of 3%
- Implement flexible share buybacks

Capital Investment Plan



- Growth investments will focus on production expansion in growth businesses (electronic materials, cosmetic materials, and organic chemicals)

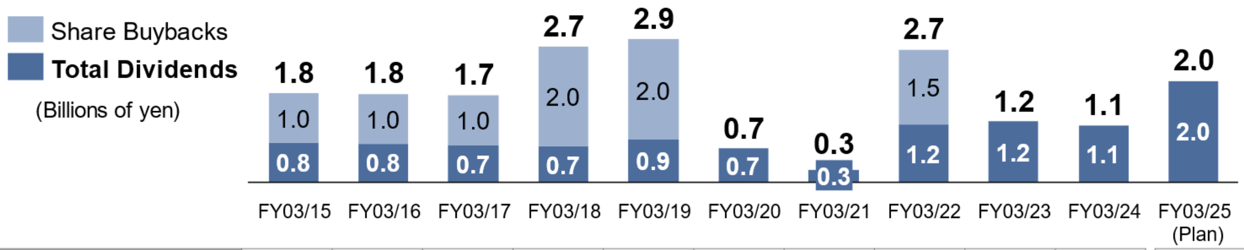
Next is capital allocation.

We will earn JPY34 billion in operating cash flow. Of that JPY34 billion, we plan to generate JPY7 billion by improving the cash conversion cycle. We plan to use the cash obtained for capital investment of JPY20 billion and shareholder returns of at least JPY8 billion. Of the JPY20 billion in capital investment, 42% will be allocated to growth investment.

Shareholder Return Policy

Shift shareholder return target **from dividend payout ratio to DOE**

Total Return Trend



	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25 (Plan)
Shareholders' Equity (billions of yen)	73.4	74.0	74.3	73.9	74.7	76.6	73.2	77.8	78.9	71.2	-
DOE	1.0%	1.0%	1.0%	0.9%	1.1%	0.9%	0.3%	1.5%	1.5%	1.5%	3%
Profit (billions of yen)	2.3	2.3	2.0	2.3	3.6	2.5	(2.8)	6.7	2.3	(7.1)	4.3
Dividend Payout Ratio	35%	33%	37%	31%	24%	27%	-	17%	52%	-	47%
Dividend Per Share (yen)	8	8	8	24*	50	40	15	70	75	70	125

Note: Reverse stock split conducted in FY03/18

Shareholder Return Policy for FY03/25–FY03/27

Target dividends exceeding previous levels, aiming for a DOE of 3%
Implement flexible share buybacks
Consider additional shareholder returns in case of profit exceeding plans

SAKAI CHEMICAL INDUSTRY CO., LTD. 21

The next page shows our shareholder return policy.

This was explained earlier by Ogama. We have a track record of returning a stable total dividend to shareholders as our target dividend payout ratio was 30%. In the past, the dividend payout ratio used to be close to 30%, but recently, a dividend payout ratio of 30% has become meaningless.

In the meantime, we decided to introduce DOE based on our track record of consistently paying stable dividends.

03 Promote Materiality Initiatives and Accelerate Non-Financial Initiatives

Integrate into executive evaluations and involve all employees from management to field staff

① Contribute to people's well-being

KPI	Initiatives
Major labor incidents: Zero cases	Implement safety activities involving all employees, from management to field staff
Engagement improvement: Achieve third-party evaluation score above average by FY03/26	Establish a human capital committee and improve engagement
	Create opportunities for dialogue between management and employees (Increase dialogue opportunities through town hall meetings)
Promote diversity: Achieve 20% female employment and 10% female managers in core workforce by FY2030	Promote mid-career hiring of women
	Provide empowerment training and manage task forces to foster a supportive work environment for women

② Protect the global environment

KPI	Initiatives
Reduce CO2 emissions: 30% reduction by FY2030 compared to FY2013	Discontinue products with high environmental impact (Pigment-grade titanium dioxide)
	Shift to more compact and efficient manufacturing practices
	Introduce renewable energy
Environmental incidents: Zero cases	Implement monitoring systems to prevent environmental incidents

③ Address social challenges through manufacturing

KPI	Initiatives
Launch five Smart Material certified products/services by FY2030	Cosmetic materials: Barimaru and Karumaru (microplastic bead substitutes), plate -shaped barium sulfate, hexagonal zinc oxide, and cosmetic phosphors
	Spherical silica "Sciqas": Expand into 5G and 6G products leveraging spherical and microparticle characteristics
	Water electrolysis catalyst "Ir/ENETIA": Contribute to carbon neutrality
	Multiol: Expand into electronics applications leveraging the flexibility of thiols

④ Build a transparent and strong management structure

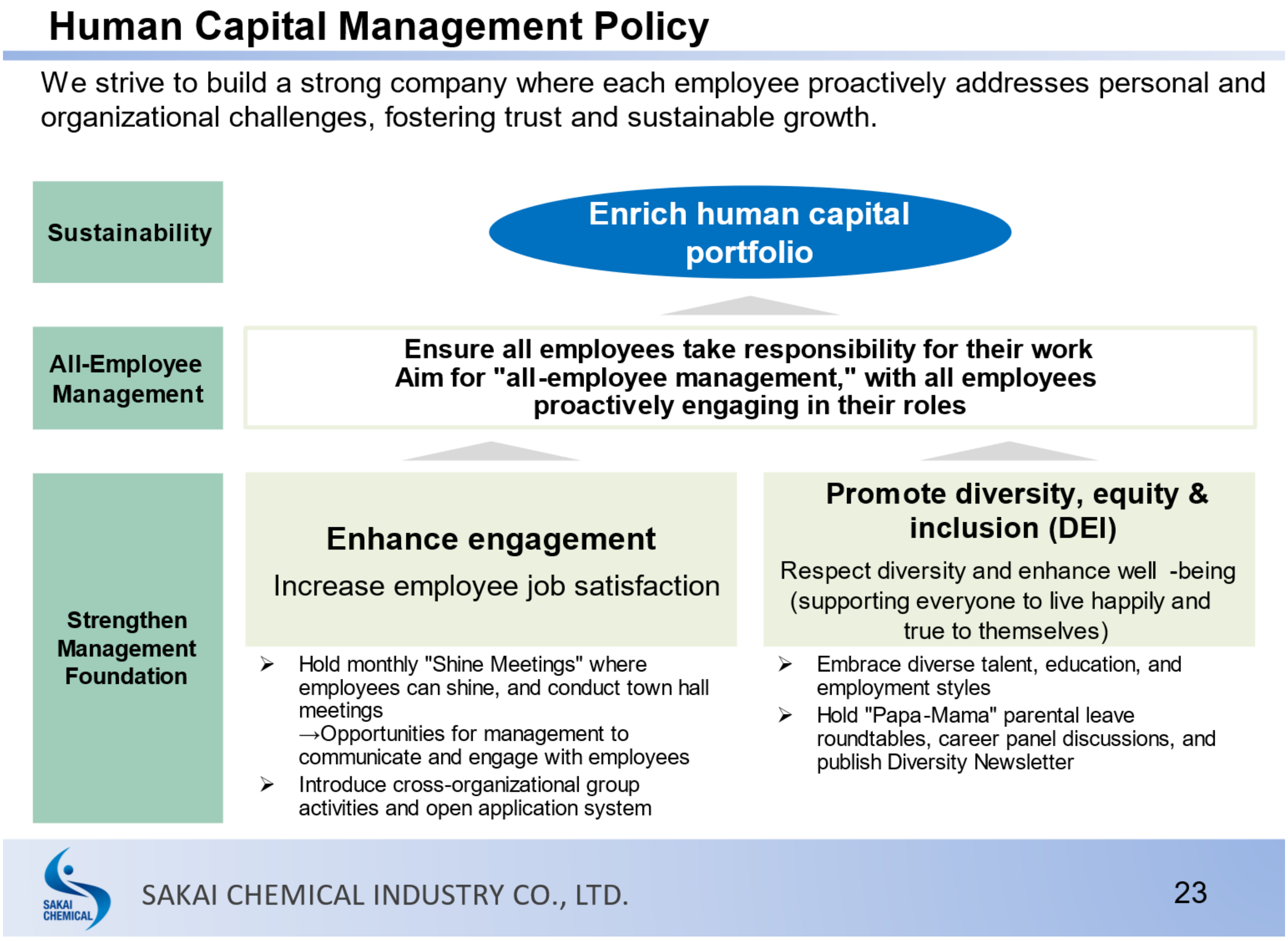
KPI	Initiatives
Major compliance violations: Zero cases	Review information sharing with affiliates (e.g., revise group meetings, improve communication frequency)
	Improve board effectiveness (Utilize evaluation surveys, etc.)

③ Additional initiatives: Conduct CSR procurement surveys and improvements, and implement actions based on the human rights due diligence plan.

SAKAI CHEMICAL INDUSTRY CO., LTD. 22

Lastly, I will talk about materiality promotion and non-financial initiatives.

We have already identified four materiality themes as important issues to be addressed: making people happy, protecting the global environment, solving social issues through manufacturing, and building a strong, transparent management system. In each of these areas, specific initiatives will be defined and addressed.



Next is the human capital management policy.

This is aimed at becoming a strong organization where employees take initiative in solving individual and organizational challenges, trust themselves and their colleagues, and can grow sustainably.

To this end, management will disseminate information, continue dialogue with employees and bring them closer to us, help each employee understand the meaning and purpose of work, and promote systems that enable employees to work in a variety of ways and design their future careers.

Above all, I believe that it is important to change the mindset of employees to move proactively. In April of this year, employees voluntarily formed a Human Capital Subcommittee. Management will work together to promote these measures.

List of KGIs and KPIs

Financial Targets (FY03/27)

	Operating Profit:9.0 billion yen	ROE: 8%
KGI	**Operating Profit:9.0 billion yen**	**ROE: 8%**
KPI	◆ Growth businesses: Operating profit composition of 60% or more ◆ Businesses under efficiency review: Narrow focus to sustainable, profit-generating businesses and transition to stable business categories	◆ CCC: 180 days or less

Non-Financial Targets (KPI)

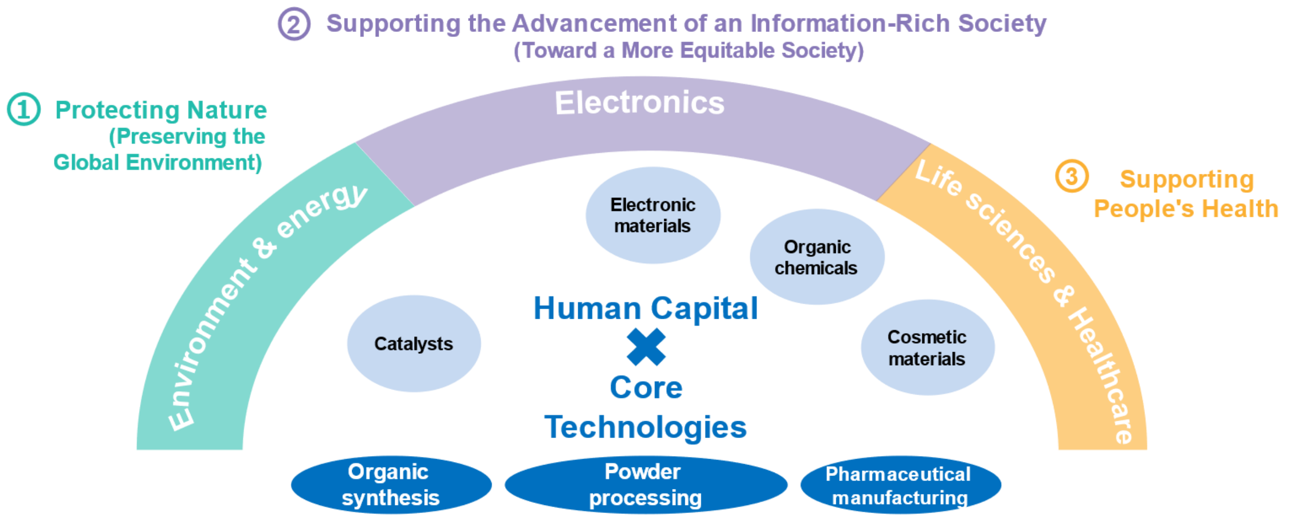
①Contribute to people's well-being	②Protect the global environment
◆ Major labor incidents: Zero cases ◆ Engagement improvement: Achieve above - average third-party evaluation score by FY03/26 ◆ Promotion of diversity: 20% female employment rate and 10% female managers in core positions by FY2030	◆ Reduction in CO_2 emissions: 30% reduction by FY2030 compared to FY2013 levels ◆ Environmental incidents: Zero cases
③Address social challenges through manufacturing	**④Build a transparent and strong management structure**
◆ Launch five Smart Material certified products/services by FY2030	◆ Major compliance violations: Zero cases

The next page summarizes the KGI and KPIs for the financial and non-financial goals we have discussed.

PDCA management of KPIs will be thoroughly implemented to achieve KGI.

What "Chemistry" Can Contribute to “Creating” Lifestyles in 2050...

Toward an "Excellent Company that Contributes to Society through Smart Materials"



Corporate Concept	Management Mission	**Chemistry for a Friendly Future** Creating materials that support the comfort and security of society through compassion and technological innovation	Organizational Vision	**Exciting Company** We will build an exciting company together	わくわくカンパニー

And finally, we once again show what chemistry can do to create the lifestyle of 2050.

This mid-term management plan is a stage of change to realize this goal. We will move forward with unprecedented plans or measures, including business portfolio transformation, with determination, and complete the transformation for the future. The current management team would very much like to implement this mid-term management plan.

Thank you for your attention. This concludes my presentation.

Question & Answer

Moderator [M]: Now we would like to take questions as before. First, we would like to take questions from the audience.

Participant [Q]: Thank you. You have a capital investment plan of JPY20 billion over three years. 42% of this is for investment in growth. Where will you invest in particular? I think it could mean a production increase in the growth of businesses, and I wonder if there are any new projects as well. I would like to know more details about that. That is all.

Yagura [A]: Your question is what exactly the breakdown of growth investment is. Now, as for the cosmetics materials and electronic materials, capital investment here is over. Therefore, it is not immediately necessary, but if new products are developed in the course of future development and mass production becomes necessary, we will make a new capital investment. We have no particular figures or areas. However, we are estimating that if the volume increases for high-end and middle-end products, we will probably need to make this type of investment, so we will make a plan of 42% investment based on that.

As for the organic chemicals, we are reaching a full production capacity. If we receive requests from customers to increase our supply capacity, we will make capital investments as long as we can obtain prices that are commensurate with such investments. On the other hand, we will not easily make an investment just because the volume will grow.

Participant [Q]: Is it correct to say that you have enough capacity for electronic materials with your existing facilities for the next three years?

Yagura [A]: We may need to invest in equipment when we make some modifications or improvements, but all major capital investments are complete.

Participant [Q]: Also, in the area of electronic materials, can you tell me if there are any new products or new technologies on the roadmap that will emerge in the next three years, or if there is timing for the switchover?

Yagura [A]: Regarding the high-end of very fine particles, some of them have already been adopted by our customers, and we expect that they will probably grow in the second or third year. Since this is where the most profit can be made, I think the key point is to steadily and properly capture this part of the market so as not to miss anything.

Participant [Q]: Do you mean that you will increase production if you receive a request from the customer?

Yagura [A]: Yes. Perhaps we will.

Participant [M]: I understand very well. Thank you very much.

Moderator [M]: Thank you very much. Now I would like to hand over the baton to participants via the web.

Moderator [M]: We would like to take questions via the web then.

Participant [Q]: I would like to ask two or three questions. First, in the growth businesses, you said operating income of JPY5.7 billion in the third year, but could you divide it into three segments? Organic is JPY1.6 billion, and then from the size of the circle on page 14, it looks like cosmetics is about JPY1.4 to 1.5 billion and electronics is the rest. Could you give me a breakdown of these figures or JPY5.7 billion for the third year?

Also, in order to achieve a profit of JPY5.7 billion in the growth businesses, how many hundreds of millions of yen in sales do you need to increase with respect to the growth businesses? Please let me know, while you can make the same assumption about the exchange rate. If you have numbers, please tell me how much you plan to increase in each of the three.

Yagura [A]: As you pointed out, we will have JPY1.6 billion from organics, roughly JPY1.5 billion from cosmetics, and the rest from electronic materials.

Participant [Q]: How much do you plan to increase sales?

Yagura [A]: I can only give you an overall sales figure. Please wait a moment.

Participant [Q]: Yes. A total of three will be fine. In the first place, is most of the profit due to volume growth? I think that in the new fiscal year, price correction effects will probably appear in electronic materials, but if you look at the next fiscal year and beyond, for example, is it correct to say that the focus is on volume effects and not on cost reductions?

Yagura [A]: For some electronic materials, we have already been negotiating prices to be more appropriate since the end of the previous fiscal year, and we expect that effect. Therefore, in our plan, profit increase is not only by volume effects. In the case of organic chemicals, we have reached a certain level of capacity at present, and if new equipment is introduced, the volume will naturally increase, so we plan to invest in equipment under the condition that prices will be revised accordingly. For cosmetics materials, the main activity is to expand sales without much price correction.

Participant [Q]: How much sales increase do you expect?

Yagura [A]: Sales of the growth businesses will increase by about 30%.

Participant [Q]: I see. If we calculate, I think we will be able to figure it out, but how much would that be? Anyway, it is a 30% increase, right?

Yagura [A]: Yes.

Participant [Q]: Is it correct that this is the amount of sales of electronic materials, cosmetics materials, and organic for the last fiscal year multiplied by 30%?

Yagura [A]: Yes, it is.

Participant [Q]: I understand. As a supplementary question, for example, in the area of electronic materials, you mentioned that the MLCC market is expected to grow by 8%. Does your company expect growth more than that? In other words, you will aim to increase your market share, but where will you take your market share from as a background for increasing your market share?

In terms of dielectric materials, I think that perhaps your competitors would be company A and others. Would you take it from those sources? Regarding dielectrics, I know your competitors would be I company B and some in China. Could you please tell me where you are going to take your market share from, or if you are going to grow beyond 8% of MLCC, for example, by increasing the amount of materials used per unit?

Ogama [A]: I am Ogama. Ogama will answer this question. With regard to sales growth, our strategy for electronic materials is to capture a share of the market, which is expected to grow by 8%.

It is very difficult to answer from which company, but basically, we will focus on high-end and middle-end products with high profitability and high sales price per unit. We are aware that there are products from leading manufacturers and there are areas of the market that are not yet developed.

Naturally, there will be market share gains and losses, and we can only speculate on this, it is very difficult to say. In the case of dielectric materials, there are already overseas manufacturers and one major domestic competitor, but we would like to proceed in such a way that we can capture a share of the market.

As for dielectrics, there are many in-house manufacturers, it is difficult to say which area is the target. Only we can say is that, as you mentioned, there will be an increase in the amount of materials used per unit.

This is because, after all, we are talking about slowing the growth of EVs, but in the broad context of so-called "automotive applications," we believe that MLCC for automotive applications will increase. We do not expect much downsizing to occur in terms of size for the automotive market, and we believe that the increase in volume in this area will lead to an increase in our sales volume. Therefore, we believe that there are two effects. One is from taking the market share and the other is from not downsizing.

Participant [Q]: I understand very well. Thank you very much. Excuse me. The other question is about the 8% ROE. The target to be achieved in the mid-term plan is an operating income of JPY9 billion, it would be roughly about JPY6 billion after taxes. If you are to achieve an ROE of 8% with JPY6 billion, I believe that your equity capital will be less than JPY75 billion, although this is a rough estimate. For the fiscal year that just ended, your equity capital was about JPY75 billion, I think you will not increase from here. How will this be achieved?

Since you are not currently setting the dividend payout ratio at 100%, you could conceivably buy back your own shares or take an extraordinary loss. Please explain how you plan to achieve an ROE of 8% on an operating income of JPY9 billion, including the equity capital.

Yagura [A]: While we were putting together this mid-term plan, we were very conscious of ROE. If we set a ROE target, it is necessary not only to look at the numerator, which is the increase in profit, but also to control the denominator. Therefore, we need to return some profits to shareholders while not increasing the numerator in order to achieve the target of 8% ROE. This is why we introduced a DOE of 3% and created this scenario.

Naturally, profits will increase or decrease and we will consider where specifically to apply the profits earned at that time, based on the situation at that time and the next mid-term management plan. We will first make the achievement of 8% ROE our basic premise, and then consider how to distribute the profits.

Participant [Q]: Okay. However, if the current dividend policy remains unchanged, equity capital will probably increase, so it is possible that ROE will not be achieved even if earnings are achieved. On the other hand, this time, within three years, you are still going to do a lot of structural reforms, I am wondering if something is coming up through such reforms, and I would like to see more specifics.

Yagura [A]: In fact, we cannot say for sure that there will be no extraordinary losses due to structural reforms, so we will have to deal with them when they occur. I hope you will understand that we have included a little bit of that in our calculations.

Participant [M]: Conversely, since the assets were impaired last fiscal year, I thought that it would be better to lower the valuation of the assets that are valued higher than they actually are.

Yagura [M]: Yes. Thank you very much.

Participant [M]: That is all. Thank you very much.

Moderator [M]: Since there seem to be no questions, we will conclude today's briefing. Thank you very much for your attendance today. We look forward to your continued support. Please be careful on your way home. Thank you also to those who attended via the web.

[END]

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Document Notes

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
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