



**SAKAI CHEMICAL
INDUSTRY CO., LTD.**

**New Medium-Term Management Plan
"Transformation BEYOND 2030"
(FY03/25–FY03/27)**

May 13, 2024

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.

Future Direction of Sakai Chemical (BEYOND 2030)

Our Vision for Lifestyles in 2050

Coexistence of virtual and real worlds

A society where human participation is fundamental

Interpersonal connection and communication remain essential

Further diversification of lifestyles

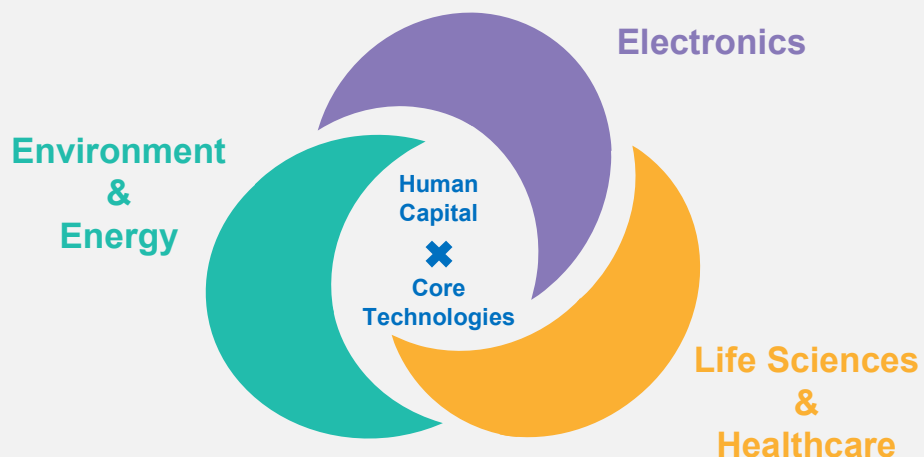
Compact cities, interaction with nature

Communication spans

both remote and in-person interactions

While ways of connecting evolve, the demand for beauty and health remains constant

What "chemistry" can contribute to "creating" lifestyles in 2050...



① **Protecting nature**
(Preserving the global environment)

② **Supporting the advancement of an information-rich society**
(Toward a more equitable society)

③ **Supporting people's health**

Striving to be an "Excellent Company that Contributes to Society through Smart Materials" across three fields

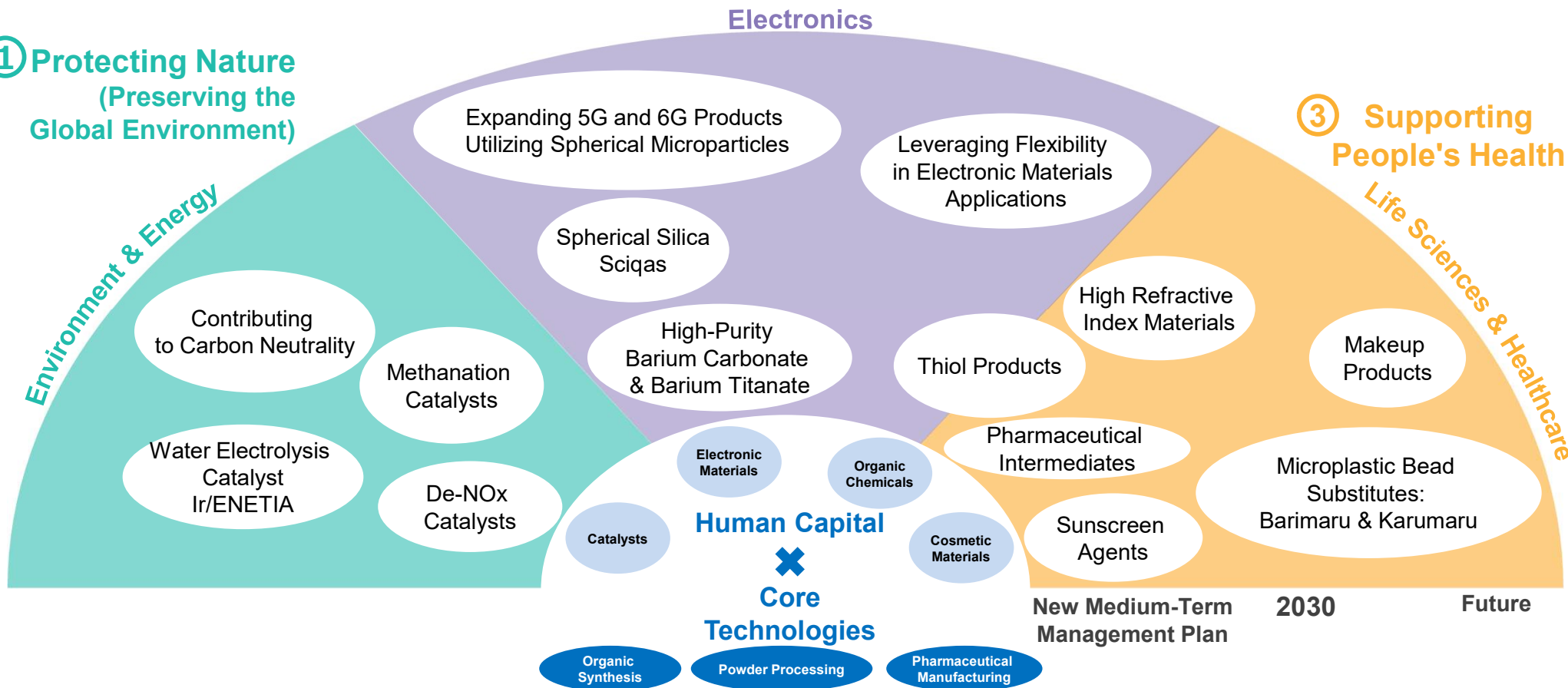
Roadmap for the Future (BEYOND 2030)

Focus management resources on high-profit potential businesses in three key fields:

② Supporting the Advancement of an Information-Rich Society
(Toward a More Equitable Society)

① Protecting Nature
(Preserving the Global Environment)

③ Supporting People's Health



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

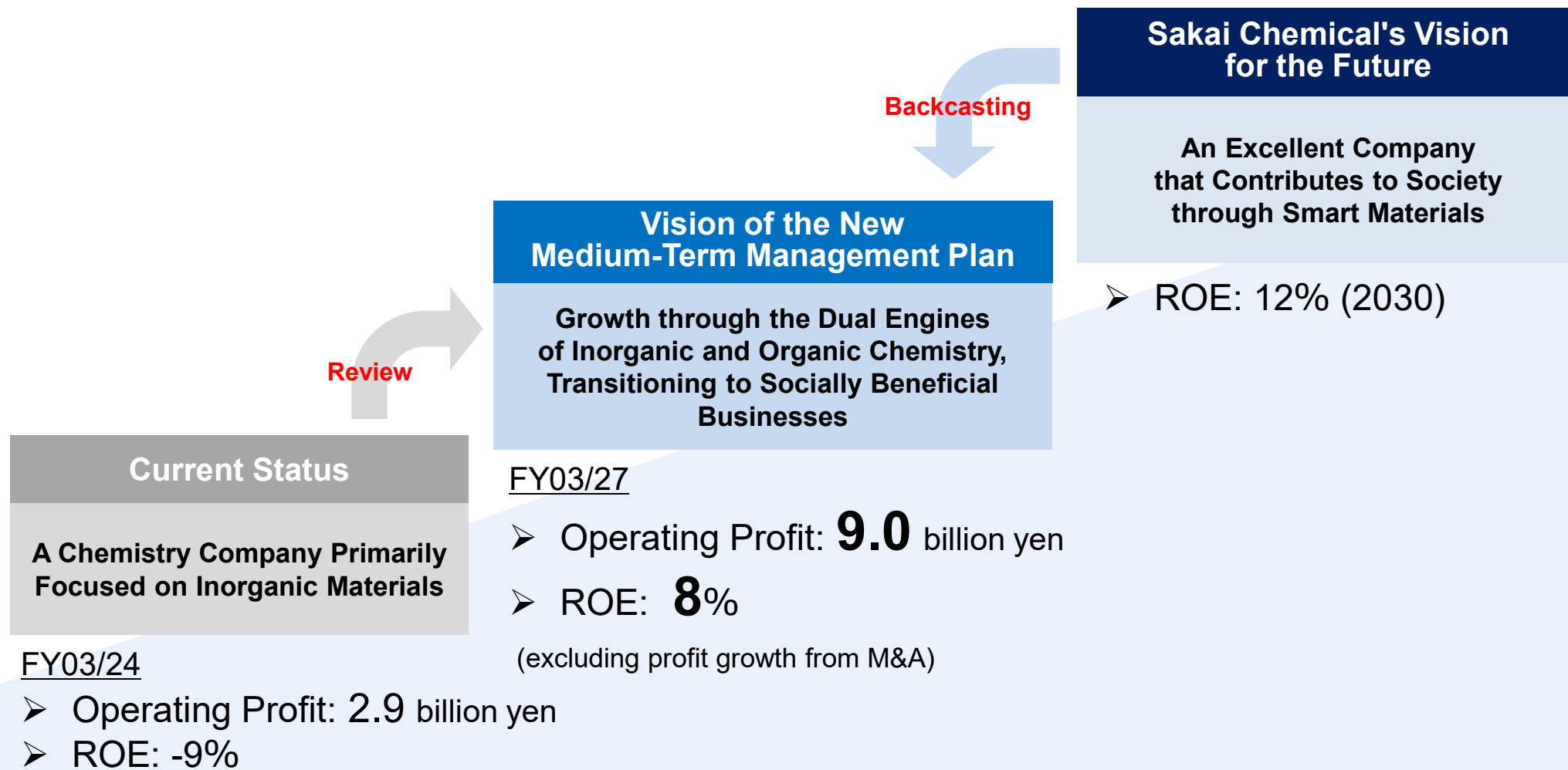
We will build an exciting company together



SAKAI CHEMICAL INDUSTRY CO., LTD.

Positioning of New Medium-Term Management Plan "Transformation BEYOND 2030"

Positioned as a transformation stage toward the future, focusing intensively on shifting to high-value-added products



"Transformation BEYOND 2030"

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-subsidary 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 medium-term management plan, we aim to accelerate progress and address challenges with steady resolve

Ensure Thorough Prevention of Quality and Safety Issues Recurrence

Rebuild quality and safety management system, strengthen group governance

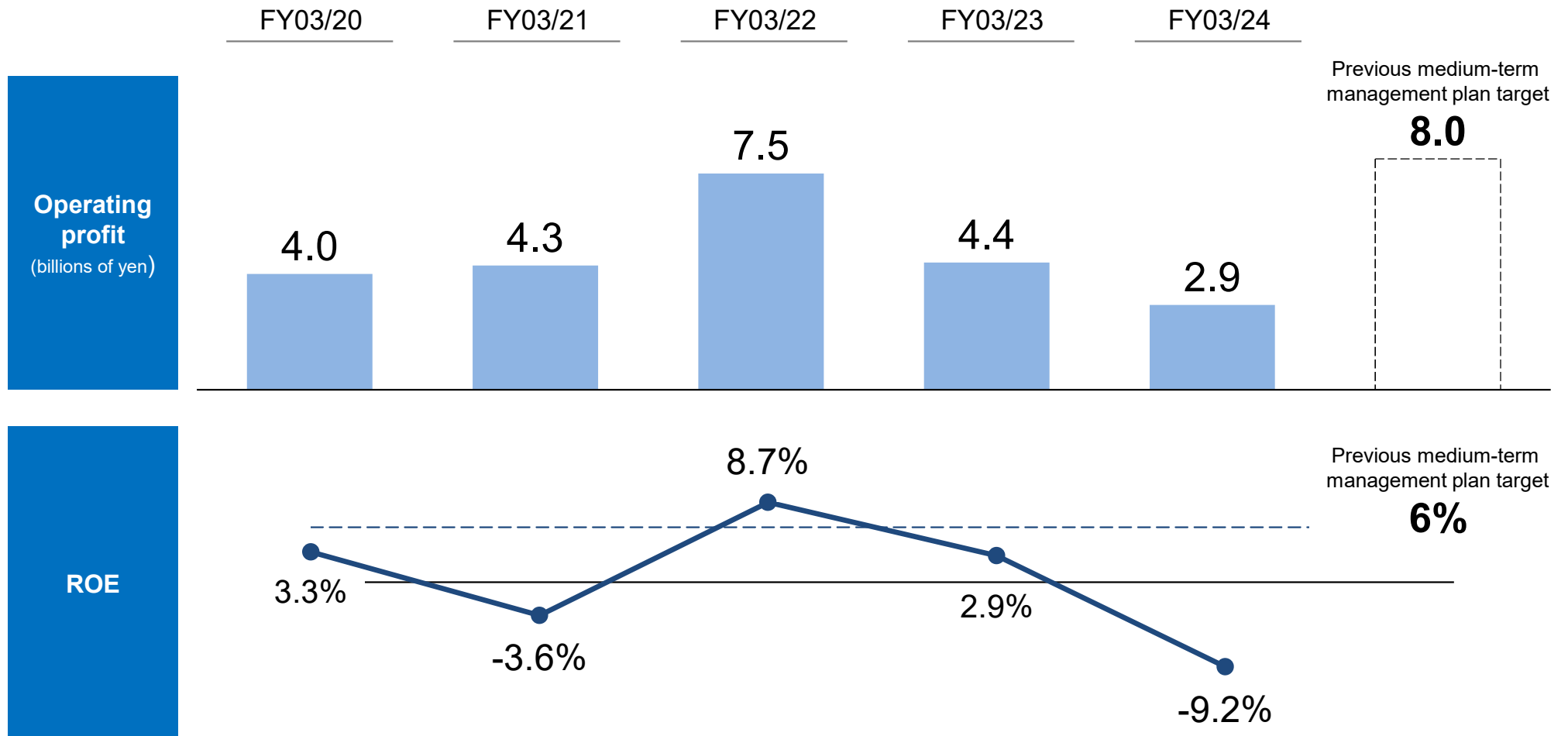
	Kaigen Pharma business suspension order (PMD Act* violation)	Explosion and fire at zinc powder plant, Yumoto Plant	Fire at titanium dioxide plant, Onahama Plant
Incident date	December 22, 2023 (administrative action)	May 11, 2021	March 30, 2023
Causes	<ul style="list-style-type: none"> ➤ Inadequate management and supervision structure ➤ Insular organizational culture (Kaigen Pharma) 	<ul style="list-style-type: none"> ➤ Accumulated dust ➤ Damage to rotating components 	<ul style="list-style-type: none"> ➤ Malfunction in specialized equipment
Individual measures	<p><Kaigen Pharma></p> <ul style="list-style-type: none"> ➤ 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) 	<ul style="list-style-type: none"> ➤ Removal of accumulated dust during processes ➤ Improved frequency of dust removal 	<ul style="list-style-type: none"> ➤ Improvement of similar equipment to address malfunctions
Company-wide measures	<p><Sakai Chemical></p> <ul style="list-style-type: none"> ➤ Promotion and supervision of improvement plans ➤ (Increased number of outside directors assigned to Kaigen Pharma to strengthen monitoring) 	<p>① Reinforcement of safety awareness: Reinforce the awareness that "it hasn't happened before" does not equal safety</p> <ul style="list-style-type: none"> ➤ Regular top-level messaging to prevent incident complacency <p>② Safety measures: Implementation of safety activities by all, from management to the field</p> <ul style="list-style-type: none"> ➤ 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.



Performance Against Previous Medium-Term Management Plan's Numerical Targets

While the ROE target was achieved in FY03/22, operating profit and ROE both fell short in the final year



Challenge remains to establish an earnings structure consistently above shareholders' equity costs

Initiated Business Portfolio Management (from FY03/23)

Defined portfolio management policy

	Portfolio management policy	Subsegment	Operating profit	
			FY03/24 Actual	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



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

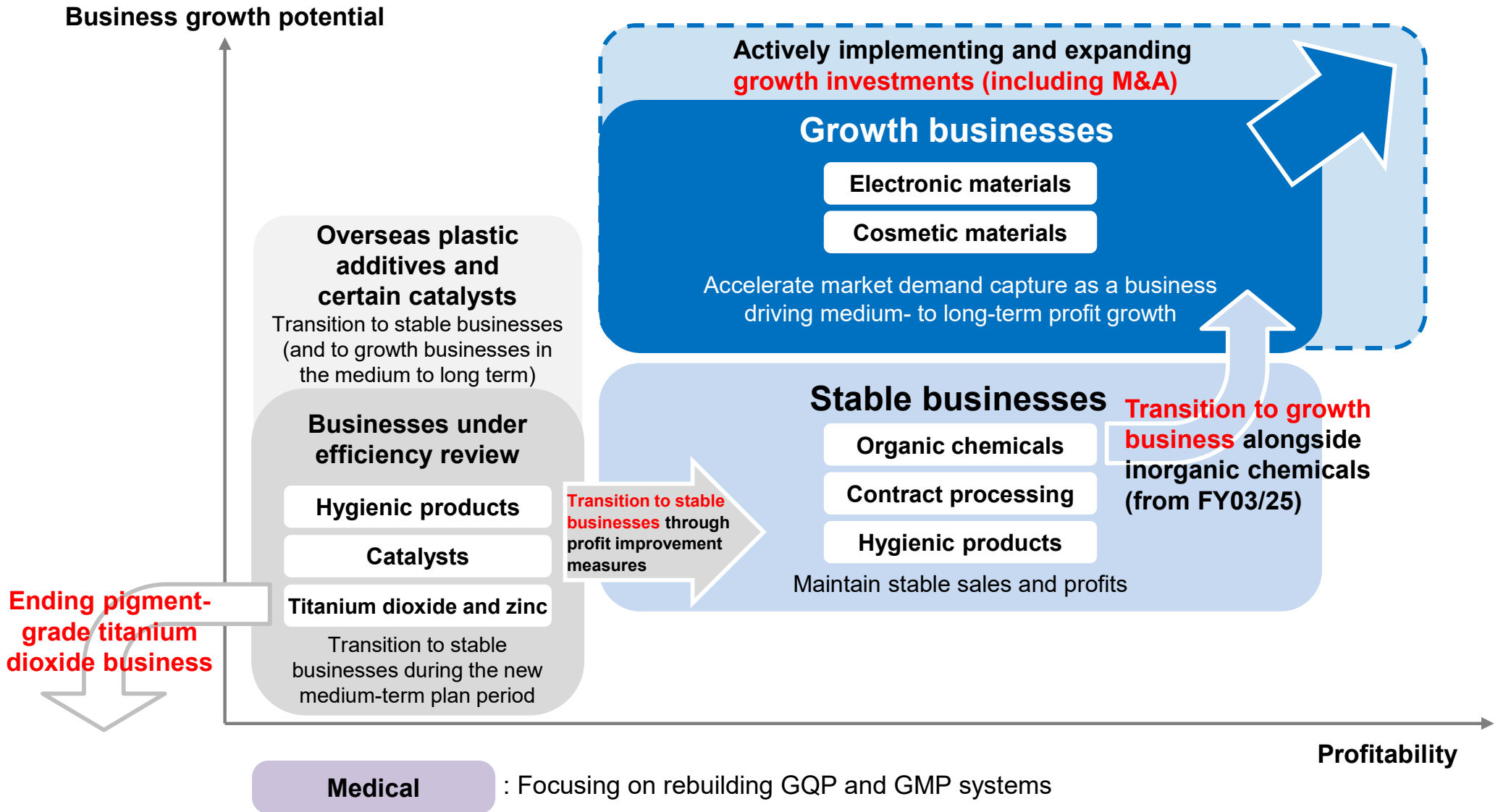
03

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

Business Portfolio Transformation Policy

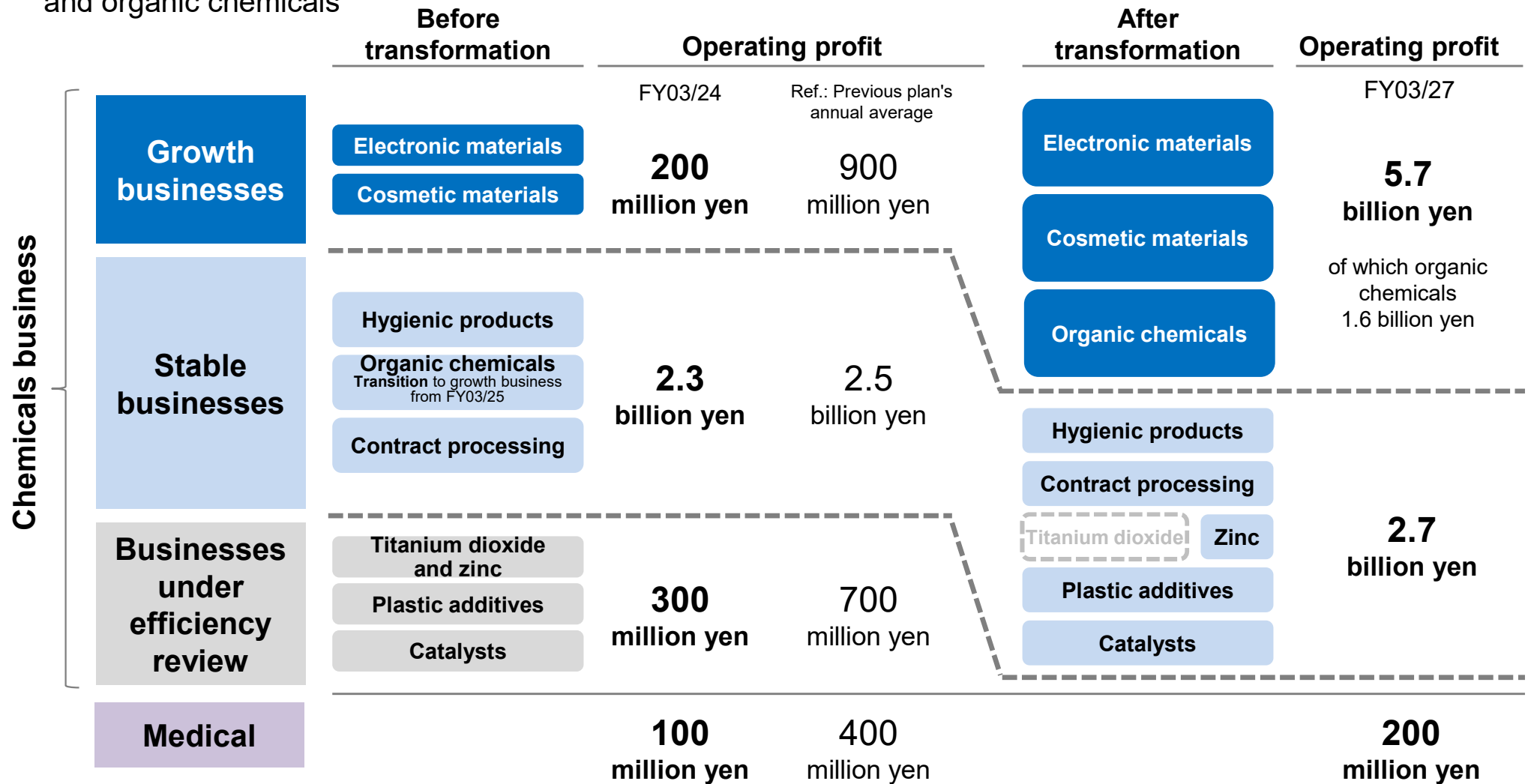
Accelerate the portfolio management transformation fully launched in the previous medium-term management plan



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

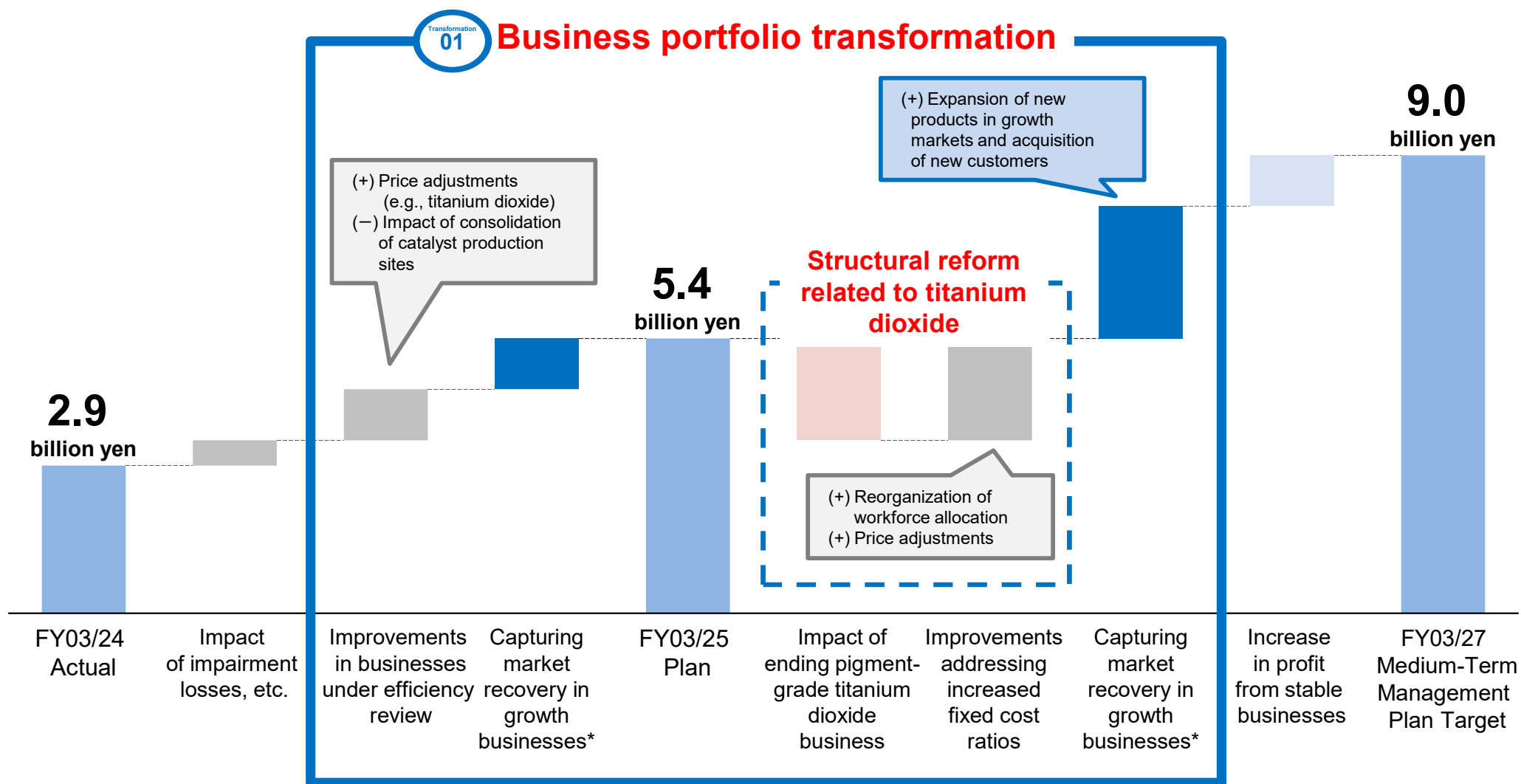


Note: Excludes "Other" in chemicals business



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



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

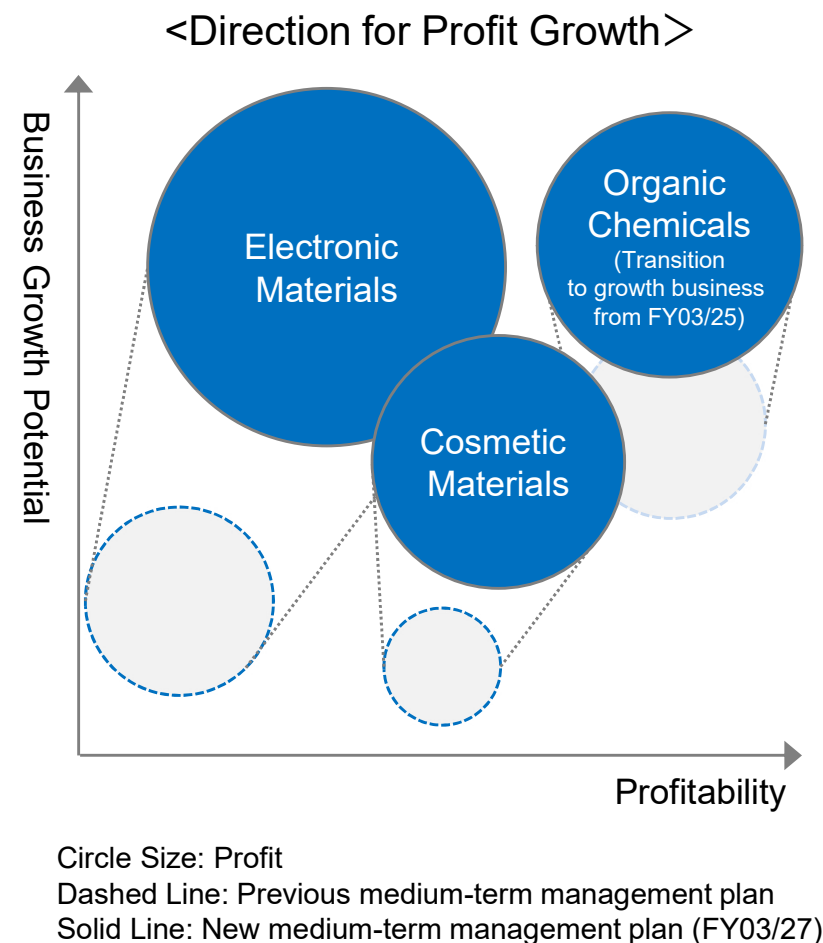
- Sunscreen Agents: **Expand sales to overseas cosmetics manufacturers** through surface treatment technology and formulation proposals (Performance evaluation completed, production system in place)
- Makeup Products: Advance investments targeting earnings contribution in the next medium-term management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

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

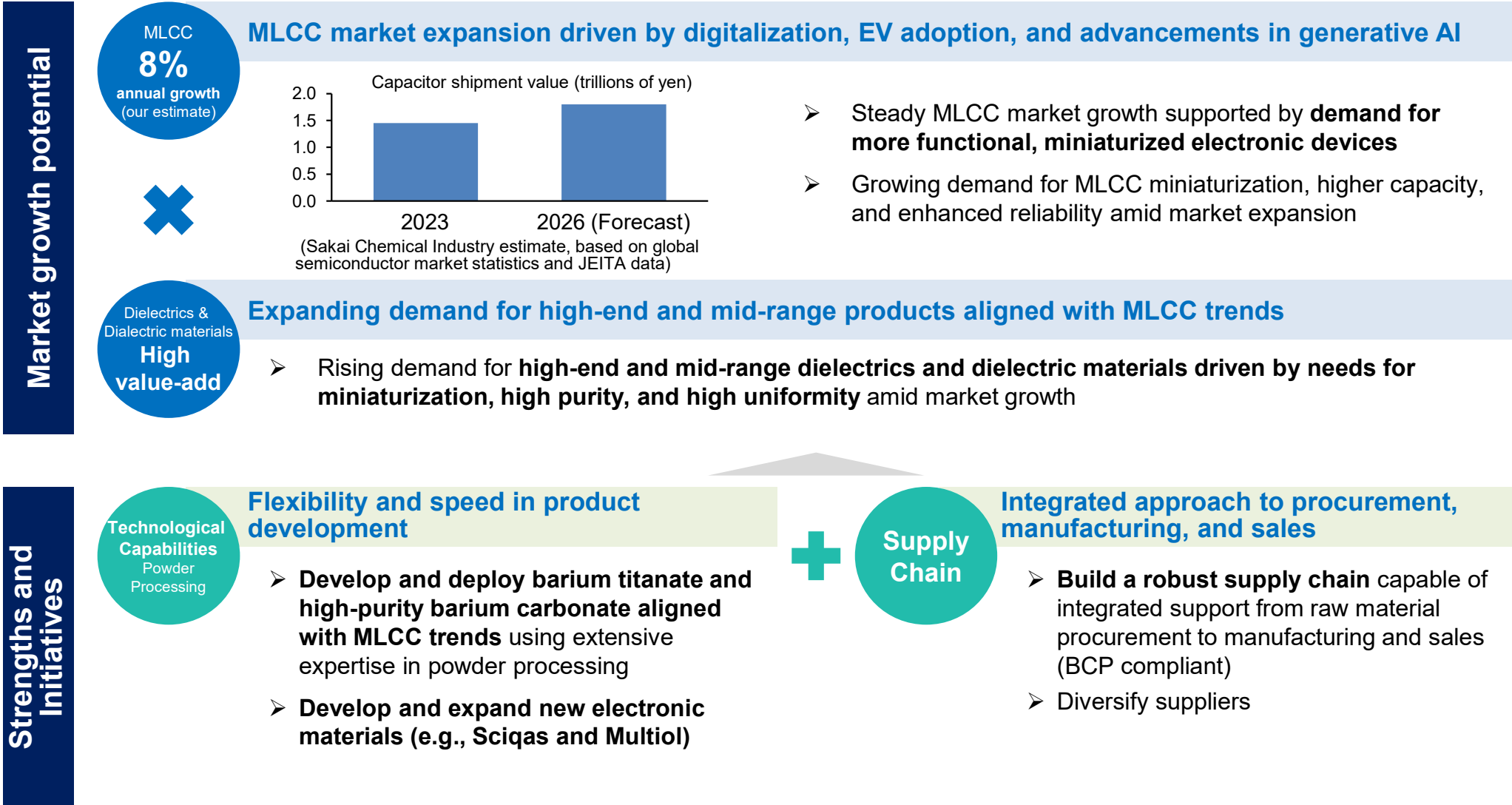
Organic Chemicals

- 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



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



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

Sunscreen agents

Makeup products

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

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

Strengths and Initiatives

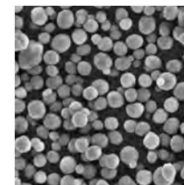
Technological Capabilities
Powder Processing

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

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

Growth Strategy (3): Organic Chemicals

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

Increase in contracted volumes

Pharmaceutical raw materials and intermediates

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

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

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**

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**

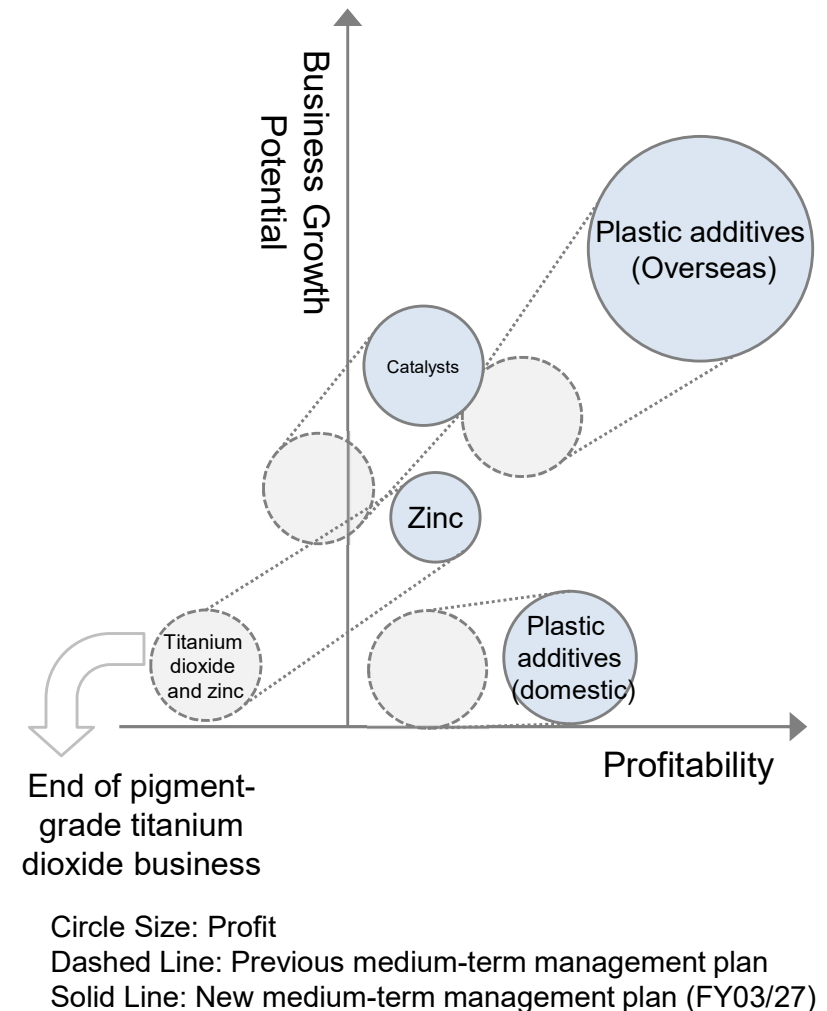
Plastic additives

- 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

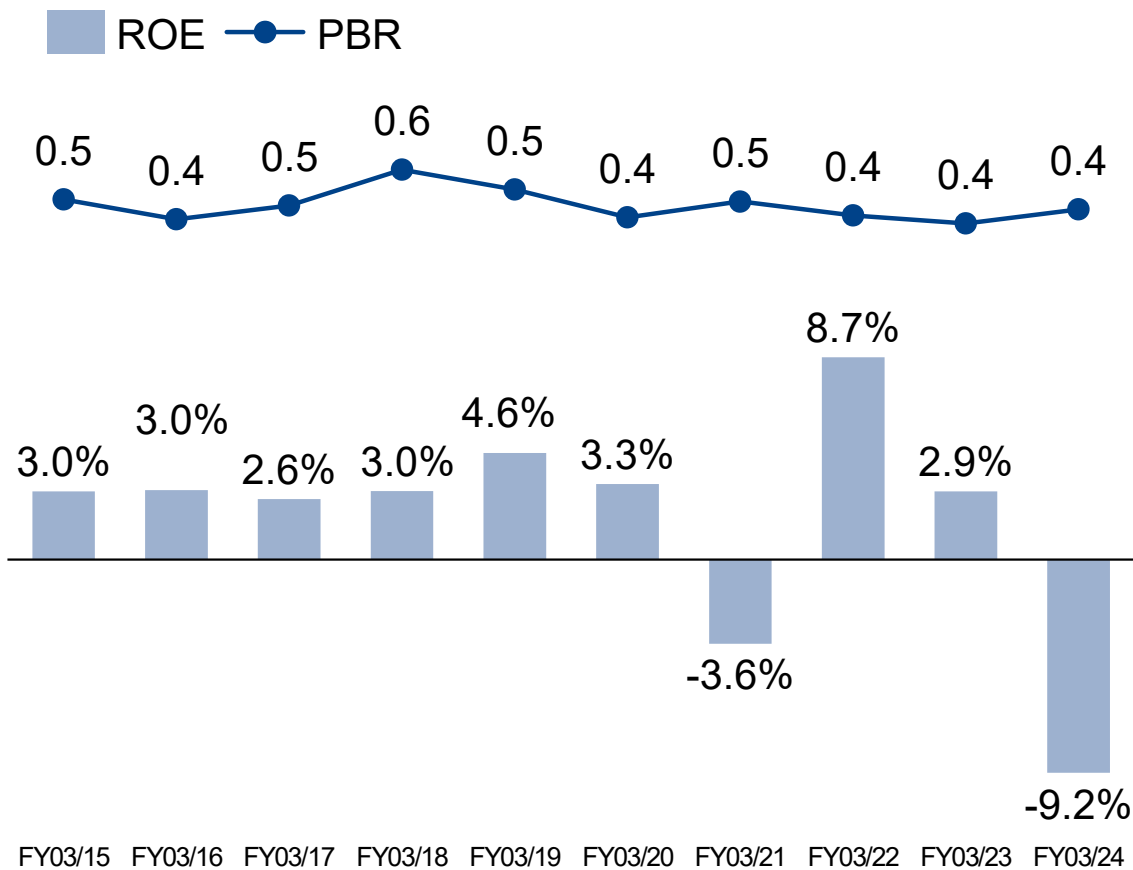
<Direction for Profit Improvement and Growth>



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

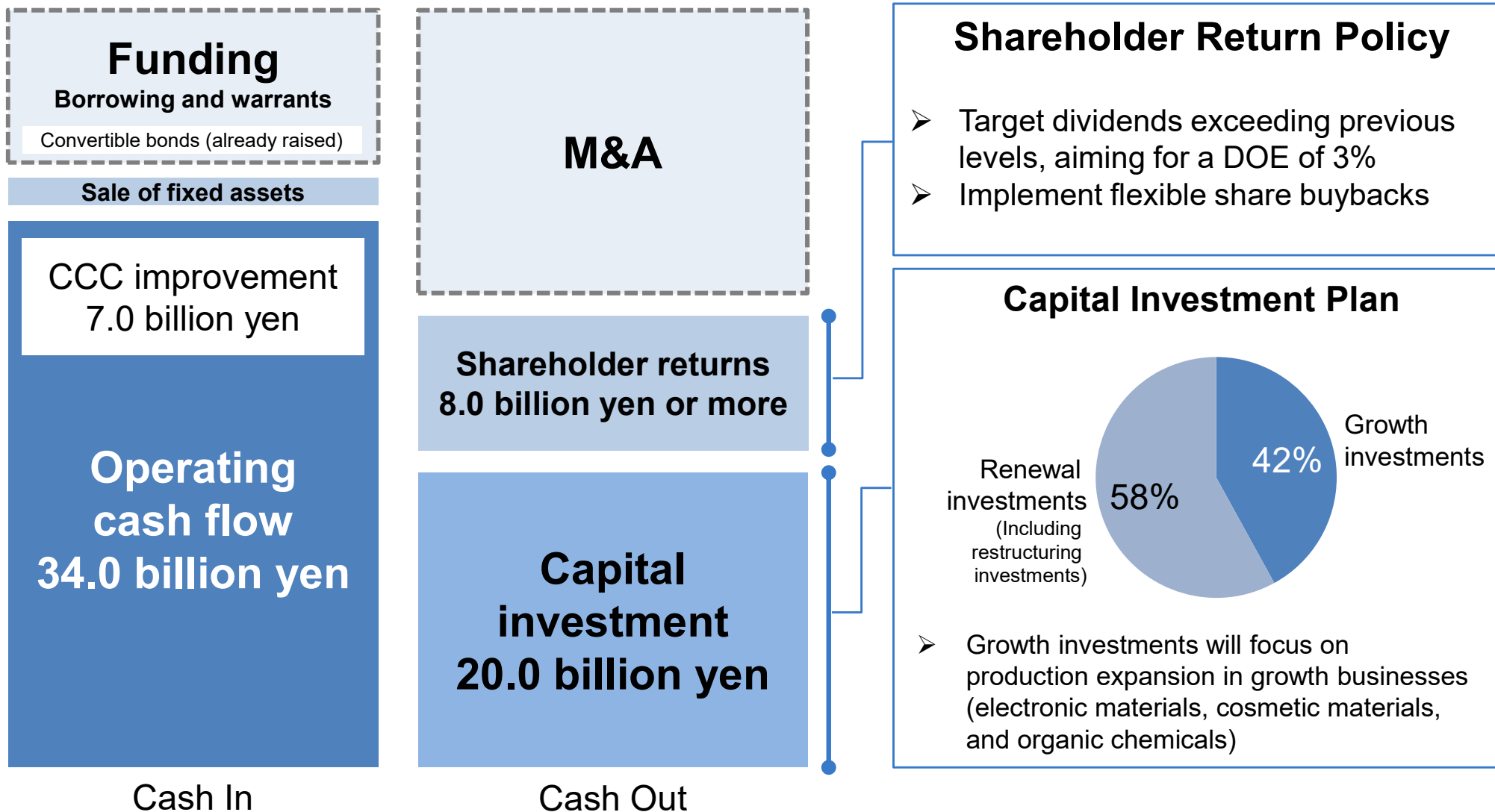
- Improve CCC
- Sell underutilized fixed assets

3 Enhance capital efficiency

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

Capital Allocation (3-Year Cumulative)

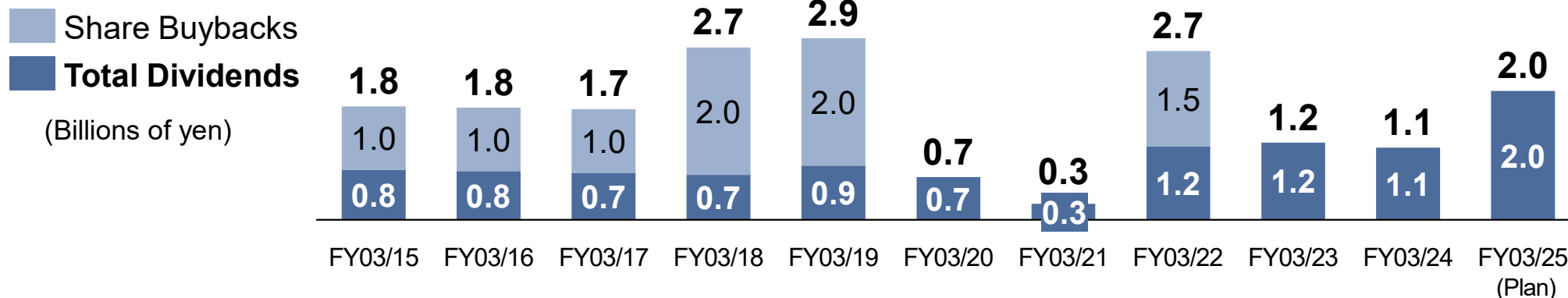
Allocate cash generated from profit, CCC improvement, and asset sales to capital investment, shareholder returns, and M&A



Shareholder Return Policy

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

Total Return Trend



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



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

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

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

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.

Human Capital Management Policy

We strive to build a strong company where each employee proactively addresses personal and organizational challenges, fostering trust and sustainable growth.



List of KGIs and KPIs

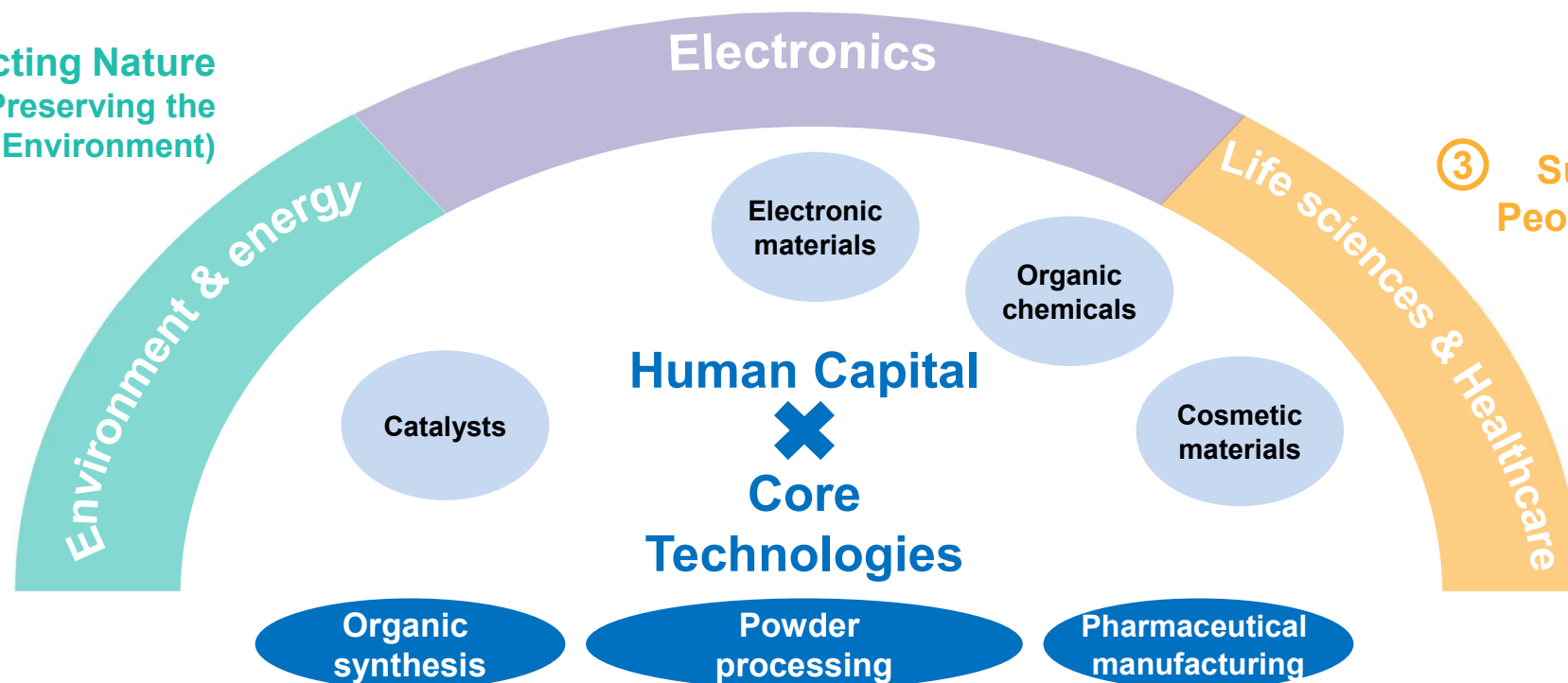
Financial Targets (FY03/27)	Operating Profit: 9.0 billion yen	ROE: 8%	} KGI
	<ul style="list-style-type: none"> ◆ Growth businesses: Operating profit composition of 60% or more ◆ Businesses under efficiency review: Narrow focus to sustainable, profit-generating businesses and transition to stable business categories 	<ul style="list-style-type: none"> ◆ CCC: 180 days or less 	
Non-Financial Targets	① Contribute to people's well-being	② Protect the global environment	} KPI
	<ul style="list-style-type: none"> ◆ 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 	<ul style="list-style-type: none"> ◆ Reduction in CO2 emissions: 30% reduction by FY2030 compared to FY2013 levels ◆ Environmental incidents: Zero cases 	
	③ Address social challenges through manufacturing	④ Build a transparent and strong management structure	
	<ul style="list-style-type: none"> ◆ Launch five Smart Material certified products/services by FY2030 	<ul style="list-style-type: none"> ◆ Major compliance violations: Zero cases 	

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

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

② Supporting the Advancement of an Information-Rich Society
(Toward a More Equitable Society)

① Protecting Nature
(Preserving the
Global Environment)



③ Supporting
People's Health

Corporate
Concept

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Organizational **Vision** **Exciting Company**

We will build an exciting company together



Caution Regarding Forward-Looking Statements

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