



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

**Financial Results Briefing  
for Fiscal Year Ended March 2024**

**May 28, 2024**

Tokyo Stock Exchange, Prime Market Securities Code: 4078

# Summary of Financial Results for FY 2024

## • Year-on-Year (decline in sales and income)

The ongoing harsh business environment, partly due to external factors, has led to lower sales volume across several sub-segments. With the ensuing reduction in operating ratio, sales and profit were down from last year.

External Factors		Internal Factors	
Positive Factors	Negative Factors	Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Steady movement in automotive-related market</li> </ul>	<ul style="list-style-type: none"> <li>Prolonged economic stagnation in China</li> <li>Slump in semi-conductor market</li> <li>Sluggish demand for building materials in Japan</li> <li>Drop in zinc market</li> </ul>	<ul style="list-style-type: none"> <li>Price revisions</li> </ul>	<ul style="list-style-type: none"> <li>Lower operating ratio</li> </ul>

## • Vs. Forecast (net sales unmet, operating income achieved)

Although the effect of external factors remained largely unresolved, and sales did not reach the target, operating income exceeded the forecast. This was due to price revisions, especially in businesses considered for efficiency improvement, and the gradual recovery of the semiconductor market after bottoming out.

External Factors		Internal Factors	
Positive Factors	Negative Factors	Positive Factors	Negative Factors
<ul style="list-style-type: none"> <li>Steady movement in automotive-related market</li> <li>Bottoming out of semi-conductor market</li> </ul>	<ul style="list-style-type: none"> <li>Prolonged economic stagnation in China</li> <li>Sluggish demand for building materials in Japan</li> <li>Drop in zinc market</li> </ul>	<ul style="list-style-type: none"> <li>Price revisions</li> <li>Improvement in sales composition difference</li> </ul>	

# Summary of Financial Results for FY 2024 (YoY/vs. Forecast)

	FY23 Actual		FY24 Forecast		FY24 Actual		YoY		Vs. Forecast	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Net sales	83,861	100.0	84,000	100.0	82,105	100.0	(1,755)	(2.1)	(1,894)	(2.3)
Operating income	4,407	5.3	1,900	2.3	2,942	3.6	(1,465)	(33.2)	1,042	54.9
Ordinary income	4,854	5.8	1,900	2.3	3,066	3.7	(1,788)	(36.8)	1,166	61.4
Net income attributable to owners of parent	2,344	2.8	(7,000)	(8.3)	(7,092)	(8.6)	(9,436)	(402.5)	(92)	1.3
EPS	¥144.85		(¥432.10)		(¥437.65)		—	—	—	—

## YoY

## vs. forecast (updated forecast for 3Q/FY24)

Net sales	Despite the penetration of price revisions in each sub-segment, sales declined by 2.1% due to lower sales volume in several sub-segments, especially titanium dioxide and electronic materials.	Despite the penetration of price revisions, shipments in each sub-segment fell below the sales plan. Together with the drop in the zinc quotation market, sales fell short by 2.1%.
Operating income	Due to the significant impact of sluggish sales in electronic/cosmetics materials, which are positioned as growth businesses, and the resulting lower operating ratio, the profit decreased by 33.2%.	Profit increased by 54.9% against the forecast. This was due to the penetration of price revisions in titanium dioxide and plastic additives, positioned as businesses considered for efficiency improvement, and in the growth business of electronic materials, as well as the impact of improved sales composition in electronic materials and plastic additives.
Other	Reversal of deferred tax assets (1,932 million yen) and impairment losses (6,661 million yen) resulted in a net loss of 7,092 million yen.	

\*The sales impact of the quality issues at Kaigen Pharma was insignificant, at approx. 200 million yen.

# Impairment Losses Recorded in FY 2024

(Unit: million yen)

Breakdown of Impairment Losses in FY24		Impaired Amount	Remarks
Chemical business	Titanium dioxide/zinc	3,791	Collectible value of titanium dioxide facilities assessed as zero
	Plastic additives	432	Collectible value of facilities in Japan assessed as zero
	Electronic materials	55	Impairment loss on inactive facilities
	Catalysts	57	Same as above
	Other	1,863	Collectible value of barium sulfate production facilities assessed as zero
Medical business		464	Loss on impairment of pharmaceutical manufacturing facilities to net realizable value
Total impairment losses		6,661	

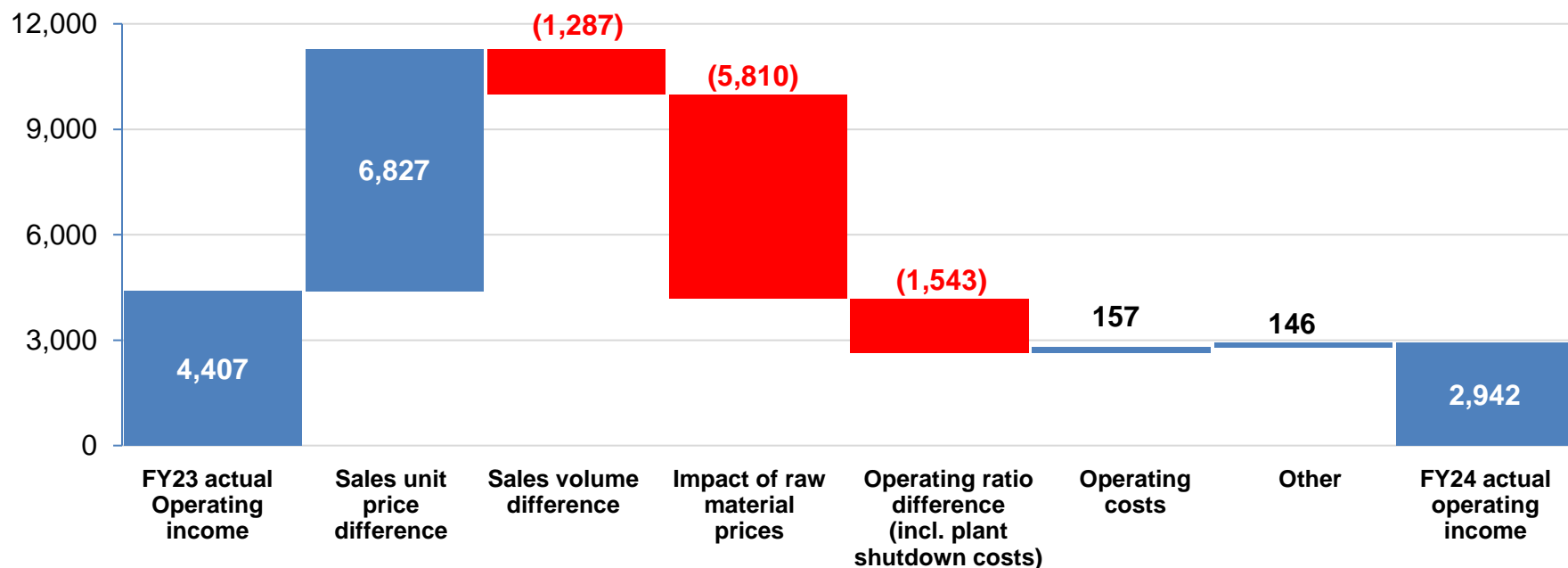
- Impairment losses were recorded for assets with "indications of impairment" and part of dormant assets
- Impact on financial statements:
  - B/S: Decrease in property, plant and equipment and accumulated profit carried forward by the above amount
  - P/L: Expenses recorded as "impairment losses" under extraordinary losses
  - C/F: Unaffected
- Impact on subsequent fiscal years:
  - Decrease in annual depreciation by approx. 600 million yen

# Net Sales/Operating Income by Segment (YOY/vs. Forecast)

		FY23 Actual		FY24 Forecast		FY24 Actual		YoY		vs. Forecast	
		million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Chemical business	Net sales	75,992	—	75,437	—	74,110	—	(1,882)	(2.5)	(1,327)	(1.8)
	Operating income	6,372	8.4	4,268	5.7	5,083	6.9	(1,288)	(20.2)	815	19.1
Medical business	Net sales	7,868	—	8,563	—	7,995	—	126	1.6	(568)	(6.6)
	Operating income	272	3.5	120	1.4	86	1.1	(185)	(68.0)	(34)	(28.3)
Adjustment	Head office expenses	(2,236)	—	(2,488)	—	(2,227)	—	8	—	261	—
Total	Net sales	83,861	—	84,000	—	82,105	—	(1,755)	(2.1)	(1,895)	(2.3)
	Operating income	4,407	5.3	1,900	2.3	2,942	3.6	(1,465)	(33.2)	1,042	54.8

# Factors for Change in Operating Income (YoY)

(million yen)



## Positive Factors

- **Efforts in price revisions (sales unit price difference)**

Soaring raw material and fuel prices was largely offset by price revision efforts.

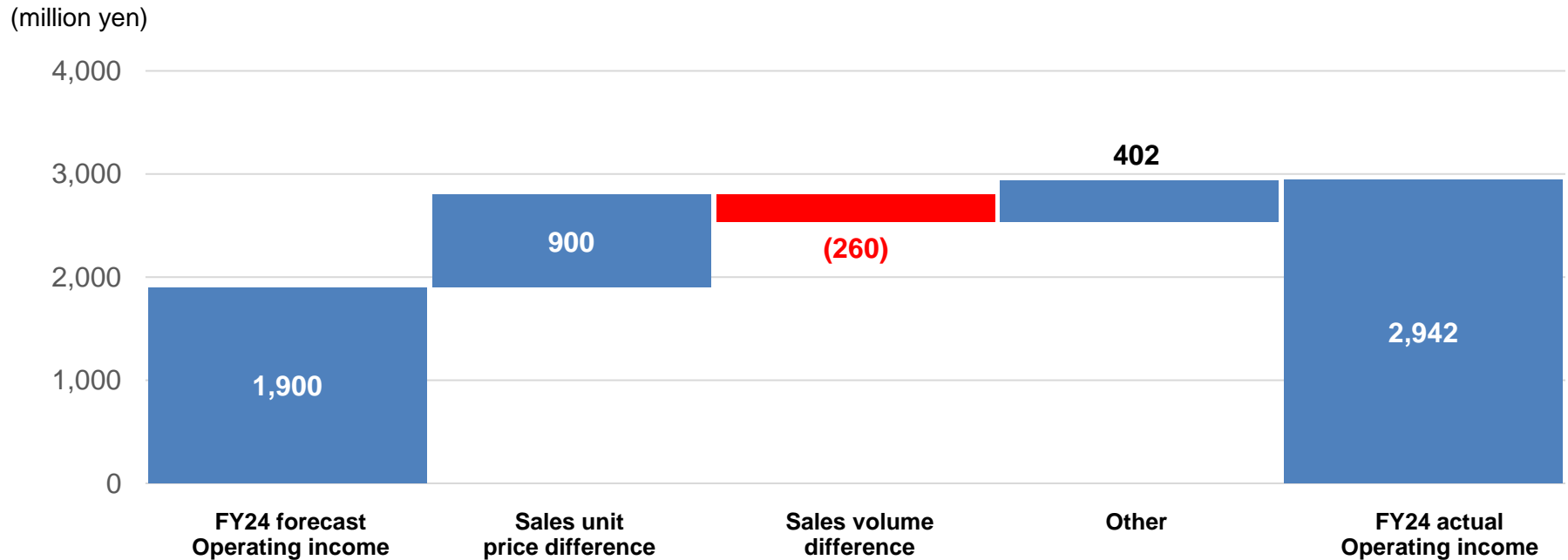
\*This was not the only factor, as profitability restoration and sales composition improvement also contributed.

## Negative Factors

- **Decrease in sales volume/operating ratio**

A decline in sales volume in several sub-segments, including electronic materials and titanium dioxide, lowered operating income. Production adjustments were made to reduce inventories, which increased fixed expense costs and caused a difference in the operating ratio.

# Factors for Change in Operating Income (vs. Forecast)



## Positive Factors

- **Penetration of price revisions, improved sales composition difference (sales unit price difference)**  
Compared to the forecast, progress in price revisions, primarily for electronic materials, and improving sales composition in dielectric materials contributed to the success.

## Negative Factors

- **Decrease in sales volume**  
The results fell short of the forecast due to slower sales volume growth, especially for electronic/cosmetics materials.

# Balance Sheet Comparison

(Unit: million yen)

Comparative Consolidated B/S	FY 2023	FY 2024	Change
Cash and deposits	12,409	16,590	4,181
Notes/accounts receivable	27,555	29,570	2,015
Inventories	30,125	28,747	(1,378)
Other	2,010	1,133	(877)
<b>Total current assets</b>	<b>72,101</b>	<b>76,042</b>	<b>3,941</b>
Property, plant and equipment	46,761	40,463	(6,298)
Other	9,158	8,938	(220)
<b>Total non-current assets</b>	<b>55,920</b>	<b>49,402</b>	<b>(6,518)</b>
<b>Total assets</b>	<b>128,021</b>	<b>125,445</b>	<b>(2,576)</b>
Notes/accounts payable	8,610	9,066	456
Short-term borrowing	13,175	15,108	1,933
Other	7,452	7,582	130
<b>Total current liabilities</b>	<b>29,237</b>	<b>31,757</b>	<b>2,520</b>
Long-term borrowing	8,467	8,930	463
Convertible Bonds	-	3,000	3,000
Other	5,598	6,290	692
<b>Total non-current liabilities</b>	<b>14,066</b>	<b>18,220</b>	<b>4,154</b>
<b>Total liabilities</b>	<b>43,304</b>	<b>49,978</b>	<b>6,674</b>
Shareholder's equity	78,863	71,183	(7,680)
Other	5,854	4,282	(1,572)
<b>Total net assets</b>	<b>84,717</b>	<b>75,466</b>	<b>(9,251)</b>
<b>Total liabilities/net assets</b>	<b>128,021</b>	<b>125,445</b>	<b>(2,576)</b>

Details of major change:

• **Trade receivables: +2,015 million yen (+7.3%)**

1. Increase in sales level immediately before the end of period (Jan.–Mar.)

2023: 20,102 -> 2024: 21,350 (+6.2%)

2. As March 31, 2024 was a bank holiday, deposits for part of the accounts receivable were delayed to the next business day. (March 31, 2023 was a Friday)

• **Inventories: -¥1,378 million yen (-4.6%)**

1. Inventory quantity: Decreased by approx. 15% from the end of the previous FY due to efforts in reduction

2. Inventory unit price: Slight increase in raw materials and a larger uptick in products

• **Property, plant and equipment: -6,298 million yen (-13.4%)**

Impairment losses: Impact of -6,592 million yen

Indicators	FY23 Year-End	FY24 Year-End
Equity-to-asset ratio	62.9%	59.3%
CCC	210 days	216 days

(\*CCC: cash conversion cycle)





# Cash Flow Statement Comparison

(Unit: million yen)

Comparative Consolidated C/F	FY 2023	FY 2024	Change
<b>Cash/deposit balance at start of period</b>	<b>10,549</b>	<b>12,188</b>	<b>1,639</b>
Current net profit before taxes and adjustments/current net loss	4,977	(3,703)	(8,680)
Depreciation	4,417	4,354	(63)
Change in trade receivables	2,374	(1,868)	(4,242)
Change in inventories	(6,833)	1,501	8,334
Change in accounts payable	(1,065)	385	1,450
Impairment losses	40	6,661	6,621
Corporate income tax, etc., and refunds	(2,866)	(620)	2,246
Other	(271)	155	426
<b>Cash flow from operating activities</b>	<b>773</b>	<b>6,866</b>	<b>6,093</b>
Purchases of property, plant and equipment	(2,658)	(4,024)	(1,366)
Other	38	61	23
<b>Cash flow from investment activities</b>	<b>(2,620)</b>	<b>(3,963)</b>	<b>(1,343)</b>
<b>FCF (operating CF + investment CF)</b>	<b>(1,847)</b>	<b>2,903</b>	<b>4,750</b>
Change in short/long-term borrowings	4,653	2,383	(2,270)
Income from issuing bonds with stock acquisition rights	-	3,000	3,000
Dividend payments	(1,289)	(1,055)	234
Purchases of subsidiary stocks	(0)	(3,067)	(3,067)
Other	(77)	1	78
<b>Total financial C/F</b>	<b>3,283</b>	<b>1,259</b>	<b>(2,024)</b>
<b>Total translation adjustments on cash/deposits</b>	<b>202</b>	<b>124</b>	<b>(78)</b>
<b>Change in cash/deposits</b>	<b>1,638</b>	<b>4,286</b>	<b>2,648</b>
<b>Cash/deposit balance at end of period</b>	<b>12,188</b>	<b>16,475</b>	<b>4,287</b>

## • Operating CF

Increased due to the reduced inventory assets and decreased corporate tax, etc. (incl. refunds).

## • Investment CF

Investment in acquiring property, plant, and equipment was primarily made to enter the CDMO market for active pharmaceutical ingredients and intermediates for organic chemicals, which will be focused on in the future.

**-> As a result, FCF increased by 4,750 million yen.**

## • Financial CF

Decreased by 2,024 million yen YoY due to expenses for acquiring subsidiary shares (TOB for shares of Sakai Trading Co. Ltd.), although unsecured convertible bonds were issued to raise funds.

# Financial Forecast for FY 2025

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# Financial Forecast for FY 2025

	FY 2024		FY 2025					
	Full Year Results		First Half Forecast		Second Half Forecast		Full Year Forecast	
	(million yen)	Net sales comparison	(million yen)	Net sales comparison	(million yen)	Net sales comparison	(million yen)	YoY
Net sales	<b>82,105</b>	—	<b>42,000</b>	—	<b>45,000</b>	—	<b>87,000</b>	6.0%
Operating income	<b>2,942</b>	3.6%	<b>2,400</b>	5.7%	<b>3,000</b>	6.7%	<b>5,400</b>	83.5%
Ordinary income	<b>3,066</b>	3.7%	<b>2,300</b>	5.4%	<b>2,900</b>	6.4%	<b>5,200</b>	69.6%
Net income attributable to owners of parent	<b>(7,092)</b>	(8.6%)	<b>1,600</b>	3.8%	<b>2,700</b>	6.0%	<b>4,300</b>	—

Net sales Sales volume varies between the sub-segments, with a lower variation on a consolidated basis. However, sales unit prices are expected to increase based on continued price revisions for the current period.

Operating income Increased profit is expected due to price revisions, which contributed to earnings in the second half of the previous period, and a volume recovery of the growth business of electronic materials.

## External Factors (estimate)

## Internal Factors (estimate)

### Positive factors

- Continued steady business in automotive-related market
- Gradual recovery of semi-conductor market
- Bottoming out of zinc market

### Negative factors

- Prolonged economic stagnation in China
- Sluggish demand for building materials in Japan

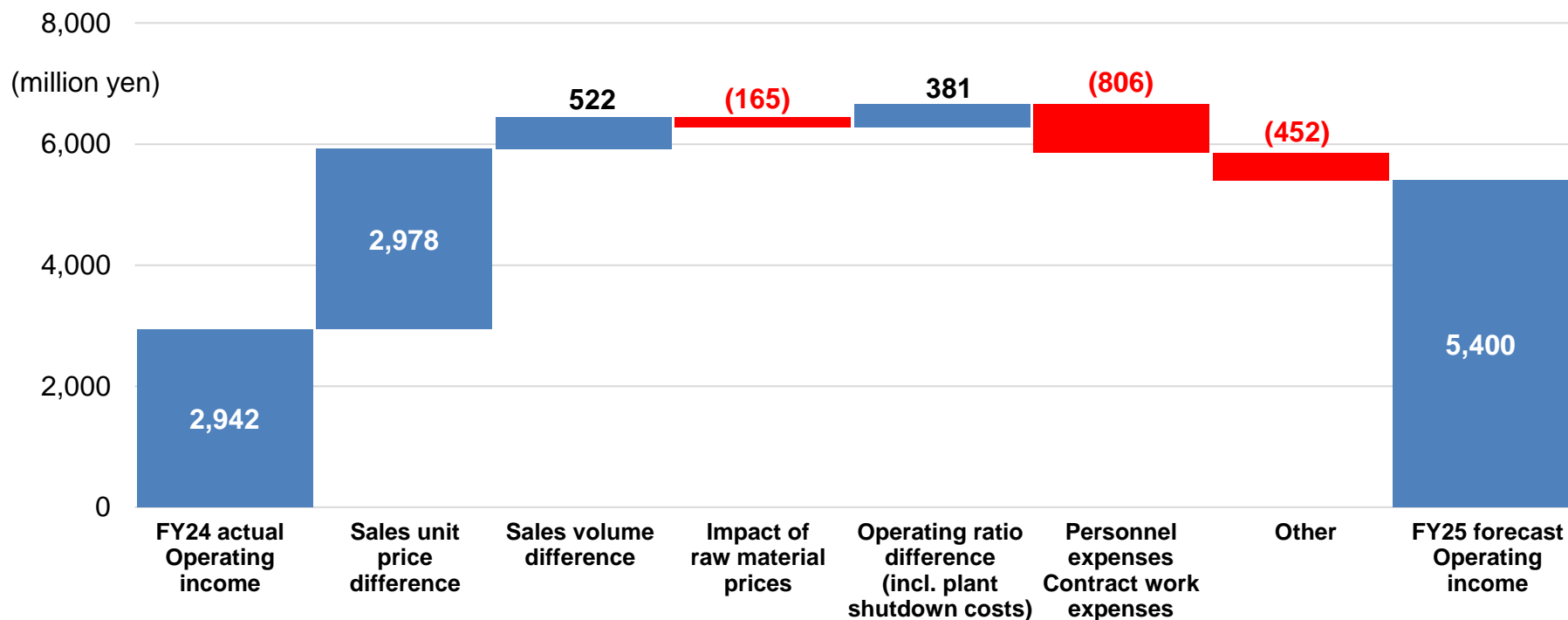
### Positive factors

- Continued price revisions
- Improvement of operating ratio

### Negative factors

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# Forecast of Change in Operating Income (YoY)



## Positive Factors

- **Effect of price revisions (sales unit price difference)**

With progress on revising remaining prices, boosted profit YoY is expected due to the effect of continued price revisions, primarily on businesses considered for efficiency.

## Negative Factors

- **Increased personnel expenses**

Increased wages in base pay.

## Trends/Forecast for Capital Investment, Depreciation, and R&D Expenses

(Forecast)

Units: million yen	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Capital investment	8,403	9,567	5,967	2,658	4,024	8,500
Depreciation	3,686	4,243	4,331	4,417	4,354	4,000
R&D expenses	2,898	2,487	2,376	2,674	2,722	3,000

- Capital investment

Expected to increase to 8,500 million yen for FY 2025 based on the plan to spend on office restructuring following portfolio transformation, safety measures, and improvements to production facilities for developed products.

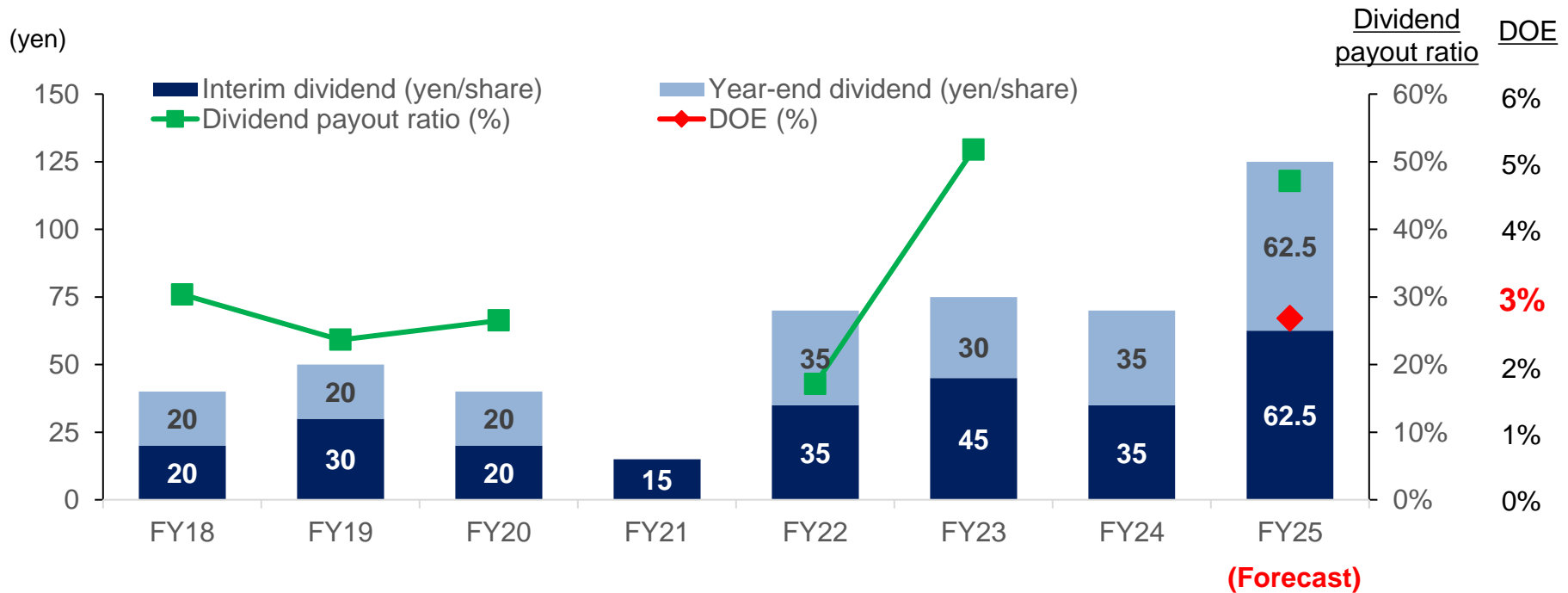
- Depreciation

Expected to reduce to 4,000 million yen due to the significant impact of impairment losses recorded in FY 2024.

# Shareholder Return

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# Shareholder Return



FY 2024:

Annual dividend of **70 yen per share (35 yen for interim, 35 yen for year-end)**

Basic policy on dividends of surplus for FY 2025–FY 2027:

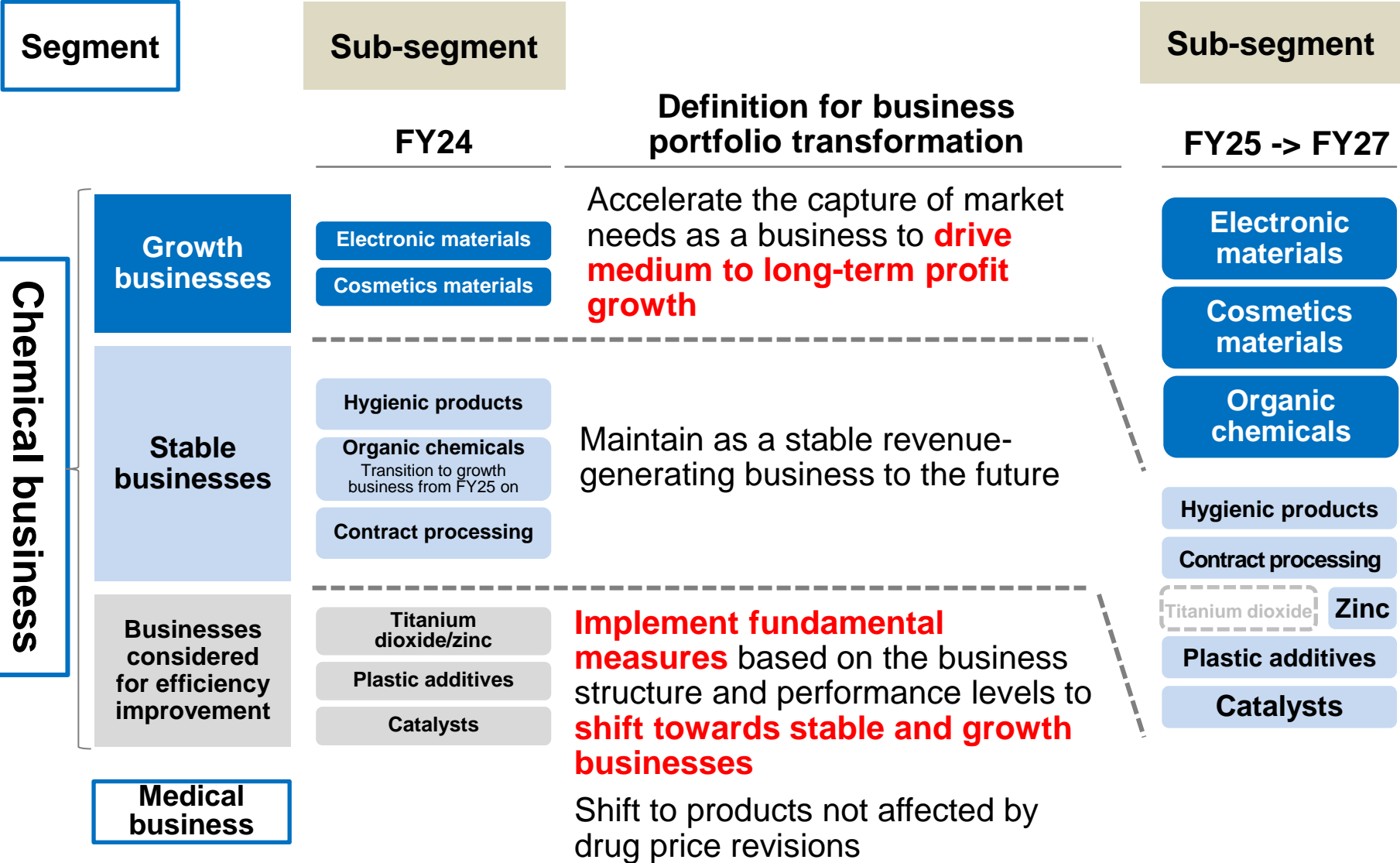
Dividend payouts based on a **target DOE of 3%** instead of a payout ratio of at least 30% (2 payments per year)

# Financial Results by Segment for FY 2024

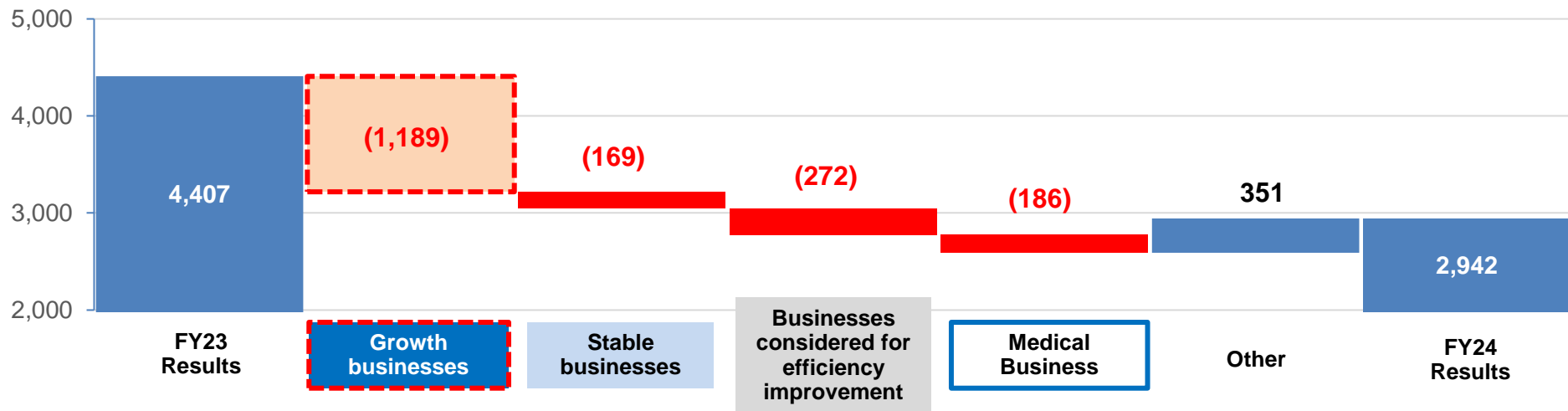
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# Relationship Between Segments and Sub-Segments

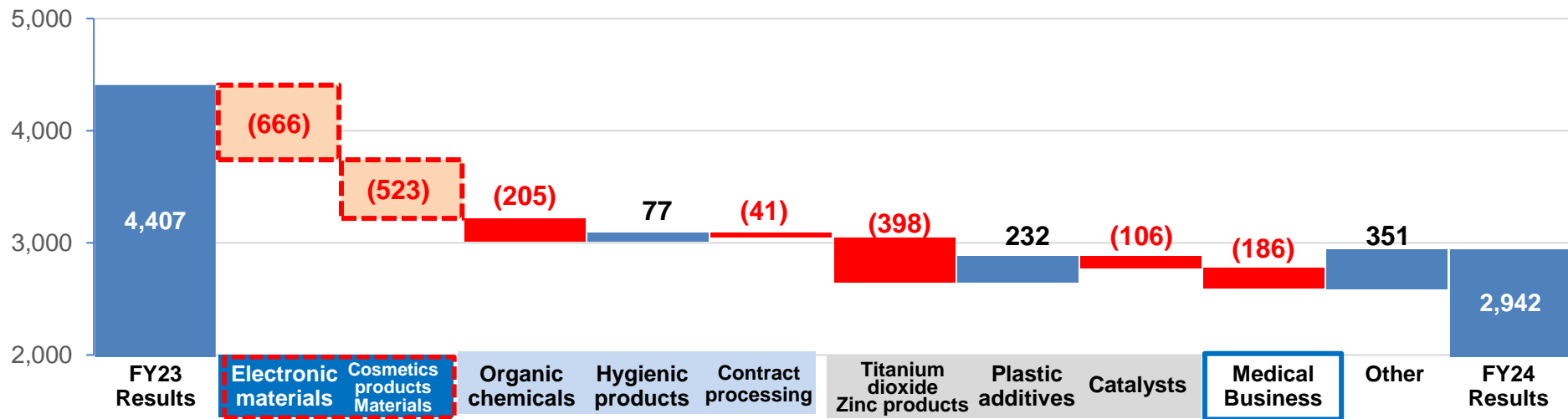


# Change in Operating Income by Sub-Segment (YoY)

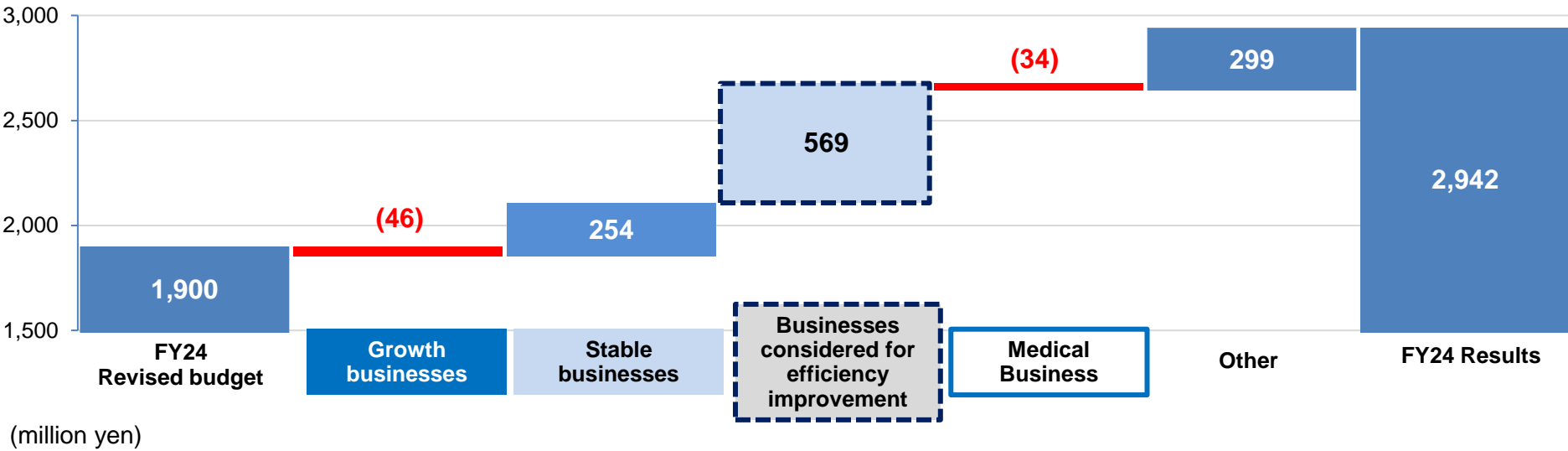


(million yen)

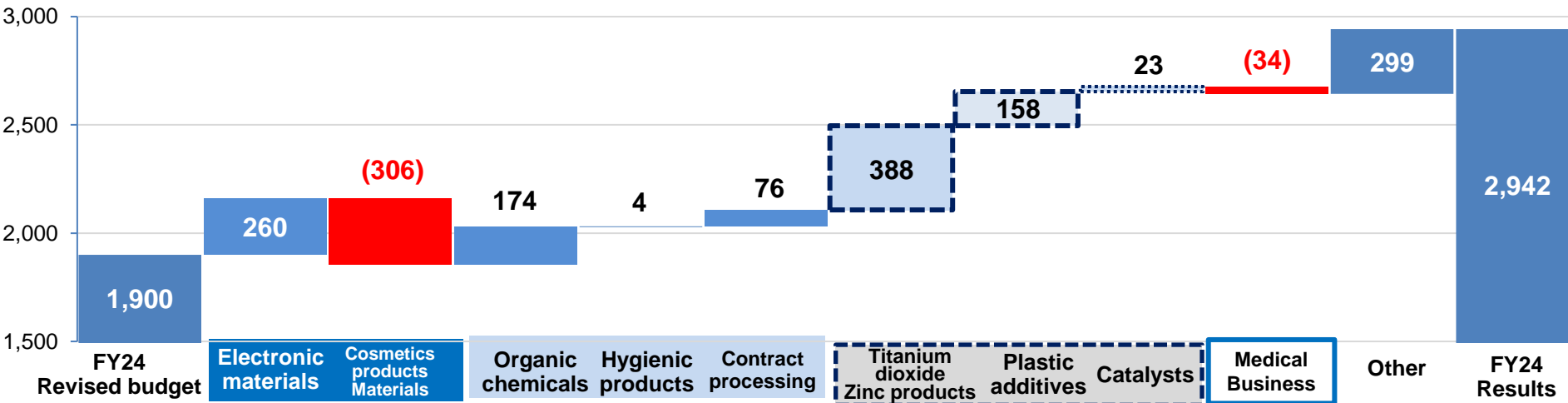
Profit declined significantly in the growth businesses of electronic/cosmetics materials.



# Change in Operating Income by Sub-Segment (vs. Forecast)



Profit exceeded the revised budget, primarily in the businesses considered for efficiency improvement of titanium dioxide/zinc products and plastic additives.



# Electronic Materials

## • Year-on-year

	FY23 Actual		FY24 Actual		Change	
	million yen	%	million yen	%	million yen	%
Net sales	8,939	—	8,978	—	39	0.4
Operating income	946	10.6	280	3.1	(666)	(70.4)

## • Vs. forecast

\*Forecast refers to the forecast revised in 2Q/FY 2024

	FY24 Forecast		FY24 Actual		Difference	
	million yen	%	million yen	%	million yen	%
Net sales	9,415	—	8,978	—	(437)	(4.6)
Operating income	20	0.2	280	3.1	260	1,300.0

## • Year-on-year

Net sales	<p><b>(+) Penetration of price revisions</b> The sluggish market for consumer electronics semiconductors, which began in the second half of the previous period, resulted in decreased sales volume in dielectrics and dielectric materials. However, sales remained unchanged due to the penetration of price revisions, particularly for dielectrics.</p>
Operating income	<p><b>(-) Decrease in sales volume, deterioration in sales composition difference</b> Profit significantly fell, as declined demand that began in FY23 continued until 2Q of FY24, causing a prolonged adjustment in operating ratio, a decrease in sales volume year-on-year, and a deterioration in the sales composition of dielectric materials.</p>

## • Vs. forecast

Net sales	<p><b>(-) Decrease in sales volume</b> Contrary to our assessment that demand for MLCCs, closely linked to the semiconductor market, would bottom out in 2Q/FY2024 and gradually recover, the market recovery was slower than expected, and sales fell short of the forecast due to sluggish growth in sales volume.</p>
Operating income	<p><b>(+) Penetration of price revisions, improved sales composition difference</b> Results exceeded the forecast as price revisions progressed mainly in dielectrics, resulting in a more significant improvement of sales composition than the sales plan, especially in dielectric materials.</p>

# Cosmetics Materials

## • Year-on-year

	FY23 Actual		FY24 Actual		Change	
	million yen	%	million yen	%	million yen	%
Net sales	2,790	—	2,498	—	(292)	(10.5)
Operating income	430	15.4	(93)	(3.7)	(523)	(121.6)

## • Vs. forecast

\*Forecast refers to the forecast revised in 2Q/FY 2024

	FY23 Forecast		FY24 Actual		Difference	
	million yen	%	million yen	%	million yen	%
Net sales	2,830	—	2,498	—	(344)	(11.7)
Operating income	213	7.5	(93)	(3.7)	(306)	(143.7)

## • Year-on-year

Net sales	<p><b>(-) Decrease in sales volume</b> Despite the steady recovery in demand in Japan, sales volume declined due to the sluggish consumption of sunscreen products overseas, particularly in China. Results were also impacted by production that was not performed as planned due to temporary factors such as implementing quality improvements.</p>
Operating income	<p><b>(-) Decrease in sales volume, recording of factory shutdown costs</b> Profit primarily declined as the factory was shut down longer than usual during scheduled maintenance due to sluggish sales, which resulted in the recording of factory shutdown costs (approx. 100 million yen).</p>

## • vs. Forecast

Net sales	<p><b>(-) Decrease in sales volume</b> Results fell short of the forecast because sales volume grew lower than expected. This was caused by weak demand in China and other overseas markets, and production that was not performed as planned.</p>
Operating income	<p><b>(-) Decrease in sales volume</b> Results fell below the forecast significantly due to sluggish sales caused by weak sales volume and the record of valuation losses on defective products (approx. 100 million yen)</p>

# Organic Chemicals

## • Year-on-year

	FY23 Actual		FY24 Actual		Change	
	million yen	%	million yen	%	million yen	%
Net sales	8,014	—	7,813	—	(201)	(2.5)
Operating income	1,600	20.0	1,395	17.9	(205)	(12.8)

## • Vs. forecast

\*Forecast refers to the forecast revised in 2Q/FY 2024

	FY24 Forecast		FY24 Actual		Difference	
	million yen	%	million yen	%	million yen	%
Net sales	8,080	—	7,813	—	(267)	(3.3)
Operating income	1,221	15.1	1,395	17.9	174	14.3

## • Year-on-year

Net sales	<p><b>(-) Decrease in shipments of active pharmaceutical ingredients/intermediates</b></p> <p>Although shipments of additives for plastic lens monomers (eyeglass lens materials) increased steadily due to strong demand for eyeglass lenses, profit decreased due to a decrease in shipments of active pharmaceutical ingredients/intermediates.</p>
Operating income	<p><b>(-) Decrease in shipments, impact of high raw material/fuel prices</b></p> <p>Profit declined due to the impact of high raw material/fuel prices for additives for plastic lens monomers and a decrease in shipment volume for active pharmaceutical ingredients/intermediates.</p>

## • Vs. forecast

Operating income	<p><b>(-) Decrease in sales volume</b></p> <p>Results fell short of the forecast as the sales volume of this products other than additives for plastic lens monomers did not reach the target.</p>
Operating income	<p><b>(+) Increase in shipments</b></p> <p>Shipments of additives for plastic lens monomers exceeded the forecast as demand for eyeglass lenses remained strong, resulting in higher sales volume than the target.</p>

# Hygienic Products

## • Year-on-year

	FY23 Actual		FY24 Actual		Change	
	million yen	%	million yen	%	million yen	%
Net sales	5,496	—	5,455	—	(41)	(0.7)
Operating income	327	5.9	404	7.4	77	23.5

## • Vs. forecast

\*Forecast refers to the forecast revised in 2Q/FY 2024

	FY24 Forecast		FY24 Actual		Difference	
	million yen	%	million yen	%	million yen	%
Net sales	5,923	—	5,455	—	(468)	(8.0)
Operating income	400	6.7	404	7.4	4	1.0

## • Year-on-year

Net sales	<p><b>(-) Decrease in sales of imported goods</b> Despite the sluggish movement in imported goods for sanitary materials caused by the weakening yen, sales remained at the previous period's level.</p>
Operating income	<p><b>(+) Contributions from improved production yields and reduced distribution costs</b> Profit increased due to a drop in manufacturing costs caused by improved yields, and a decrease in operating expenses resulted from a fall in export rates compared to the previous period.</p>

## • Vs. forecast

Net sales	<p><b>(-) Slower movement in imported goods and manufactured products</b> Results fell below the forecast due to lower sales of manufactured products resulting from slower movement in imported goods than the target caused by the weakening yen. The diaper market also remained sluggish due to rising prices in Indonesia.</p>
Operating income	<p><b>(+) Improved production yields and reduced distribution costs</b> Despite a decline in the operating ratio caused by weaker sales, results reached the target level due to decreased operating expenses resulting from improved yields, lower export rates, etc.</p>

# Contract Processing

• Year-on-year

	FY23 Actual		FY24 Actual		Change	
	million yen	%	million yen	%	million yen	%
Net sales	6,244	—	6,177	—	(67)	(1.1)
Operating income	587	9.4	546	8.8	(41)	(7.0)

• Vs. forecast

\*Forecast refers to the forecast revised in 2Q/FY 2024

	FY24 Forecast		FY24 Actual		Difference	
	million yen	%	million yen	%	million yen	%
Net sales	6,961	—	6,177	—	(784)	(11.3)
Operating income	470	6.7	546	8.8	76	16.2

• Year-on-year

Net sales	<b>(-) Decrease in sales volume</b> Although profit decreased due to the completion of large contract manufacturing projects and sales declined in construction materials and bath additives for processed pigments, sales were maintained overall, given the penetration of price revisions.
Operating income	<b>(-) Decrease in sales volume</b> Profit decreased due to lower sales volume for contract manufacturing and processed pigments.

• Vs. budget

Net sales	<b>(-) Decrease in sales volume</b> Results fell below the forecast as sales of processed pigments for construction materials and pigments for office equipment remained weak.
Operating income	<b>(+) Accepting new projects, penetration of price revisions</b> Results exceeded the forecast due to the acceptance of more projects than planned, which replaced large projects completed for stage possessing and price revisions in processed pigments.





# Titanium Dioxide/Zinc Products (Excl. Cosmetics Materials)

Businesses considered for  
efficiency improvement

## • Year-on-year

	FY23 Actual		FY24 Actual		Change	
	million yen	%	million yen	%	million yen	%
Net sales	15,068	—	14,269	—	(799)	(5.3)
Operating income	(34)	(0.2)	(432)	(3.0)	(398)	—

## • Vs. forecast

\*Forecast refers to the forecast revised in 2Q/FY 2024

	FY24 Forecast		FY24 Actual		Difference	
	million yen	%	million yen	%	million yen	%
Net sales	14,949	—	14,269	—	(680)	(4.5)
Operating income	(820)	(5.5)	(432)	(3.0)	388	—

## • Year-on-year

Net sales	<b><u>(-) Drop in zinc quotation market in Japan (approx. 700 million yen YoY)</u></b>
	Sales of zinc products decreased sharply due to the decline in the zinc quotation market in Japan. Titanium dioxide sales declined despite efforts to offset volume drop due to competition for low-priced Chinese products through price revisions.

Operating income	<b><u>(-) Decrease in sales volume of titanium dioxide, impact of high raw material/fuel prices</u></b>
	Despite the efforts to revise prices, the impact of high raw material/fuel prices persisted. Prioritizing price revisions while being hit by competition for low-priced Chinese products resulted in lower sales volume and operating ratio due to the ensuing inventory adjustments, and profit declined. (Impact on profits from zinc products is limited as the business relies on processing fees.)

## • Vs. forecast

Net sales	<b><u>(-) Decrease in sales volume of titanium dioxide</u></b>
	Results fell below the forecast due to a weaker sales volume than planned, resulting from competition for low-priced Chinese products while progressing with price revisions in titanium dioxide.

Operating income	<b><u>(+) Penetration of price revisions in titanium dioxide/zinc products</u></b>
	The deficit was smaller than the forecast, given the ongoing price revisions and the impairment losses recorded in the 3Q/FY 2024 financial results.



# Plastic Additives

## • Year-on-year

	FY23 Actual		FY24 Actual		Change	
	million yen	%	million yen	%	million yen	%
Net sales	13,354	—	13,418	—	64	0.5
Operating income	404	3.0	636	4.7	232	57.4

## • Vs. forecast

\*Forecast refers to the forecast revised in 2Q/FY 2024

	FY24 Forecast		FY24 Actual		Difference	
	million yen	%	million yen	%	million yen	%
Net sales	15,772	—	13,418	—	(2,354)	(14.9)
Operating income	478	3.0	636	4.7	158	33.1

## • Year-on-year

Net sales	<b><u>(+) Penetration of price revisions, expansion in sales overseas</u></b> Sales were level with the previous period. This was due to lower sales in Japan due to a decline in housing starts, while overseas sales of products for the Chinese market declined. However, price revisions progressed in Japan and overseas, and sales of non-lead stabilizers expanded in overseas markets.
Operating income	<b><u>(+) Penetration of price revisions, expansion in sales overseas</u></b> Profit increased as the sales composition improved due to the expansion of sales of non-lead stabilizers in overseas markets on top of the penetration of price revision in Japan.

## • Vs. forecast

Net sales	<b><u>(-) Decrease in sales volume</u></b> Results fell below the forecast. This was due to lower sales volume than the target, impacted by weak PVC demand for construction materials and joints in Japan and the prolonged economic stagnation in China.
Operating income	<b><u>(+) Penetration of price revisions, increase in non-lead stabilizers</u></b> Profit increased both in Japan and overseas as sales of non-lead stabilizers in Vietnamese and Thai markets expanded and price revision progressed in Japan.

### • Year-on-year

	FY23 Actual		FY24 Actual		Change	
	million yen	%	million yen	%	million yen	%
Net sales	4,193	—	3,527	—	(666)	(15.9)
Operating income	179	4.3	73	2.1	(106)	(59.2)

### • Vs. forecast

\*Forecast refers to the forecast revised in 2Q/FY 2024

	FY24 Forecast		FY24 Actual		Difference	
	million yen	%	million yen	%	million yen	%
Net sales	3,707	—	3,527	—	(180)	(4.9)
Operating income	50	1.3	73	2.1	23	46.0

### • Year-on-year

Net sales	<p><b>(-) Decrease in sales volume</b> Sales volume fell as nickel catalysts were significantly impacted by regular maintenance for customers in Japan. In contrast, large overseas projects for denitration catalysts, which contributed to the previous period's results, were completed.</p>
Operating income	<p><b>(-) Decrease in sales volume</b> Despite the penetration of the price revisions, the decline in sales volume was not covered, resulting in decreased profit.</p>

### • Vs. forecast

Net sales	<p><b>(-) Decrease in sales volume</b> Results fell short of the forecast. Sales volume in nickel catalysts grew lower than planned as the starting of customer's new plant was delayed. Sales volume of denitration catalysts fell below the forecasts due to avoiding excessive price competition following a sales policy prioritizing profitability.</p>
Operating income	<p><b>(+) Penetration of price revisions</b> Operating income exceeded the forecast due to price revisions, especially in nickel catalysts.</p>

# Medical Business

## • Year-on-year

	FY23 Actual		FY24 Actual		Change	
	million yen	%	million yen	%	million yen	%
Net sales	7,868	—	7,995	—	127	1.6
Operating income	272	3.5	86	1.1	(186)	(68.4)
Net sales (new businesses)	1,303	—	1,615	—	312	23.9

\*New businesses are those unaffected by drug price revisions

## • Vs. forecast

\*Forecast refers to the forecast revised in 2Q/FY 2024

	FY24 Forecast		FY24 Actual		Difference	
	million yen	%	million yen	%	million yen	%
Net sales	8,563	—	7,995	—	(568)	(6.6)
Operating income	120	1.4	86	1.1	(34)	(28.3)
Net sales (new businesses)	2,069	—	1,615	—	(454)	(21.9)

## • Year-on-year

Net sales	<p><b>(+) Medical device business, OTC drugs, new businesses</b></p> <p>Sales increased slightly. Although sales of the barium contrast medium business and Alloid G declined due to drug price revisions, sales of OTC drugs increased due to renewed medical devices and an increase in the number of people with the common cold following the relaxation of COVID-19 countermeasures, which boosted sales of new businesses.</p>
	<p><b>(-) Drug price revisions, high raw material/fuel prices</b></p> <p>Despite profits from medical devices and OTC drugs, profits declined due to unavoidable margin compression from drug price revisions and high raw material/fuel prices.</p>
Operating income	

## • Vs. forecast

Net sales	<p><b>(-) Barium contrast medium, Alloid G, new businesses</b></p> <p>Although the decline in sales of the existing barium contrast medium business and Alloid G was to be covered by new businesses, results fell short of the forecast due to the delay in part of launches, etc.</p>
	<p><b>(-) High raw material/fuel prices</b></p> <p>Operating income fell below the forecast due to the unavoidable impact of soaring raw material/fuel prices.</p>
Operating income	

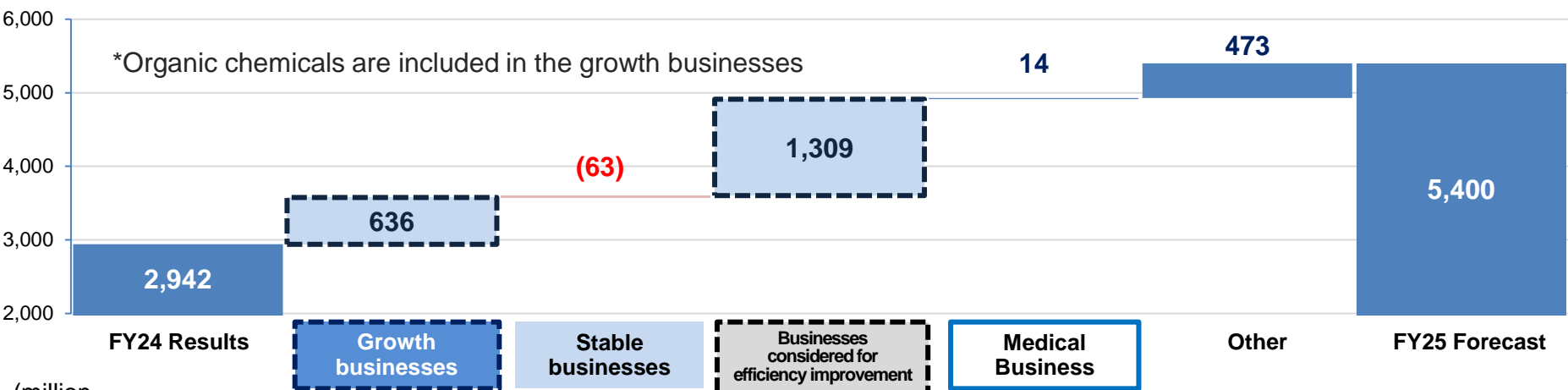
# Understanding the Business Environment

	Sub-segment	Assumptions for the FY25 forecast
Growth Businesses	Electronic materials	The semiconductor market is on a recovery trend since the second half of the previous period and will continue into the current period.
	Cosmetics materials	Demand in Japan: Continues to recover steadily. Demand in overseas: Gradually starts to recover.
	Organic chemicals	Eyeglass lens market remains strong.
Businesses considered for efficiency improvement	Titanium dioxide /zinc products	The oversupply of titanium dioxide continues, and sales will remain challenging as cheap overseas products continue to flow into the Japanese market.
	Plastic additives	Demand in Japan: The PVC market is on a downward trend; increasing sales is expected to be difficult. Demand in overseas: As the PVC market expands, the shift from lead-based to lead-free stabilizers progresses.

# Forecast by Sub-Segment

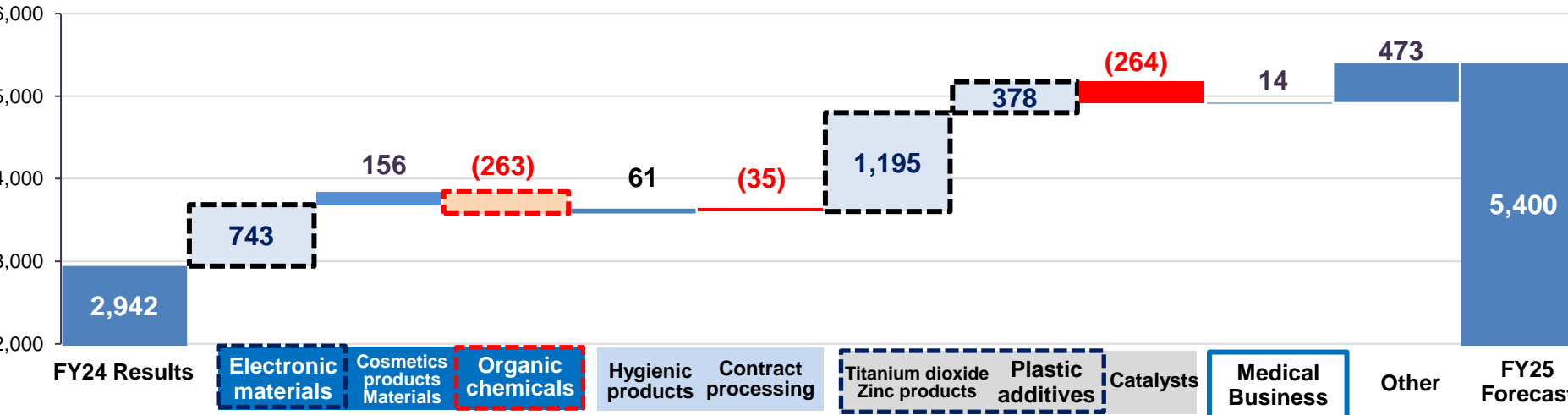
	FY23 results			FY25 full year forecast			Difference			
	Net sales	Operating income	Income ratio	Net sales	Operating income	Income ratio	Net sales		Operating income	
	million yen	million yen	%	million yen	million yen	%	million yen	%	million yen	%
Electronic materials	8,978	280	3.1	10,913	1,023	9.4	1,935	21.6	743	265.4
Cosmetics materials	2,498	(93)	(3.7)	3,016	63	2.1	518	20.7	156	(167.7)
Organic chemicals	7,813	1,395	17.9	7,377	1,132	15.3	(436)	(5.6)	(263)	(18.9)
Hygienic products	5,455	404	7.4	5,966	465	7.8	511	9.4	61	15.1
Contract processing	6,177	546	8.8	6,303	511	8.1	126	2.0	(35)	(6.4)
Titanium dioxide Zinc products	14,269	(423)	(3.0)	13,845	763	5.5	(424)	(3.0)	1,186	(280.4)
Plastic additives	13,418	636	4.7	14,308	1,014	7.1	890	6.6	378	59.4
Catalysts	3,527	73	2.1	3,544	(191)	(5.4)	17	0.5	(264)	(361.6)
Pharmaceutical business	7,995	86	1.1	8,175	100	1.2	180	2.3	14	16.3
Other	11,975	38	0.3	13,553	520	3.8	1,578	13.2	482	1,268.4
<b>Consolidated</b>	<b>82,105</b>	<b>2,942</b>	<b>3.6</b>	<b>87,000</b>	<b>5,400</b>	<b>6.2</b>	<b>4,895</b>	<b>6.0</b>	<b>2,458</b>	<b>83.5</b>

# Change in Operating Income by Sub-Segment (YoY)



Profit is estimated to increase in the growth business of electronic materials and the businesses considered for efficiency improvement of titanium dioxide and plastic additives.

Profit in the growth business of organic chemicals is expected to decline due to increased depreciation expenses incurred by capital investment in active pharmaceutical ingredients and intermediates.



# Q&A

## ■ Q&A Order

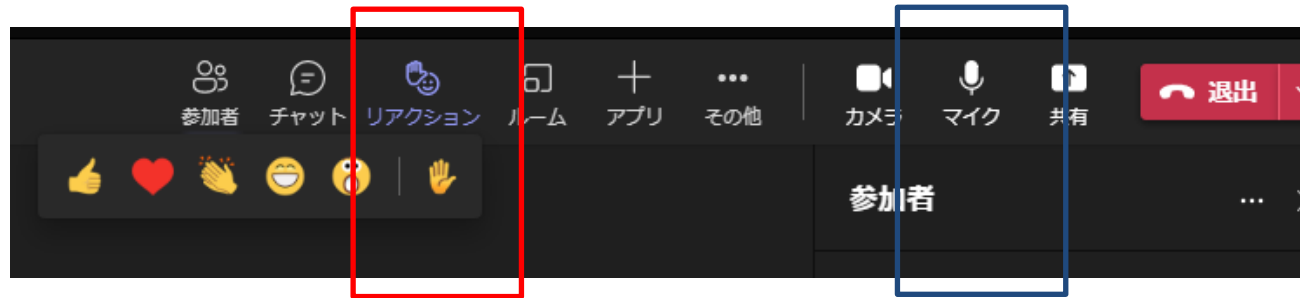
(1) Questions from audience members in the venue → (2) Questions from online participants

\*We kindly ask those participating online to wait until the Q&A session at the venue has concluded.

\*Due to time constraints at the venue, we may be unable to accept questions from online participants. We thank you for your understanding.

## ■ How to Ask Questions Online

Those with a question are asked to use the **Reaction** button on the screen to raise their hand.



If multiple participants raise their hands at the same time, we will answer in order (keep the Raised Hand button on).

When called upon, someone from our offices will **unmute** your microphone, so please start speaking. (\*Your name will be called. Names will be withheld in the transcript published on our website, but will be disclosed in the version published by the Analysts Association. We thank you for your understanding in this matter.)

Once the Q&A session is over, please lower your hand using the same **Reaction** feature and **turn off your microphone**.



# Reference Materials

- **Company Profile**
- **Our Businesses**
- **Trends in Performance**



# Sakai Chemical Industry Co., Ltd. Company Profile

<b>Head Office</b>	5-2, Ebisujima-cho, Sakai-ku, Sakai-shi, Osaka
<b>Representative</b>	President & Representative Director Toshiyuki Yagura
<b>Established</b>	June 1918
<b>Businesses</b>	Inorganic chemical, organic chemical, and pharmaceutical development, manufacture, and sales
<b>Total assets</b>	JPY125,445 million yen
<b>Net assets</b>	JPY82,105 million yen
<b>Affiliates</b>	15 consolidated subsidiaries (7 in Japan, 8 overseas)
<b>Number of employees</b>	Consolidated: 2,007/Sakai Chemical Industry only: 753 (as of the end of March, 2024)

# About the Sakai Group

## Chemical (Manufacture & Sales)

Sakai Chemical Industry Co., Ltd.

Osaki Industry Co., Ltd.

Resino Color Industry Co., Ltd.

Kyodo Chemical Co., Ltd.

Nippon Color Industry Co., Ltd.

Katayama Seiyakusyo Co., Ltd.

Sakai Chemical (Vietnam) Co., Ltd.

Siam Stabilizers and Chemicals Co., Ltd.

Pt. S&S Hygiene Solution

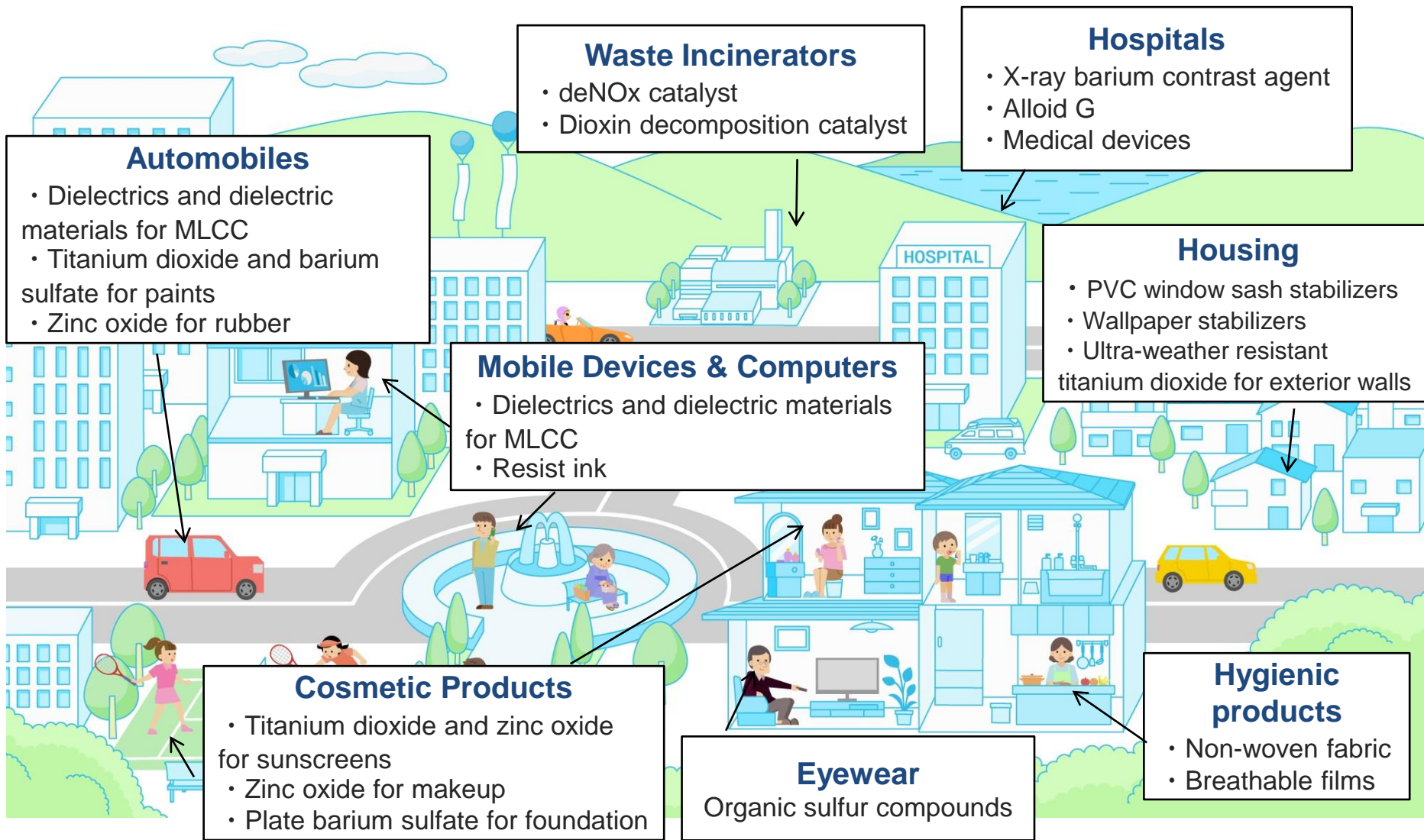
## Chemical (Sales)

Sakai Trading Co., Ltd.

## Medical (Manufacture & Sales)

Kaigen Pharma Co., Ltd.

# Sakai Group Products in Everyday Life



# Businesses and Sales Structure

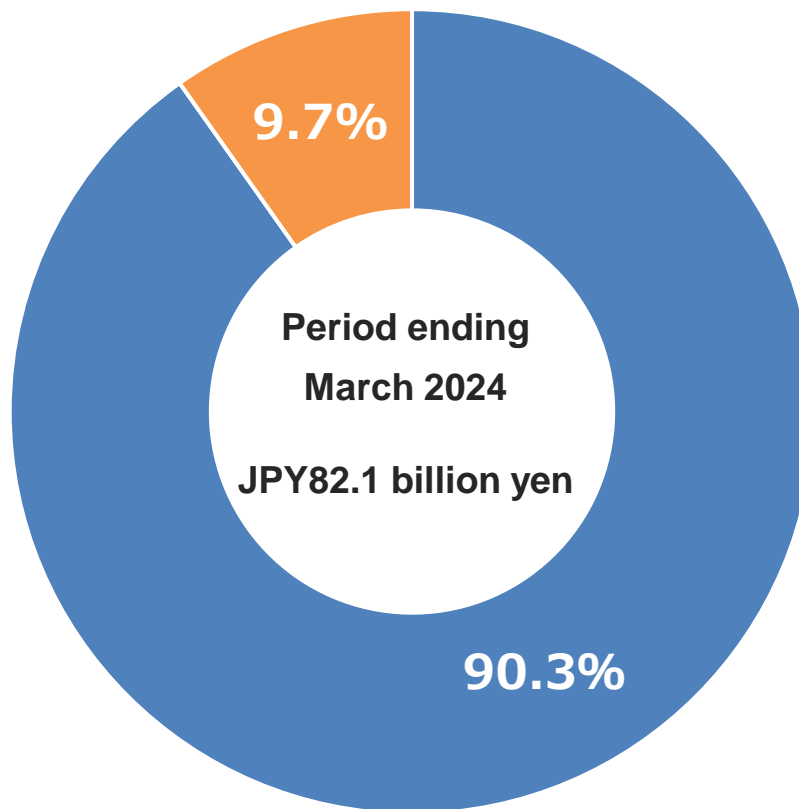
## Medical

We offer a wide range of products and services that contribute to health for everything from use in medical treatments to OTC drugs, centered on barium products, sodium alginate products, medical devices, and the Kaigen brand.



## Chemicals

This is our core business developing materials in a variety of fields using natural ore processing and powder control technologies.

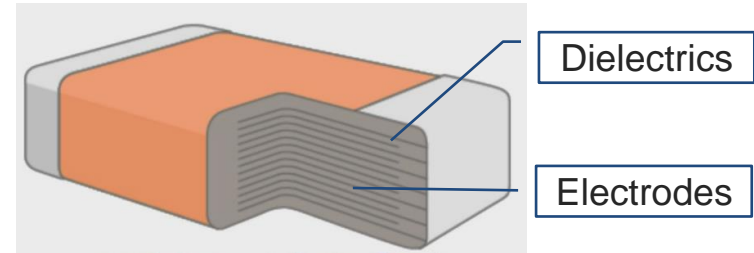


# Our Businesses: Chemicals

## Electronic materials

### Multilayer ceramic capacitors

- Dielectric (barium titanate)
- Dielectric materials (high-purity barium carbonate)



**A main material for multilayer ceramic capacitors essential for electronic devices.**

**A property of dielectrics is that they can store large amounts of electricity.**

**We will continue to help improve capacitor performance by developing ultra-small, uniformly shaped spherical dielectrics.**

**Used in places like these**



# Our Businesses: Chemicals

## Titanium dioxide and zinc products

- Titanium dioxide: A white pigment with excellent coloring, concealing, weather resistance, and chemical stability
- Zinc oxide: A vulcanization accelerator for rubber products
- Cosmetic materials: Achieve high UV blocking and smooth skin texture

**Titanium dioxide is a material necessary in all kinds of fields including paints, inks, papermaking, plastics, and synthetic fibers. Both titanium dioxide and zinc oxide have a high UV blocking rate when processed into fine particles, making them effective in sunscreens and foundations.**

Used in places  
like these



# Our Businesses: Chemicals

## Plastic additives

Pipes, joints, window frames, wallpapers, wire harnesses

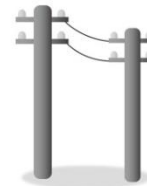
- PVC stabilizers/non-PVC stabilizers
- Hydrotalcite: Used in lead-free PVC stabilizers and agricultural films due to its high heat retention and transparency



**PVC stabilizers are added to improve the processability of plastics and inhibit degradation. There is currently a global trend to remove lead from PVC stabilizers and increased switching to lead-free products.**

**Our subsidiary in Vietnam produces lead-free stabilizers and their raw material hydrotalcite, while our subsidiary in Thailand produces both lead-based and lead-free stabilizers, expanding sales primarily in Southeast Asia.**

Used in places  
like these





# Our Businesses: Chemicals

## Hygienic products

Diapers, feminine hygiene products

- Breathable films: Retain moisture and allow only air to pass

Used in places like these

**Amid increasing demand overseas, our Indonesian subsidiary manufactures breathable films.**



## Organic chemicals

Plastic lenses, concrete, lubricants, pharmaceuticals

- Organic sulfur compounds: Improves refractive index of eyeglass lenses and used as a concrete admixture
- Organic phosphorus compounds:  
Used in lubricant additives
- Active pharmaceutical ingredients and intermediates

Used in places like these

**We are the only domestic manufacturer of the organic sulfur compound BMPA.**



# Our Businesses: Chemicals

## Catalysts

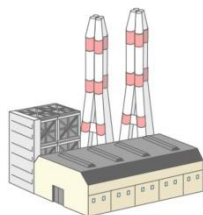
Waste incinerators, thermal power stations, margarine, adhesives, optical films

- deNOx catalysts: Remove nitrogen oxides
- Process catalysts (nickel catalysts): For hydrogenation of fats and plastics

**With increasing demand for optical film and disposable diaper adhesives, which use nickel catalysts, business will be expanded.**



**Used in places like this**



## Contract Processing Business

Contracted manufacturing of inorganic and organic industrial chemical products:

Pigments, colorants, functional inks, catalysts, plastic additives, etc.

**With a vast array of equipment, we cater to a wide range of fields.**



# Our Businesses (Medical)



## Kaigen Pharma Co., Ltd.

### X-ray barium contrast agents

Used in gastrointestinal imaging

Manufacture of the raw medicinal material barium sulfate commenced in 1931.

This familiar contrast medium is used in check-ups and is also exported overseas.



### Medical devices

- Endoscope washing/ disinfection equipment

Adapt to the shift from barium to examinations using gastrointestinal cameras. We are focusing on development as this business is unaffected by price revisions.



### Alloid G

Drugs for peptic ulcers and gastroesophageal reflux disease



Stops bleeding and protects mucous membranes in gastric/duodenal ulcers, improves self-reported symptoms of gastroesophageal reflux disease.

### OTC drugs

- Kaigen Series
- Kaigen Granules
- Kaigen Pack IB Granules



Sales to the Taiwan market using "Made in Japan" quality have commenced.

# Trends in Sales and Operating Income by Product in the Chemical Business

Amount units: million yen

		2019.3	2020.3	2021.3	2022.3	2023.3	2024.3
Electronic materials	Net Sales	8,948	8,499	9,723	10,857	8,939	8,978
	Operating Income	651	117	23	1,700	946	280
Cosmetics Materials	Net Sales	2,121	2,534	1,698	2,460	2,790	2,498
	Operating Income	429	735	292	301	430	▲ 93
Titanium dioxide and zinc products	Net Sales	16,341	15,305	13,563	15,718	17,858	14,269
	Operating Income	304	610	518	1,046	396	▲ 432
Plastic additives	Net Sales	12,745	12,583	11,543	12,489	13,354	13,418
	Operating Income	248	169	397	966	404	636
Hygienic products	Net Sales	8,006	8,070	9,254	5,388	5,496	5,455
	Operating Income	246	174	440	331	327	404
Organic chemicals	Net Sales	5,919	6,172	6,882	7,321	8,014	7,813
	Operating Income	828	1,271	1,476	1,639	1,600	1,395
Catalysts	Net Sales	4,257	3,703	3,210	3,644	4,193	3,527
	Operating Income	289	26	▲ 82	190	179	73
Contract processing	Net Sales	7,000	6,811	6,550	6,947	6,244	6,177
	Operating Income	1,031	698	632	1,029	587	546
Other	Net Sales	18,040	17,412	16,079	9,875	11,890	11,970
	Operating Income	432	356	447	170	▲ 305	46
Total	Net Sales	81,256	78,555	76,821	72,243	75,992	74,110
	Operating Income	4,029	3,421	3,851	7,076	4,135	2,855

Note: The value obtained when head office expenses are subtracted from operating income.

# Quarterly Trends in the Chemical Business

Amount units: million yen

	2022.3				2023.3				2024.3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
<b>Net Sales</b>	17,695	18,113	17,544	18,890	19,455	19,116	18,918	18,502	19,091	17,221	18,088	19,708
<b>Electronic materials</b>	2,660	2,426	3,144	2,627	2,685	2,271	1,984	1,998	2,144	1,953	2,267	2,613
<b>Cosmetics Materials</b>	552	464	595	847	714	634	632	809	630	563	613	690
<b>Titanium dioxide and zinc</b>	3,376	3,098	3,324	3,459	3,841	3,755	3,912	3,557	3,680	3,401	3,807	3,378
<b>Plastic additives</b>	3,090	3,118	3,148	3,132	3,281	3,430	3,291	3,350	3,382	3,561	3,469	3,004
<b>Hygienic products</b>	1,283	1,223	1,503	1,379	1,225	1,426	1,458	1,385	1,399	1,364	1,334	1,358
<b>Organic chemicals</b>	2,250	2,171	1,089	1,810	2,172	2,211	1,496	2,133	2,465	1,262	1,255	2,829
<b>Catalysts</b>	661	824	961	1,197	910	1,151	981	1,150	662	1,026	735	1,102
<b>Contract processing</b>	1,849	1,739	1,618	1,740	1,704	1,487	1,585	1,467	1,543	1,465	1,626	1,541
<b>Other</b>	1,974	3,046	2,160	2,698	2,919	2,747	3,574	2,649	3,181	2,622	2,978	3,188
<b>Operating Income</b>	2,111	2,012	1,452	1,501	1,736	1,289	762	347	871	▲ 99	672	1,411

Note: Head office expenses have been subtracted from operating income.

# Trends in Medical Business Sales by Product

Amount units: million yen

	2019.3	2020.3	2021.3	2022.3	2023.3	2024.3
Barium contrast medium	2,265	2,291	2,043	2,173	1,882	1,775
Alloid G	990	1,221	1,193	1,167	1,061	959
Medical equipment	2,373	2,445	2,453	2,611	2,635	2,792
OTC pharmaceuticals	1,190	1,144	1,026	812	853	927
Other	1,608	1,722	1,557	1,420	1,435	1,542
<b>Total</b>	<b>8,426</b>	<b>8,823</b>	<b>8,272</b>	<b>8,185</b>	<b>8,139</b>	<b>8,240</b>

# Thank you for listening.

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Figures for the chemical business sub-segments prior to the fiscal year ending March 2021 have been provided on a voluntary basis and have not been audited, and as such are for reference only.

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