



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

**Interim Financial Results
Briefing for the Fiscal Year
Ending March 2025**

December 2, 2024

[TSE Prime; Securities Code: 4078]

Summary of Interim Financial Results for the Year Ending March 31, 2025

● YoY performance — Net sales: +3.5% / operating profit: +186.4%

Net sales rose only slightly, incurring significant performance impact from sales volume declines caused by efforts targeting improved operational efficiency. Operating profit rose substantially thanks to sweeping selling price revisions and sales volume recovery generated through the electronic materials sub-segment (a growth business).

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
<ul style="list-style-type: none"> Recovery in the semiconductor market Improvement in domestic zinc market conditions 	<ul style="list-style-type: none"> Persistent economic stagnation in China Sluggish demand for building materials in Japan Slow movement in automotive market 	<ul style="list-style-type: none"> Selling price revisions Improvement in operating ratio Expenses down YoY due to impairment losses recognized for FY03/24 	<ul style="list-style-type: none"> One-time valuation loss

● Versus forecast: Net sales -0.3% / operating profit +9.4%

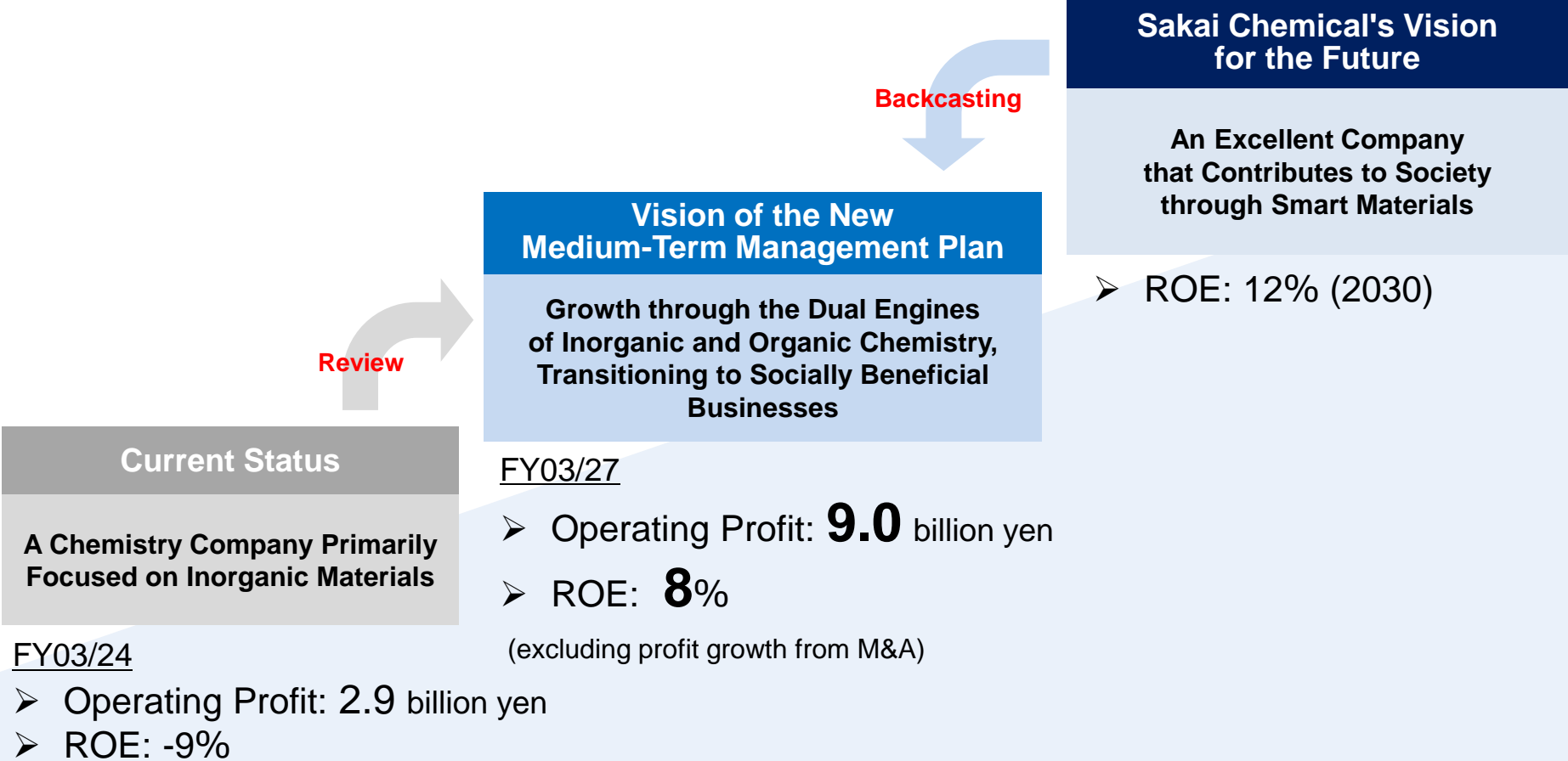
Our business environment tracked with our initial expectations, and net sales were generally commensurate with our projections. Operating profit exceeded our forecast due to expanded implementation and acceptance of selling price revisions and improvement in our operating ratio.

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
<ul style="list-style-type: none"> Improvement in domestic zinc market conditions 	<ul style="list-style-type: none"> Persistent economic stagnation in China Slow movement in automotive market 	<ul style="list-style-type: none"> Improvement in operating ratio 	<ul style="list-style-type: none"> One-time valuation loss

Progress of Medium-Term Management Plan “Transformation: BEYOND 2030”

Positioning of “Transformation: BEYOND 2030”

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



"Transformation: BEYOND 2030"



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 revise selling 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

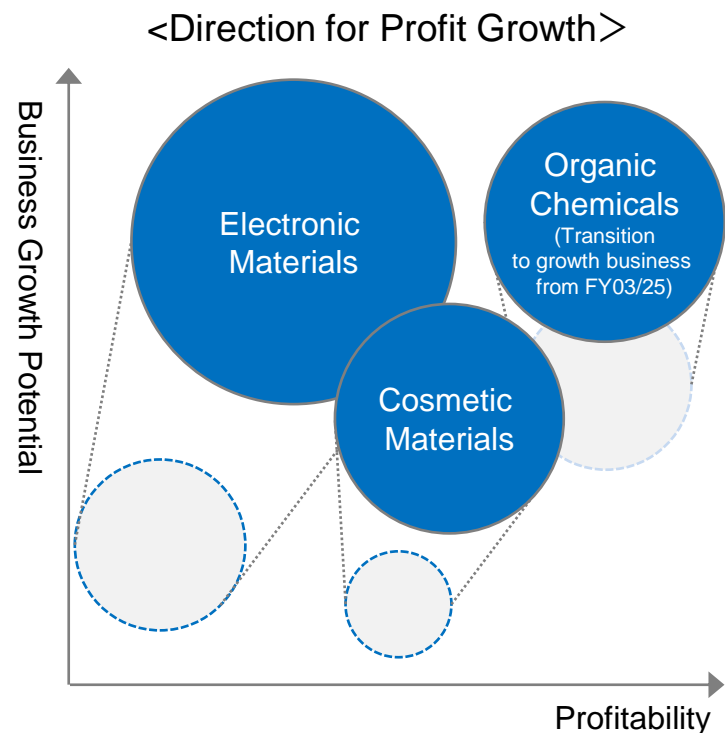
- Sunscreen Agents: **Expand sales to overseas cosmetics manufacturers** through surface treatment technology and formulation proposals (Performance evaluation completed, production system in place)
- Makeup Products: Advance investments targeting earnings contribution in the next medium-term management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



Circle Size: Profit

Dashed Line: Previous medium-term management plan

Solid Line: New medium-term management plan (FY03/27)

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**

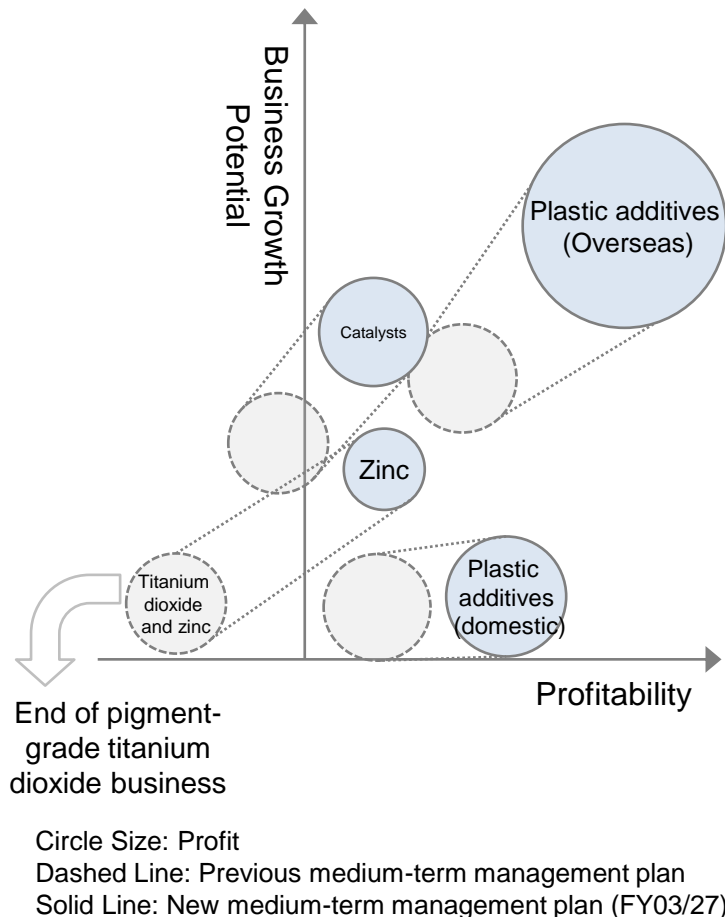
Plastic additives

- 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
- **Convert into a stable business** through reorganization of production bases and selling price revisions

<Direction for Profit Improvement and Growth>



■ Progress versus plan (operating profit)

(Millions of yen)

		FY03/25 Plan	1H FY03/25	Progress rate (%)
Growth businesses		2,218	805	36.3
	Electronic materials	1,023	614	60.0
	Cosmetic materials	63	(106)	—
	Organic chemicals	1,132	297	26.2
Businesses under efficiency review		1,586	981	61.9
	Titanium dioxide and zinc products	763	374	49.0
	Plastic additives	1,014	628	61.9
	Catalysts	(191)	(21)	—

Growth businesses	We initially projected growth businesses would begin generating profit in earnest from 2H, overall. However, progress has generally been low due in part to temporary negative performance impact.
Businesses under efficiency review	Initial performance was favorable thanks to a downturn in fixed costs (300 million yen in depreciation) achieved through impairment adjustments performed in FY03/24, selling price revisions, and sales mix optimization.

■ Cash conversion cycle target: **180 days or less (27.3)**

(Days)

	24.3	24.9	Change
Trade receivables turnover period	130	116	-14
Inventory turnover period	126	117	-9
Accounts payable turnover period	40	39	-1
CCC	216	194	-22

Formula: working capital ÷ sales × 12 months (6 months) × 30 days

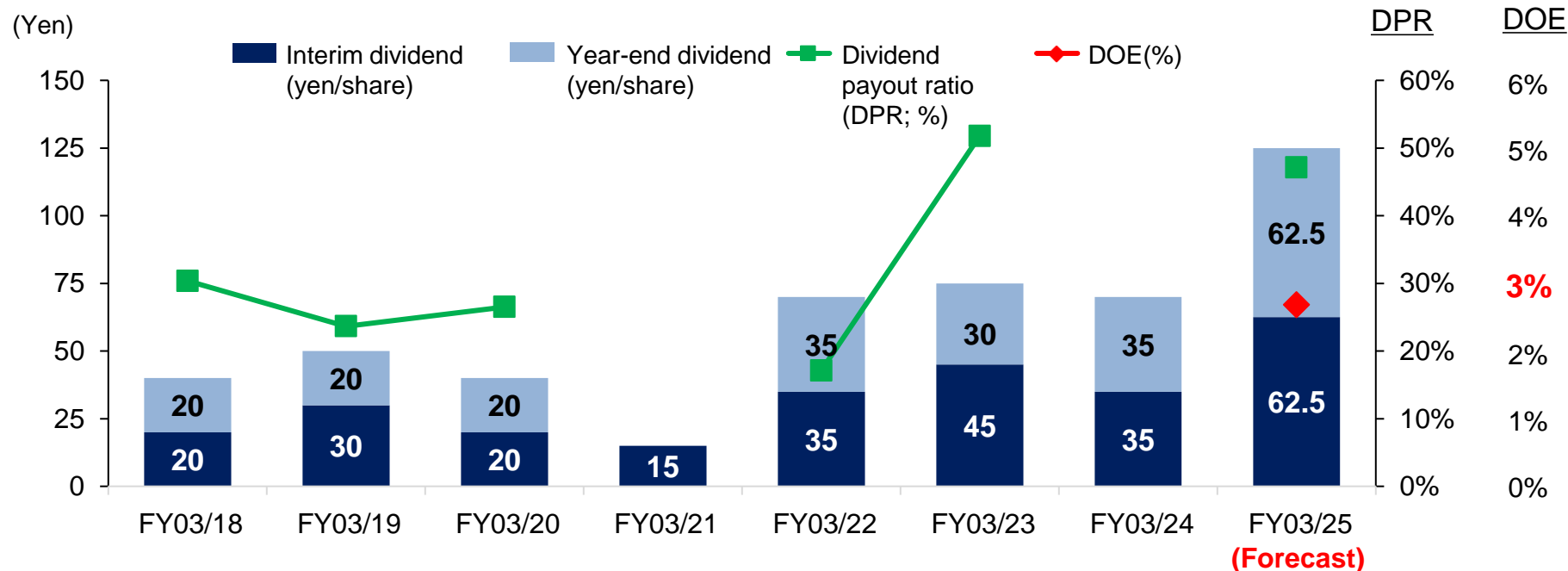
Despite growth in the per-unit prices of both raw materials and products, our cash conversion cycle improved thanks to faster inventory turnover and efforts we undertook to reduce the quantity of our inventory assets.

→ This improvement in our cash conversion cycle generated 4.0 billion yen in operating cash flow (versus our cumulative three-year medium-term management plan target of 7.0 billion yen)

Shareholder Returns



Shareholder Returns



FY03/25

We project **125 yen per share in annual dividends** (interim dividend: **62.5 yen per share** [confirmed], **year-end dividend: 62.5 yen per share** [projected])

[Basic policy for distribution of retained earnings for FY03/25–27]

Revising the target from a payout ratio of 30% or more to a **dividend on equity (DOE) target of 3%**, with dividends distributed twice annually

DOE = dividend on equity



Interim Financial Results for FY03/25



Summary of Interim Results for FY03/25 (Versus 1H FY03/24 and Plan)

(Millions of yen)

	1H FY03/24 results		1H FY03/25 results		YoY change		1H FY03/25 plan		Versus plan	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	40,471	100.0	41,874	100.0	1,403	3.5	42,000	100.0	-126	-0.3
Operating profit	917	2.3	2,626	6.3	1,709	186.4	2,400	5.7	226	9.4
Ordinary profit	885	2.2	2,633	6.3	1,748	197.5	2,300	5.4	333	14.5
Profit attributable to owners of parent	(2,033)	—	1,746	4.2	3,779	—	1,600	3.8	146	9.1
EPS	(125.53 yen)		107.71 yen		—		98.70 yen		—	

Versus 1H FY03/24

Versus plan

Net sales

Despite sales volume decline, which was particularly pronounced in businesses considered for efficiency improvement, net sales rose 3.5% thanks primarily to a significant recovery in the sales volume of electronic materials, expansion in the implementation and acceptance of selling price revisions, and improvement in domestic zinc market conditions.

Net sales were just 0.3% lower than our target thanks to unexpectedly strong electronic materials sales driven by recovery in the semiconductor market, which offset a downturn in sales generated through businesses considered for efficiency improvement via titanium dioxide and other products.

Operating profit

Operating profit rose 186.4% thanks to recovery in results achieved through electronic materials and improvement in the performance of businesses considered for efficiency improvement, which was driven by selling price revisions and favorable impact from impairment adjustments.

Operating profit rose 9.4% thanks in part to favorable performance from electronic materials and strong expansion in sales of non-lead stabilizers generated through overseas locations specializing in plastic additives. Stable and consistent manufacturing operations provided an additional operating profit boost.



Net Sales / Operating Profit by Segment (Versus 1H FY03/24 and Plan)

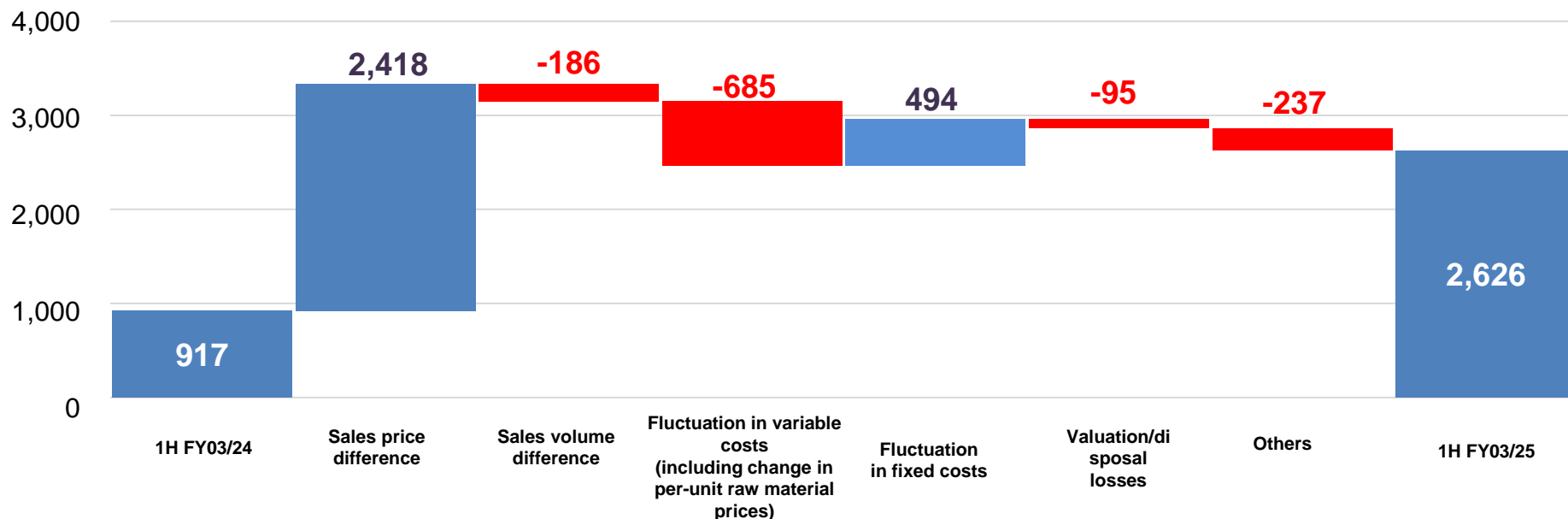
(Millions of yen)

		1H FY03/24		1H FY03/25		YoY change		FY03/25 plan		Progress rate
		Amount	%	Amount	%	Amount	%	Amount	%	%
Chemicals	Net sales	36,313	—	37,609	—	1,296	3.6	78,825	—	47.7
	Operating profit	1,896	5.2	3,783	10.1	1,887	99.5	7,736		48.9
Medical	Net sales	4,158	—	4,264	—	106	2.5	8,175	—	52.2
	Operating profit	144	3.5	65	1.5	-79	-54.9	100		52.2
Adjustments	HQ expenses	(1,125)	—	(1,223)	—	-98	—	(2,436)	—	50.2
Total	Net sales	40,471	—	41,874	—	1,403	3.5	87,000	—	48.1
	Operating profit	917	2.3	2,626	6.3	1,709	186.4	5,400		48.6

Note: Head office expenses are displayed as negative values. Accordingly, a negative figure under “YoY change” indicates growth in head office expenses.

Factors Driving (YoY) Change in Operating Profit

(Millions of yen)



Positive factors

Variation in selling price per unit

- Selling price revisions we began implementing in FY03/24 have raised the floor for selling price per unit.
- Our sales mix improved thanks primarily to the discontinuation of unprofitable products and the introduction of new profitable offerings.

Variation in fixed costs

- Impairment adjustments implemented in Q3 FY03/24 had an impact of approximately 300 million yen.

Negative factors

Fluctuation in variable costs

- Performance incurred impact from high raw material / fuel prices.

One-off valuation/disposal losses

- Cosmetics raw materials: We incurred an inventory valuation loss as a result of facility improvement work.
- Medical business: We recorded a valuation loss on defective products in Q1

Balance Sheet Comparison

(Millions of yen)

Consolidated B/S	March 31, 2024	September 30, 2024	Change
Cash and deposits	16,590	14,761	-1,829
Notes and accounts receivable - trade	29,570	27,083	-2,487
Inventories	28,747	27,133	-1,614
Other	1,133	1,298	165
Total current assets	76,042	70,276	-5,766
Property, plant and equipment	40,463	42,852	2,389
Other	8,938	8,117	-821
Total property, plant and equipment	49,402	50,969	1,567
Total assets	125,445	121,246	-4,199
Notes and accounts payable - trade	9,066	9,026	-40
Short-term borrowings	15,108	9,014	-6,094
Other	7,582	7,714	132
Total current liabilities	31,757	25,755	-6,002
Long-term borrowings	8,930	9,213	283
Convertible-bond-type bonds with share acquisition rights	3,000	3,000	-
Other	6,290	6,136	-154
Total non-current liabilities	18,220	18,350	130
Total liabilities	49,978	44,106	-5,872
Shareholders' equity	71,183	72,424	1,241
Other	4,282	4,715	433
Total net assets	75,466	77,140	1,674
Total liabilities and net assets	125,445	121,246	-4,199

[Key factors driving change]

• **Notes and Accounts Receivable -2,487 million yen (-8.4%)**

- (1) Due to a bank holiday occurring on March 31, 2024, payments for some accounts receivable were deposited on the following business day.
- (2) We observed a temporary but substantial 1H decline in sales generated through active pharmaceutical ingredients / intermediates.
- (3) Our average collection period for notes and accounts receivable shortened.

• **Inventories -1,614 million yen (-5.6%)**

Despite growth in per-unit prices for both raw materials and products, inventories declined thanks to efforts undertaken to reduce inventory quantity.

• **Property, Plant and Equipment +2,389 million yen (+5.9%)**

- (1) Growth investment
(Expansion into the CDMO sector for organic chemicals and active pharmaceutical ingredients / intermediates)
- (2) We performed a restructuring of businesses considered for efficiency improvement (catalyst business).

• **Repayment of short-term borrowings: -6,094 million yen (-40.3%)**

	End-FY03/24	End-1H FY03/25
Equity ratio	59.3%	62.7%
CCC	216 days	194 days

▲ Improvement of 22 days

(CCC: Cash Conversion Cycle)



Cash Flow Statement Comparison

(Millions of yen)

Consolidated C/F	1H FY03/24	1H FY03/25	Change
Beginning Cash and Cash Equivalents Balance	12,188	16,475	4,287
Profit (loss) before income taxes	773	2,416	1,643
Depreciation	2,255	1,828	-427
Decrease (increase) in trade receivables	(918)	2,492	3,410
Decrease (increase) in inventories	60	1,771	1,711
Increase (decrease) in trade payables	1,183	(158)	-1,341
Impairment losses			-
Income taxes refund (paid)	(215)	(292)	-77
Consumption taxes paid/refund	558	(649)	-1,207
Other	(510)	11	521
Cash flows from operating activities	3,187	7,420	4,233
Purchase of property, plant and equipment	(1,646)	(3,693)	-2,047
Sale of investment securities	60	786	726
Other	(40)	(44)	-4
Cash flows from investing activities	(1,625)	(2,952)	-1,327
FCF (Operating CF + Investment CF)	1,562	4,468	2,906
Increase (decrease) in short-term and long-term borrowings	1,702	(5,835)	-7,537
Proceeds from issuance of bonds with share acquisition rights	3,000	-	-3,000
Dividends paid	(519)	(590)	-71
Purchase of shares of subsidiaries	(2,631)	(150)	2,481
Other	34	(0)	-34
Total Financial C/F	1,587	(6,578)	-8,165
Total Translation Adjustments on Cash and Cash Equivalents	186	268	82
Total Change in Cash and Cash Equivalents	3,336	(1,841)	-5,177
Ending Cash and Cash Equivalents Balance	15,524	14,633	-891

• Operating CF

- (1) Decrease in trade receivables
March 31, 2024 (end-FY03/24) was a bank holiday, so payments for some receivables were deposited on the following business day. We observed a temporary decrease in sales of active pharmaceutical ingredients / intermediates.
- (2) Increase in net income
Attributable to profit growth
- (3) Decrease in inventories
Contraction in inventory quantity

• Investing CF

The primary source of impact on investing cash flows was our acquisition of property, plant, and equipment, which we undertook with the aim of entering the CDMO sector for active pharmaceutical ingredients / intermediates (a future focus sector).

→ **Financing CF: +2,906 million yen**

• Financing CF

Repayment of short-term borrowings



FY03/25 Earnings Forecast

Earnings Forecast for FY03/25 (Full-Year Forecast Remains Unchanged)

(Millions of yen)

	FY03/24		FY03/25			
	Full-year results		1H results		Full-year forecast	
	Amount	Margin	Amount	Margin	Amount	YoY
Net sales	82,105	—	41,874	—	87,000	6.0%
Operating profit	2,942	3.6%	2,626	6.3%	5,400	83.5%
Ordinary profit	3,066	3.7%	2,633	6.3%	5,200	69.6%
Profit attributable to owners of parent	(7,092)	-8.6%	1,746	4.2%	4,300	—

Results for 1H exceeded expectations, but we have maintained our existing full-year projections due to uncertainty over our future business environment.

External factors (assumptions)		Internal factors (assumptions)	
Positives	Negatives	Positives	Negatives
<ul style="list-style-type: none"> • Favorable conditions in AI-related sectors within the semiconductor market favorable • Improvement in domestic zinc market conditions 	<ul style="list-style-type: none"> • Prolonged economic stagnation in China • Weak demand in automotive market • Sluggish demand for building materials in Japan 	<ul style="list-style-type: none"> • Continuation of selling price revisions 	<ul style="list-style-type: none"> • Sales mix deterioration

Capital Investment, Depreciation, and R&D Expenses

(Millions of yen)

	FY03/21	FY03/22	FY03/23	FY03/24	1H FY03/25	FY03/25 Plan
CAPEX	9,567	5,967	2,658	4,024	3,693	8,500
Depreciation	4,243	4,331	4,417	4,354	1,828	4,000
R&D	2,487	2,376	2,674	2,722	1,291	3,000

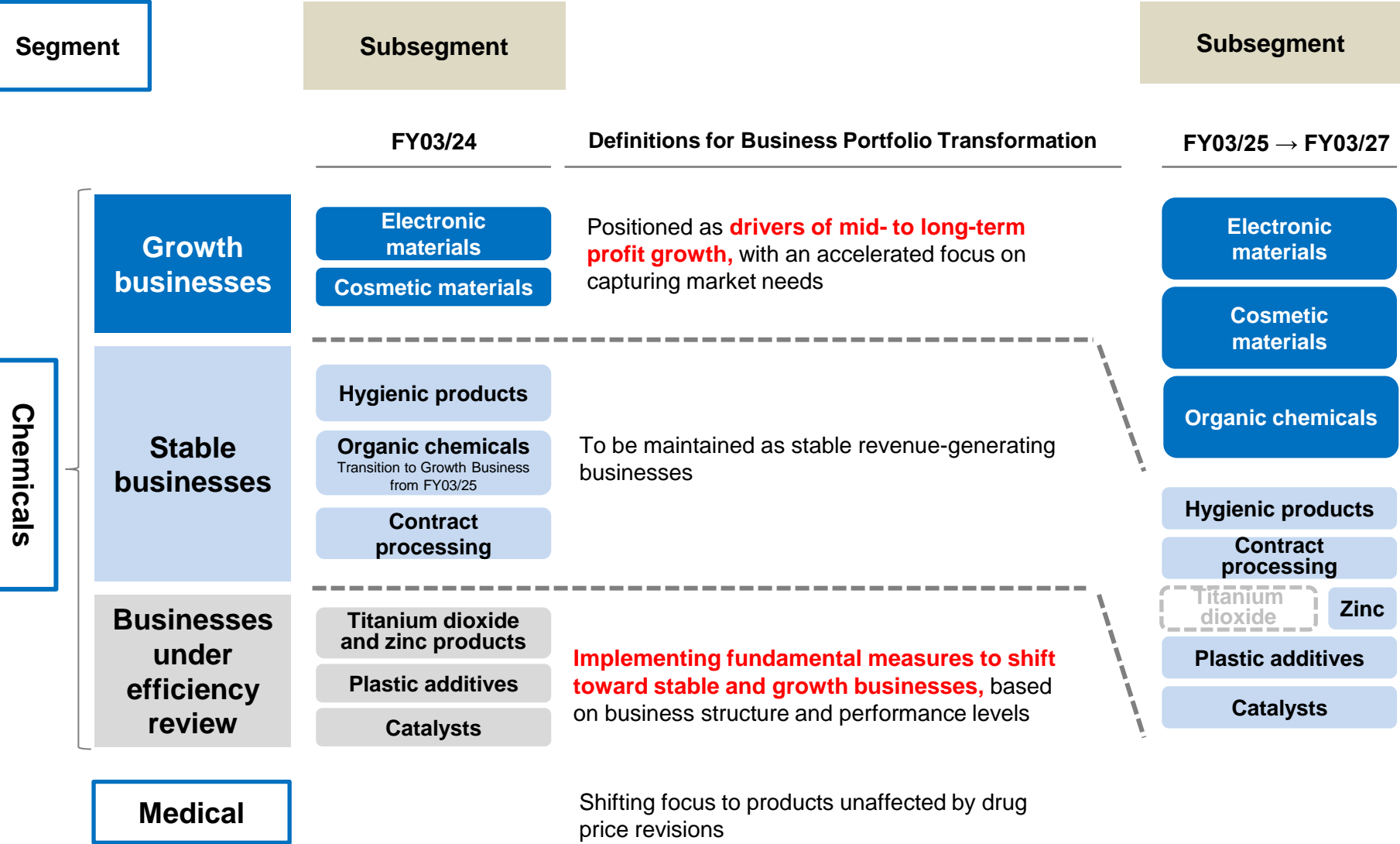
Capital investment

	Growth investment	Investment in efficiency (including maintenance and renewal costs)
1H FY03/25	Approx. 50%	Approx. 50%
Primary targets	<ul style="list-style-type: none"> Organic chemicals: Aiming to enter the CDMO sector for active pharmaceutical ingredients / intermediates Cosmetics raw materials : Construction of a multipurpose plant for makeup materials 	<ul style="list-style-type: none"> Restructuring of the Sakai and Onahama Manufacturing Sites Measures targeting improved efficiency in the catalyst business (investment related to base consolidation)

Interim FY03/25 Results by Segment

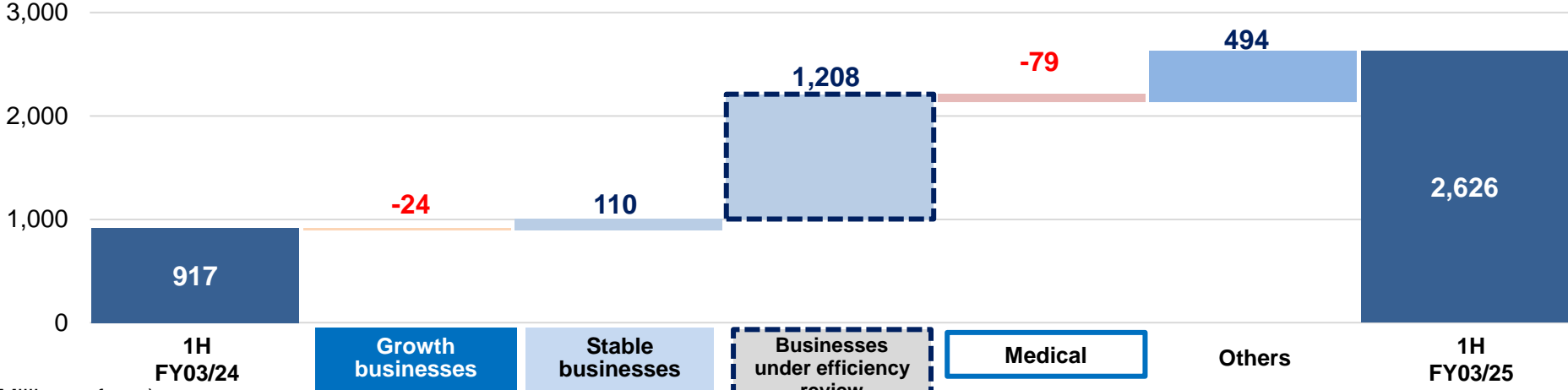


Segment and Sub-segment Structure



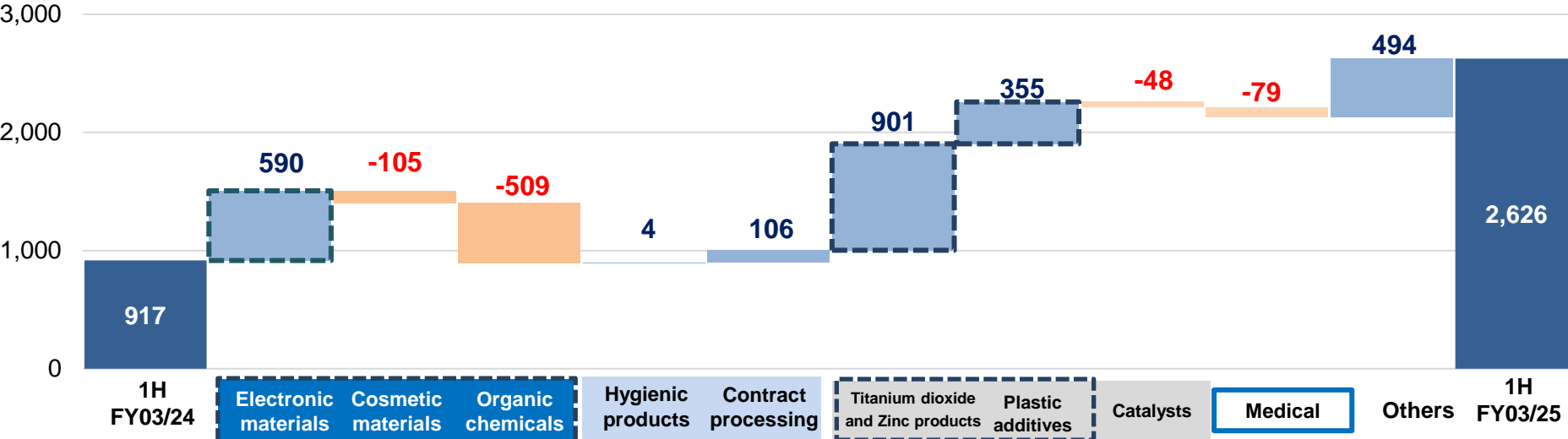
YoY Change in Operating Profit by Sub-segment

(Millions of yen)



(Millions of yen)

> Despite recovery in the performance of the electronic materials business, operating profit generated through growth businesses decreased slightly due to a temporarily decline in contribution from the organic chemicals business.
 > Businesses considered for efficiency improvement (titanium dioxide and zinc business / plastic additives business) contributed significantly to profit growth.



Electronic Materials

•YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	4,097	—	5,886	—	1,789	43.7
Operating profit	24	0.6	614	10.4	590	2458.3

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	10,913	—	5,886	—	53.9
Operating profit	1,023	9.4	614	10.4	60.0

• YoY comparison

Net sales	<p>(+) Sales volume growth Sales rose substantially thanks to sales volume recovery. This rebound was particularly pronounced in the case of dielectric materials for consumer applications, which received a performance boost from improvement in semiconductor market conditions ongoing from 2H FY03/24.</p>
Operating profit	<p>(+) Sales volume recovery, improvement in operating ratio, and expansion in implementation and acceptance of selling price revisions Operating profit grew significantly thanks to sales volume recovery (particularly for dielectric materials), improvement in operating ratio, and expansion in the implementation and acceptance of selling price revisions.</p>

• Versus plan

Net sales	<p>(+) Increase in sales volume and expansion in implementation/acceptance of selling price revisions Shipments were strong thanks to recovery in the semiconductor market, while selling price revisions saw wider implementation and acceptance. As a result, sales reached 54% of our full-year forecast.</p>
Operating profit	<p>(+) Sales volume growth, expanding implementation/acceptance of selling price revisions, and improvement in operating ratio We generated an improved operating ratio through strong sales, while selling price revisions also contributed positively to performance. Consequently, operating profit closed out 1H at 60% of its full-year target, and we raised our full-year projection for the electronic materials business.</p>

Cosmetic Materials

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	1,202	—	1,212	—	10	0.8
Operating profit	(1)	(0.1)	(106)	(8.7)	-105	—

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	3,016	—	1,212	—	40.2
Operating profit	63	2.1	(106)	—	—

• YoY comparison

Net sales	<p>(+) Expanding implementation/acceptance of selling price revisions (-) Decrease in sales volume Sales volume decreased slightly, but sales remained roughly level YoY thanks to expansion in the implementation/acceptance of selling price revisions.</p>
Operating profit	<p>(-) Deterioration in sales mix and recognition of process optimization expenses Operating profit declined due mainly to sales mix deterioration and temporary expenses incurred in connection with efforts targeting improved productions processes.</p>

• Versus plan

Net sales	<p>(-) Decrease in sales volume Sales reached only 40% of our full-year forecast as sluggish demand in China led to a downturn in sales volume.</p>
Operating profit	<p>(-) Sales volume decline and recognition of process optimization expenses The cosmetics raw materials business generated an operating loss as sales volume decline prevented performance expansion and temporary costs incurred in connection with process optimization efforts further hindered results. Consequently, we have lowered our full-year projections for this business.</p>



Organic Chemicals

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	3,727	—	3,189	—	-538	-14.4
Operating profit	806	21.6	297	9.3	-509	-63.2

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	7,377	—	3,189	—	43.2
Operating profit	1,132	15.3	297	9.3	26.2

• YoY comparison

Net sales	<u>(-) Decrease in sales volume and deterioration in sales mix</u> Sales generated through additives for plastic lenses (eyeglass lens materials) declined due to a downturn in their sales volume. Meanwhile, sales secured through active pharmaceutical ingredients /intermediates declined as a lull in shipments of commercial products led to a focus on prototype shipments. Consequently, sales secured through the organic chemicals business fell overall.
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Operating profit	<u>(-) Decrease in sales volume and deterioration in sales mix</u> Operating profit fell due to decline in the sales volume of additives for plastic lenses and a temporary deterioration in the sales mix for active pharmaceutical ingredients / intermediates that occurred due to a focus on sales of prototypes.
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• Versus plan

Net sales	<u>(-) Decrease in sales volume</u> Sales only reached 43% of our full-year projection in part because we sold a lower volume of additives for plastic lenses. The shortfall also occurred in part because we expect to generate a disproportionately large share of active pharmaceutical ingredient / intermediate sales in 2H, and 1H performance was commensurately lower, as anticipated.
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Operating profit	<u>(-) Decrease in sales volume and deterioration in sales mix</u> The sales volume for active pharmaceutical ingredients / intermediates was commensurate with our expectations for 1H. However, we expect to generate a disproportionately large share of full-year sales for these products during 2H, and corresponding 1H performance was commensurately lower. Due to these circumstances and sales mix deterioration, operating profit secured through the organic chemicals business reached only 26% of our full-year projection. Accordingly, we have lowered our full-year operating profit forecast for this business.
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Hygienic Products

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	2,763	—	2,878	—	115	4.2
Operating profit	256	9.3	260	9.0	4	1.6

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	5,966	—	2,878	—	48.2
Operating profit	465	7.8	260	9.0	55.9

• YoY comparison

Net sales	<p>(+) Sales volume growth Imported product sales have struggled due to yen depreciation, but sales secured through the hygienic products business rose regardless thanks to the strong performance we achieved through the manufacture and sale of breathable film for diapers and sanitary products.</p>
Operating profit	<p>(+) Stable operations and strong sales Thanks to support from yield improvement sustained since FY03/24 and stable demand, operating profit remained roughly level YoY.</p>

• Versus plan

Net sales	<p>(-) Decrease in sales volume Movement of imported products slowed due to yen depreciation, and sales reached only 48% of our full-year projection.</p>
Operating profit	<p>(+) Stable operations Operating profit reached 56% of our full-year forecast thanks to continuously stable operations.</p>



Contract Processing

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	3,009	—	3,155	—	146	4.9
Operating profit	213	7.1	319	10.1	106	49.8

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	6,303	—	3,155	—	50.1
Operating profit	511	8.1	319	10.1	62.4

• YoY comparison

Net sales	(+) Sales volume growth Sales generated through the contract processing business expanded YoY thanks in part to recovery in the volume of orders from existing customers and growth in the volume of orders from new clients. Performance also benefited from a rise in the volume of processed pigment shipments, which occurred as clients built up their inventories in preparation for the year-end sales season.
	Operating profit
	(+) Sales volume growth and expansion in the implementation/acceptance of selling price revisions Operating profit rose thanks to sales volume growth and the expanded implementation/ acceptance of revised selling prices for processed pigments.

• Versus plan

Net sales	(+) Sales volume growth Sales reached 50% of our full-year forecast thanks to strong performance in terms of shipment volumes associated with both contract processing and processed pigments.
	Operating profit
	(+) Sales volume growth and expansion in implementation/acceptance of selling price revisions Operating profit reached 62% of our full-year projection thanks to sales volume growth and expanded implementation/acceptance of revised selling prices for processed pigments. Accordingly, we have raised our full-year operating profit forecast.

Titanium Dioxide and Zinc Products (Excluding Cosmetic Materials)

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	7,074	—	6,929	—	-145	-2.0
Operating profit	(527)	(7.4)	374	5.4	901	—

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	13,845	—	6,929	—	50.0
Operating profit	763	5.5	374	5.4	49.0

• YoY comparison

Net sales	<p>(-) Decrease in sales volume Sales declined due in part to a downturn in our titanium dioxide sales volume that occurred as we adopted a strategy of prioritizing profitability over competing with low-priced Chinese products. Performance also suffered from sluggish sales of zinc products used for automobile tire manufacturing.</p>
Operating profit	<p>(+) Selling price revisions, fixed cost reductions (impairment adjustments), and sharp growth in domestic zinc prices Operating profit rose significantly thanks in part to selling price revisions for titanium dioxide and fixed cost curtailment achieved through impairment adjustments performed in FY03/24. Performance also benefited from growth in selling prices for zinc products, which was driven by a surge in the favorability of conditions in the Japanese zinc market.</p>

• Versus plan

Net sales	<p>(+) Steady sales volume Sales volumes for both titanium dioxide and zinc products were generally commensurate with our projections, and segment sales reached 50% of our full-year forecast.</p>
Operating profit	<p>(+) Efficiency improvement measures Efficiency improvement measures (profitability-focused sales strategy, selling price revisions, etc.) generally proceed as planned, and operating profit reached 49% of our full-year forecast.</p>

Plastic Additives

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	6,944	—	6,558	—	-385	-5.6
Operating profit	273	3.9	628	9.6	355	130.0

• YoY comparison

Net sales	<p>(-) Decrease in sales volume Non-lead stabilizers generated favorable sales performance overseas, but segment sales declined regardless due in part to a downturn in domestic housing starts. Performance also incurred negative impact from our decision to cut back on shipments (and, consequently, the sales volume) of low-margin products in line with our more profitability-focused strategy.</p>
Operating profit	<p>(+) Selling price revisions and sales mix improvement Operating profit rose thanks to expanded implementation/acceptance of revised selling prices in Japan and sales mix improvement achieved through growth in overseas sales of non-lead stabilizers.</p>

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	14,308	—	6,558	—	45.8
Operating profit	1,014	7.1	628	9.6	61.9

• Versus plan

Net sales	<p>(-) Decrease in sales volume We encountered sluggish domestic demand and prolonged stagnation in the Chinese economy. Consequently, sales volumes stalled, and segment sales reached only 46% of our full-year forecast.</p>
Operating profit	<p>(+) Improvement in sales mix Operating profit reached 62% of our full-year forecast thanks to sales mix improvement achieved through cuts to our sales volumes for low-margin products and expansion in overseas sales of non-lead stabilizers.</p>

Catalysts

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	1,689	—	1,615	—	-73	-4.3
Operating profit	27	1.6	(21)	(1.3)	-48	-177.8

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	3,544	—	1,615	—	45.6%
Operating profit	(191)	(5.4)	(21)	(1.3)	—

• YoY comparison

Net sales	<p>(-) Decline in nickel market conditions Despite growth in the sales volumes for both nickel catalysts and deNOx catalysts, segment sales fell due primarily to per-unit selling price decline caused by a slump in the nickel market.</p>
Operating profit	<p>(-) Slumping nickel market and temporary sales mix deterioration Operating profit declined due to a downturn in per-unit selling prices for nickel catalysts driven by a slump in the nickel market and a temporary deterioration in the sales mix associated with deNOx catalysts.</p>

• Versus plan

Net sales	<p>(-) Slumping nickel market Due to a slump in the nickel market, segment sales reached only 46% of our full-year forecast despite shipment volume growth.</p>
Operating profit	<p>(+) Shipment volume growth and selling price revisions Segment operating loss was less extensive than anticipated thanks to shipment volume growth and expanded implementation/acceptance of revised selling prices. Accordingly, we upgraded our full-year forecast for segment operating profit/loss.</p>

Medical

• YoY comparison

(Millions of yen)

	1H FY03/24		1H FY03/25		Change	
	Amount	%	Amount	%	Amount	%
Net sales	4,158	—	4,264	—	106	2.6
Operating profit	144	3.5	65	1.5	-79	-54.6
Net sales (New businesses)	903	—	898	—	-5	-0.6

Note: New businesses refer to those not affected by drug price revisions.

• Versus plan

	FY03/25 Plan		1H FY03/25		Progress vs. plan
	Amount	%	Amount	%	%
Net sales	8,175	—	4,264	—	52.2
Operating profit	100	1.2	65	1.5	65.0
Net sales (New businesses)	1,843	—	898	—	48.7

• YoY comparison

Net sales

(+) Revision of NHI drug prices for barium contrast media and growth in sales of medical devices

Despite a decline in our shipment volume for barium contrast media, segment sales rose thanks to growth in our sales volume for medical devices and NHI drug price hikes that boosted performance from some of our products.

Operating profit

(-) Recording of valuation losses

Operating profit fell due to our Q1 recording of one-off valuation losses in connection with barium contrast media.

• Versus plan

Net sales

(-) Decrease in sales of general pharmaceuticals

We had expected to book a disproportionately high share during 1H, but segment sales ultimately reached only 52% of our full-year forecast due to a slowdown in shipments of over-the-counter drugs.

Operating profit

(-) Recording of valuation losses

We had expected disproportionately high performance during 1H and therefore anticipated a more favorable operating profit result, but operating profit ultimately reached only 65% of our full-year forecast due in part to valuation losses recognized in connection with barium contrast media. Accordingly, we have lowered our full-year segment operating profit forecast.

Business Environment Overview

	Sub-segment	Assumptions underlying FY03/25 projections (as of May 2024)	Assumptions underlying FY03/25 projections (as of November 2024)
Growth businesses	Electronic materials	The semiconductor market has been recovering since 2H FY03/24, a trend anticipated to continue into this fiscal period.	At a minimum, the automotive sector of the semiconductor market will continue to stagnate.
	Cosmetic materials	Domestic demand: Expected to maintain a steady recovery Overseas demand: Anticipated to gradually turn toward recovery	We anticipate strong demand recovery both in Japan and overseas, but the outlook for demand from China remains unfavorable.
	Organic chemicals	The eyeglass lens market is projected to hold steady.	No change
Businesses under efficiency review	Titanium dioxide /Zinc products	For titanium dioxide, oversupply conditions are expected to persist, with continued inflows of low-cost imports putting pressure on domestic sales.	No change
	Plastic additives	Domestic demand: PVC market conditions are trending downward, making it challenging to increase sales. Overseas demand: As the PVC market expands, the shift from lead-based to lead-free stabilizers is expected to progress.	Domestic demand: No change Overseas demand: Our medium-term outlook for expansion in the PVC market remains unchanged, but signs indicate some slight short-term slowdown could occur due to flooding in Thailand and conditions in the Chinese economy.

PVC: polyvinyl chloride

Sub-segment Forecast

In response to changes in our business environment and 1H performance, we have revised our full-year forecasts for all segments.
Note: Our consolidated earnings forecast remains unchanged.

(Millions of yen)

	FY03/24 Actual			Revised full-year FY03/25 forecast			Difference			
	Net sales	Operating profit	OPM	Net sales	Operating profit	OPM	Net sales		Operating profit	
	Amount	Amount	%	Amount	Amount	%	Amount	%	Amount	%
Electronic materials	8,978	280	3.1	11,313	1,223	10.8	2,335	26.0	943	336.8
Cosmetic materials	2,498	(93)	(3.7)	2,716	0	0.0	218	8.7	93	-100.0
Organic chemicals	7,813	1,395	17.9	7,000	900	12.9	-813	-10.4	-495	-35.5
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	7,103	571	8.0	926	15.0	25	4.6
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	13,558	1,014	7.5	140	1.0	378	59.4
Catalysts	3,527	73	2.1	3,544	(36)	(1.0)	17	0.5	-109	-149.3
Medical	7,995	86	1.1	8,375	5	0.1	380	4.8	-81	-94.2
Others	11,975	38	0.3	13,580	494	3.6	1,605	13.4	456	1200.0
Consolidated	82,105	2,942	3.6	87,000	5,400	6.2	4,895	6.0	2,458	83.5

Forecast by Sub-Segment (vs. Initial Plan)

(Millions of yen)

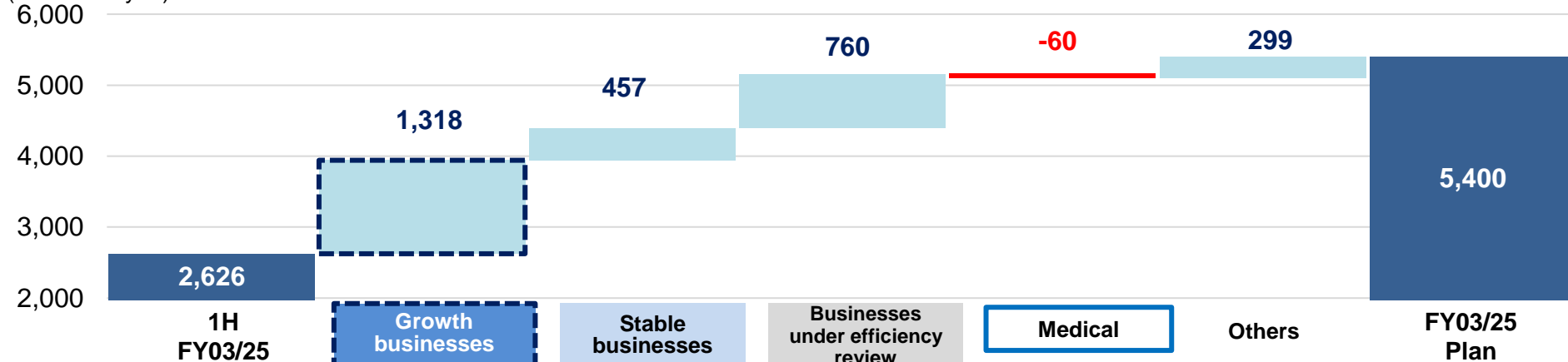
	Initial full-year FY03/25 forecast			Revised full-year FY03/25 forecast		
	Net sales	Operating profit	OPM	Net sales	Operating profit	OPM
	Amount	Amount	%	Amount	Amount	%
Electronic materials	10,913	1,023	9.4	11,313	1,223	10.8
Cosmetic materials	3,016	63	2.1	2,716	0	0.0
Organic chemicals	7,377	1,132	15.3	7,000	900	12.9
Hygienic products	5,966	465	7.8	5,966	465	7.8
Contract processing	6,303	511	8.1	7,103	571	8.0
Titanium dioxide Zinc products	13,845	763	5.5	13,845	763	5.5
Plastic additives	14,308	1,014	7.1	13,558	1,014	7.5
Catalysts	3,544	(191)	(5.4)	3,544	(36)	(1.0)
Medical	8,175	100	1.2	8,375	5	0.1
Others	13,553	520	3.8	13,580	494	3.6
Consolidated	87,000	5,400	6.2	87,000	5,400	6.2

Operating profit

- We have raised our sales projections for electronic materials and catalysts due in part to the spreading impact of price corrections within the market.
- According to our projections, performance from organic chemicals will improve in 2H, but we have still lowered our full-year forecast due to underwhelming 1H results.
- We lowered our forecast for the medical business in response to one-off valuation losses booked for Q1.

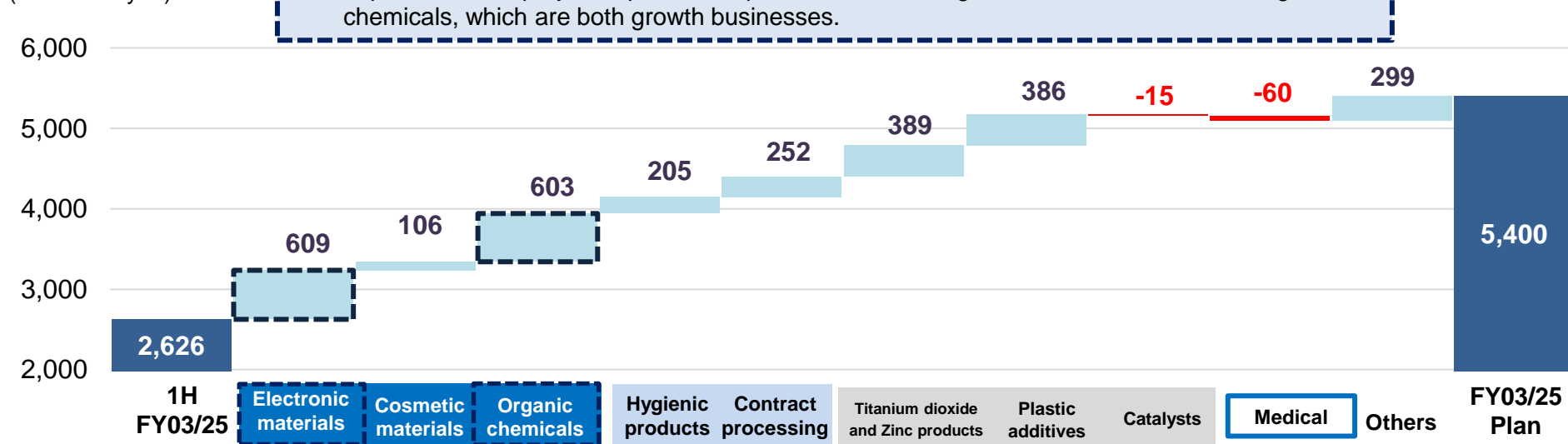
Change in Operating Income by Sub-Segment (vs. 1H)

(Millions of yen)



➤ We anticipate profit expansion for growth businesses, stable businesses, and businesses considered for efficiency improvement.
 ➤ In particular, we project expansion in profit secured through electronic materials and organic chemicals, which are both growth businesses.

(Millions of yen)



Q&A

■ Q&A Order

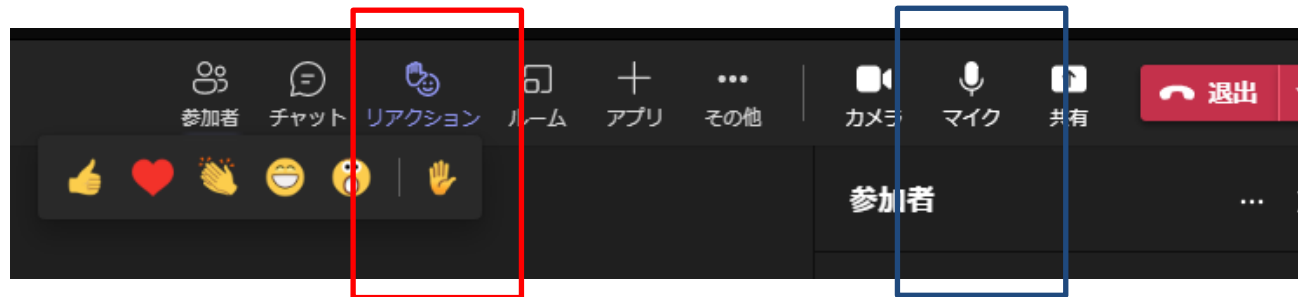
(1) Questions from audience members in the venue → (2) Questions from online participants

*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

Head Office	5-2, Ebisujima-cho, Sakai-ku, Sakai-shi, Osaka
Representative	President & Representative Director Toshiyuki Yagura
Established	June 1918
Businesses	Inorganic chemical, organic chemical, and pharmaceutical development, manufacture, and sales
Total assets	JPY125,445 million yen
Net assets	JPY82,105 million yen
Affiliates	15 consolidated subsidiaries (7 in Japan, 8 overseas)
Number of employees	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

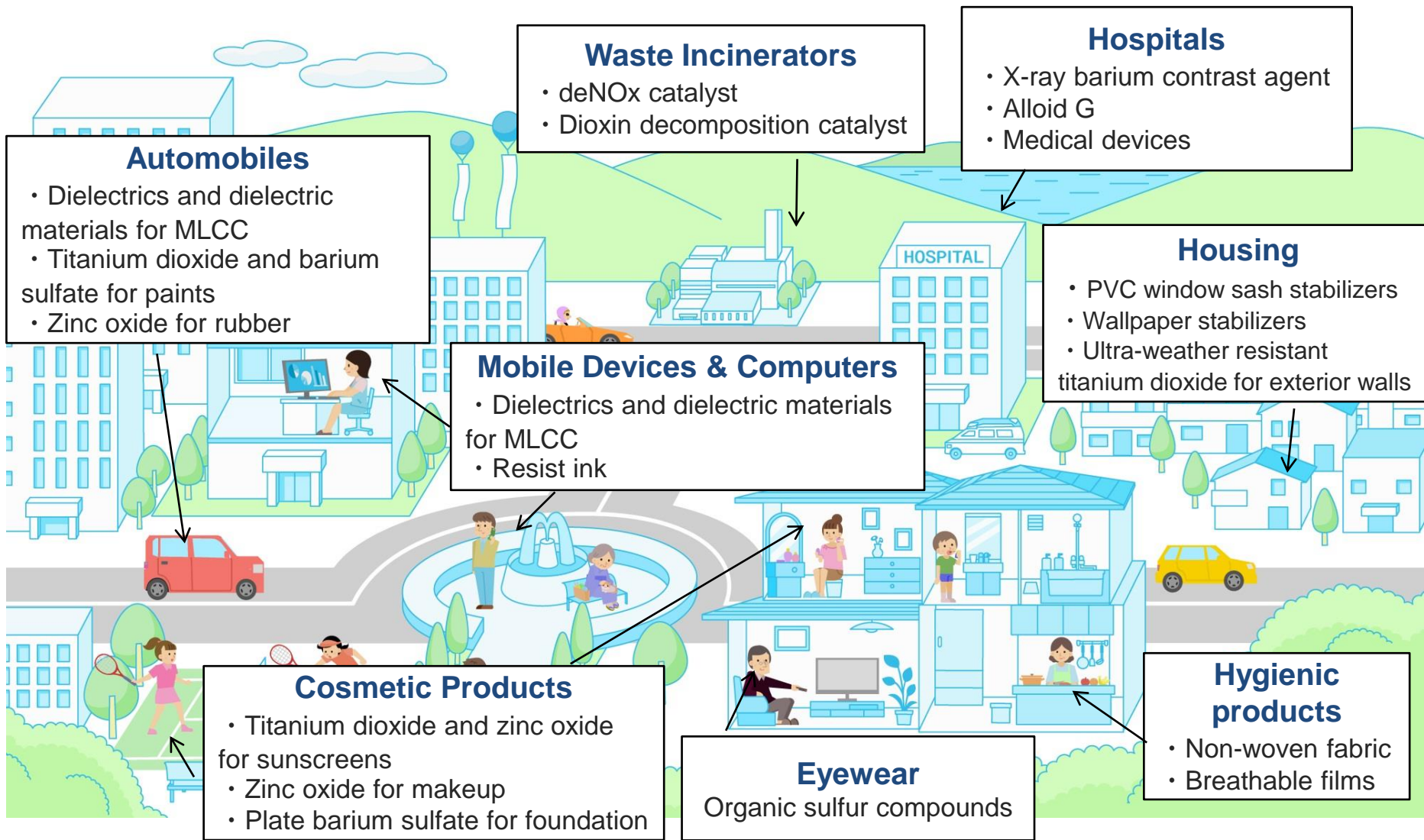
Chemical (Sales)

Sakai Trading Co., Ltd.

Medical (Manufacture & Sales)

Kaigen Pharma Co., Ltd.

Sakai Group Products in Everyday Life



Businesses and Sales Structure

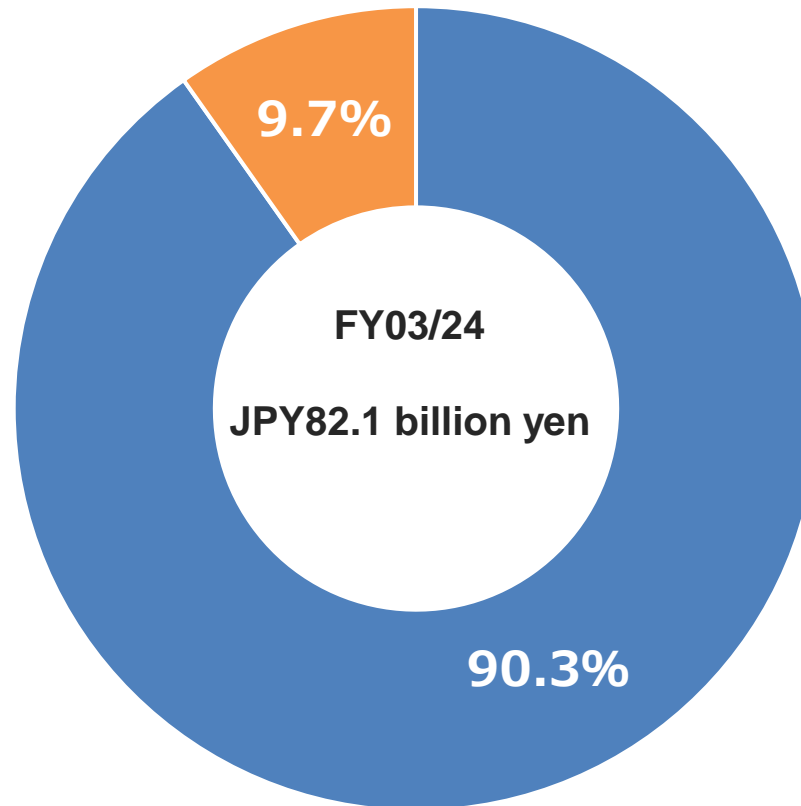
Medical

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.

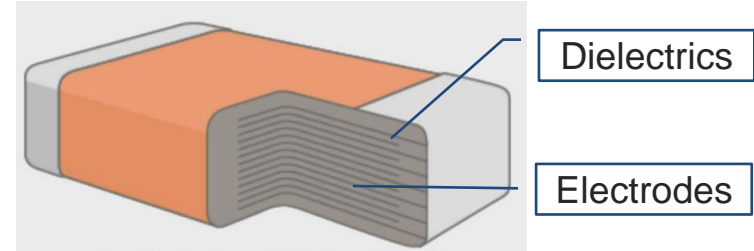


Our Businesses: Chemicals

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

Cosmetic Materials

Sunscreens, foundations

- Cosmetic materials: Achieve high UV blocking and smooth skin texture

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



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

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.



Contract Processing

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: Chemicals

Plastic Additives

Pipes, joints, window frames, wallpapers, wire harnesses

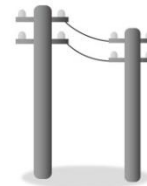
- PVC stabilizers/non-PVC stabilizers
- Hydrotalcite: Used in lead-free PVC stabilizers and agricultural films due to its high heat retention and transparency



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

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

Titanium dioxide is a material necessary in all kinds of fields including paints, inks, papermaking, plastics, and synthetic fibers.

Used in places like this



Catalysts

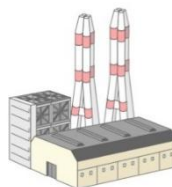
Waste incinerators, thermal power stations, margarine, adhesives, optical films

- 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



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

		2020.3	2021.3	2022.3	2023.3	2024.3	2024.9
Electronic materials	Net Sales	8,499	9,723	10,857	8,939	8,978	5,886
	Operating Income	117	23	1,700	946	280	614
Cosmetics Materials	Net Sales	2,534	1,698	2,460	2,790	2,498	1,212
	Operating Income	735	292	301	430	▲ 93	▲ 106
Organic chemicals	Net Sales	6,172	6,882	7,321	8,014	7,813	3,189
	Operating Income	1,271	1,476	1,639	1,600	1,395	297
Hygienic products	Net Sales	8,070	9,254	5,388	5,496	5,455	2,878
	Operating Income	174	440	331	327	404	260
Contract processing	Net Sales	6,811	6,550	6,947	6,244	6,177	3,155
	Operating Income	698	632	1,029	587	546	319
Titanium dioxide and zinc products	Net Sales	15,305	13,563	15,718	17,858	14,269	6,929
	Operating Income	610	518	1,046	396	▲ 432	374
Plastic additives	Net Sales	12,583	11,543	12,489	13,354	13,418	2,878
	Operating Income	169	397	966	404	636	260
Catalysts	Net Sales	3,703	3,210	3,644	4,193	3,527	1,615
	Operating Income	26	▲ 82	190	179	73	▲ 21
Other	Net Sales	17,412	16,079	9,875	11,890	11,970	6,184
	Operating Income	356	447	170	▲ 305	46	193
Total	Net Sales	78,555	76,821	72,243	75,992	74,110	37,609
	Operating Income	3,421	3,851	7,076	4,135	1,610	2,560

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



Quarterly Trends in the Chemical Business

Amount units: million yen

Chemical Business subsegment		2023.3 1Q	2023.3 2Q	2023.3 3Q	2023.3 4Q	2024.3 1Q	2024.3 2Q	2024.3 3Q	2024.3 4Q	2025.3 1Q	2025.3 2Q
Electronic materials	Net Sales	2,685	2,271	1,984	1,998	2,144	1,953	2,267	2,613	3,103	2,783
	Operating Income	446	306	158	35	54	▲ 30	114	141	340	274
Cosmetics Materials	Net Sales	714	634	632	809	630	563	613	690	757	454
	Operating Income	141	61	76	151	69	▲ 78	5	▲ 90	22	▲ 128
Organic chemicals	Net Sales	2,172	2,211	1,496	2,133	2,465	1,262	1,255	2,829	1,954	1,234
	Operating Income	361	578	309	350	591	215	79	509	415	▲ 117
Hygienic products	Net Sales	1,225	1,426	1,458	1,385	1,399	1,364	1,334	1,358	1,460	1,418
	Operating Income	74	61	30	160	134	121	110	37	137	122
Contract processing	Net Sales	1,704	1,487	1,585	1,467	1,543	1,465	1,626	1,541	1,609	1,546
	Operating Income	240	127	110	108	114	98	170	163	174	144
Titanium dioxide and zinc products (without Cosmetics)	Net Sales	3,841	3,755	3,912	3,557	3,680	3,401	3,807	3,378	3,641	3,288
	Operating Income	303	58	▲ 172	▲ 223	▲ 212	▲ 307	▲ 45	131	273	100
Plastic additives	Net Sales	3,281	3,430	3,291	3,350	3,382	3,561	3,469	3,004	3,185	3,372
	Operating Income	169	58	▲ 25	116	120	152	150	211	279	348
Catalysts	Net Sales	910	1,151	981	1,150	662	1,026	735	1,102	753	861
	Operating Income	23	80	45	29	▲ 82	109	8	36	▲ 61	40
Other	Net Sales	2,919	2,747	3,574	2,649	3,181	2,622	2,978	3,288	3,288	2,895
	Operating Income	▲ 26	▲ 126	230	▲ 383	80	▲ 382	79	269	27	165
Total	Net Sales	19,455	19,116	18,918	18,502	19,091	17,221	18,088	19,708	19,753	17,885
	Operating Income	1,736	1,289	762	347	871	▲ 99	672	1,411	1,610	950

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

Trends in Medical Business Sales by Product

Amount units: million yen

	2020.3	2021.3	2022.3	2023.3	2024.3	2024.9
Barium contrast medium	2,291	2,043	1,924	1,882	1,775	1,059
Alloid G	1,221	1,193	1,167	1,061	959	442
Medical equipment	2,445	2,453	2,611	2,635	2,792	1,468
OTC pharmaceuticals	1,144	1,026	812	853	927	366
Other	1,722	1,557	1,377	1,435	1,542	928
Total	8,823	8,272	7,892	7,868	7,995	4,264

Thank you for listening.

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Figures for the chemical business sub-segments prior to the fiscal year ended 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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