堺化学工業株式会社

Sakai Chemical Industry Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2024

May 28, 2024

Event Summary

[Company Name]	Sakai Chemical Industry Co., Ltd.
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[Time]	15:15 – 15:54 (Total: 39 minutes, Presentation: 27 minutes, Q&A: 12 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	
[Number of Speakers]	2 Toshiyuki Yagura — President, Representative Director Shinji Ogama — Executive Officer

Presentation

Moderator: It is now time to commence the financial results briefing session of the fiscal year ended March 2024 and new medium-term management plan of Sakai Chemical Industry Co., Ltd.

Thank you very much for taking time out of your busy schedule to attend our briefing session today.

Today's event is a hybrid of those who attended in person at the main venue and those who participated online.

As for the schedule for the rest of the day, I would like to begin with an explanation regarding the financial results for the fiscal year ended March 31, 2024, and then I would like to receive your questions at this point. We will try to keep you until 4:00 PM.

After that, I will explain the new medium-term management plan, and likewise, I would like to receive another round of questions afterward.

We apologize for the limited time, but we do not plan to take any breaks in between.

I will now begin to explain the financial results. President Yagura, please.

Yagura: Hello, I am Yagura, President of Sakai Chemical Industry Co., Ltd. Thank you very much for coming today in spite of the bad weather.

I will now present our financial results for the fiscal year ended March 31, 2024. Yagura will give a general overview at the beginning of the presentation, followed by details from our IR manager, Mr. Ogama.

First, regarding the full-year results for the fiscal year ended March 31, 2024, in addition to the reversal of deferred tax assets announced at the time of the interim results, impairment losses were recorded in the titanium dioxide business and other businesses, resulting in a net loss for the year.

Although operating income exceeded the forecast revised at the time of the interim results, the targets for the final year of the mid-term management plan "SAKAINNOVATION 2023," operating income of JPY8 billion and ROE of 6%, were not achieved.

As stated in our new medium-term management plan, "Transformation: BEYOND 2030," which will be explained later, we have placed emphasis on replacing our business portfolio, improving ROE and PBR, and have started asset reduction during the fiscal year ended March 31, 2024.

The main reasons for the poor performance were, in part, the lack of growth in electronics materials and cosmetics materials, which are growth businesses that must drive profits, and the fact that efforts in titanium dioxide and other businesses under consideration for efficiency improvement lagged behind the intense external environment.

Therefore, the new medium-term management plan focuses on this area. I would like to explain the new medium-term management plan again later.

Now, Mr. Ogama, our IR representative, will explain the details of the financial results.

FY03/24 Results Summary

● YoY Performance: Decline in Sales and Profit

External pressures kept business conditions challenging, driving down sales volumes across many sub -segments.
This slowdown lowered operating rates, resulting in decreased sales and profit.

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
• Steady movement in automotive - related shipments	• Prolonged economic stagnation in China • Sluggish semiconductor market • Weak demand in the domestic building materials sector • Decline in zinc prices	• Implementation of price adjustments	• Decline in operating rate

● vs. Forecast Net Sales Missed, Operating Profit Achieved

Although external pressures persisted and net sales fell short of the target, price adjustments —particularly in businesses under efficiency review—and early signs of recovery in the semiconductor market helped push operating profit above the forecast.

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
• Steady movement in automotive - related shipments • Semiconductor market bottoming out	• Prolonged economic stagnation in China • Weak demand in the domestic building materials sector • Decline in zinc prices	• Implementation of price adjustments • Improvement in sales mix	

Ogama: I am Ogama, in charge of IR. I will now explain the financial summary for the fiscal year ended March 31, 2024.

Compared to the same period last year, sales and profits decreased due to lower sales volumes in many sub-segments, partly due to external factors, with a corresponding decrease in capacity utilization.

Compared to the forecast revised during the period, the impact of external factors was not eliminated to a large extent and sales did not reach the target, but operating income exceeded the plan, partly due to progress in price correction mainly in the efficiency study business and partly due to the impact of the semiconductor market hitting bottom and beginning a gradual recovery.

FY03/24 Results Overview (YoY, vs. Forecast)

(Millions of yen)

	FY03/23 Actual		FY03/24 Forecast		FY03/24 Actual		YoY Change		vs. Forecast	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	83,861	100.0	84,000	100.0	82,105	100.0	-1,755	-2.1	-1,894	-2.3
Operating profit	4,407	5.3	1,900	2.3	2,942	3.6	-1,465	-33.2	1,042	54.9
Ordinary profit	4,854	5.8	1,900	2.3	3,066	3.7	-1,788	-36.8	1,166	61.4
Profit 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 yen		(432.10 yen)		(437.65 yen)		—	—	—	—

	YoY Comparison	vs. Forecast (Revised in Q3 FY03/24)
Net sales	Although price adjustments were implemented across sub -segments, sales volumes declined in many areas, especially titanium dioxide and electronic materials, resulting in a 2.1% decrease in net sales.	Despite progress in price adjustments, shipment volumes fell short of sales targets across sub-segments, compounded by a drop in zinc market prices, leading to a 2.3% shortfall.
Operating profit	Sluggish sales in electronic and cosmetic materials, both classified as growth businesses, along with reduced operating rates, led to a 33.2% decline in profit.	Price adjustments for titanium dioxide and plastic additives (classified under businesses under efficiency review) and improvements in the sales mix of electronic materials and plastic additives contributed to operating profit exceeding the forecast by 54.9%.
Others	The 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 impact on net sales from quality issues at Kaigen Pharma was minor, at approximately 200 million yen.

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Now, let me give you a summary of the financial results for this fiscal year ended March 31, 2024.

Net sales were JPY82,105 million, operating income was JPY2,942 million, ordinary income was JPY3,066 million, and net income attributable to owners of the parent was a negative JPY7,092 million.

The overall feeling is as Yagura mentioned earlier, but as for other topics, the net loss was JPY7,092 million due to the impact of a reversal of deferred tax assets of JPY1,932 million and impairment losses of JPY6,661 million.

The impact on sales due to the quality issue at Kaigen Pharma was approximately JPY200 million, which was minor compared to the overall experience.

Impairment Losses in FY03/24

(Millions of yen)

FY03/24 Impairment Loss Breakdown		Amount	Notes
Chemicals	Titanium dioxide and zinc products	3,791	Titanium oxide equipment: recoverable value assessed as zero
	Plastic additives	432	Domestic equipment: recoverable value assessed as zero
	Electronic materials	55	Impairment of idle equipment
	Catalysts	57	Impairment of idle equipment
	Others	1,863	Barium sulfate manufacturing equipment: recoverable value assessed as zero
Medical		464	Medical and pharmaceutical manufacturing equipment: impaired to net selling price
Impairment loss total		6,661	

- Recorded impairment losses for assets with signs of impairment and certain idle assets.
- Impact on financial statements
  - B/S: Decrease in “Property, plant and equipment" and "Retained earnings" by the corresponding amount
  - P/L: Recognized as "Impairment loss" under special losses
  - C/F: No impact
- Impact on subsequent periods
  - Annual depreciation expenses reduced by approximately 600 million yen

We will continue with an explanation of the impairment loss recorded for the fiscal year ended March 31, 2024.

Impairment losses were recorded for those assets that showed signs of impairment, mainly in the efficiency improvement study business, and for some dormant assets. The largest monetary impact was on titanium dioxide. As for the impact on the current fiscal year and beyond, annual depreciation and amortization expenses are expected to decrease by approximately JPY600 million.

Segment Breakdown of Net Sales/OP (YoY, vs. Forecast)

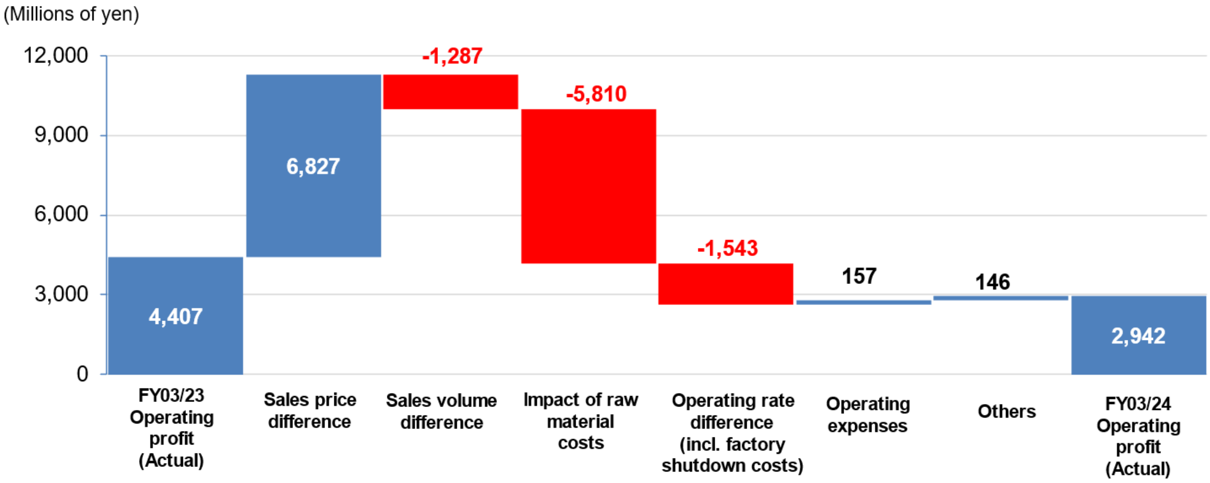
(Millions of yen)

		FY03/23 Actual		FY03/24 Forecast		FY03/24 Actual		YoY Change		vs. Forecast	
		Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Chemicals	Net sales	75,992	—	75,437	—	74,110	—	-1,882	-2.5	-1,327	-1.8
	Operating profit	6,372	8.4	4,268	5.7	5,083	6.9	-1,288	-20.2	815	19.1
Medical	Net sales	7,868	—	8,563	—	7,995	—	126	1.6	-568	-6.6
	Operating profit	272	3.5	120	1.4	86	1.1	-185	-68.0	-34	-28.3
Adjustments	HQ 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 profit	4,407	5.3	1,900	2.3	2,942	3.6	-1,465	-33.2	1,042	54.8

The next section shows sales and operating income by segment.

This one is listed under chemicals and medical business, and I will explain the details later in the sub-segments.

Factors Behind YoY Change in Operating Profit



Positive Factors	Negative Factors
・**Price Adjustment Efforts (Sales Price Difference)** Efforts to adjust prices largely offset the rise in raw material costs. Note: Includes profitability adjustments and improvements in the sales mix, so it does not fully reflect the offsetting impact.	・**Decline in Sales Volume / Lower Operating Rate** Decreased sales volumes for electronic materials, titanium dioxide, and other sub -segments lowered operating profit. Additionally, production adjustments aimed at reducing inventory increased fixed costs, resulting in lower operating rates.

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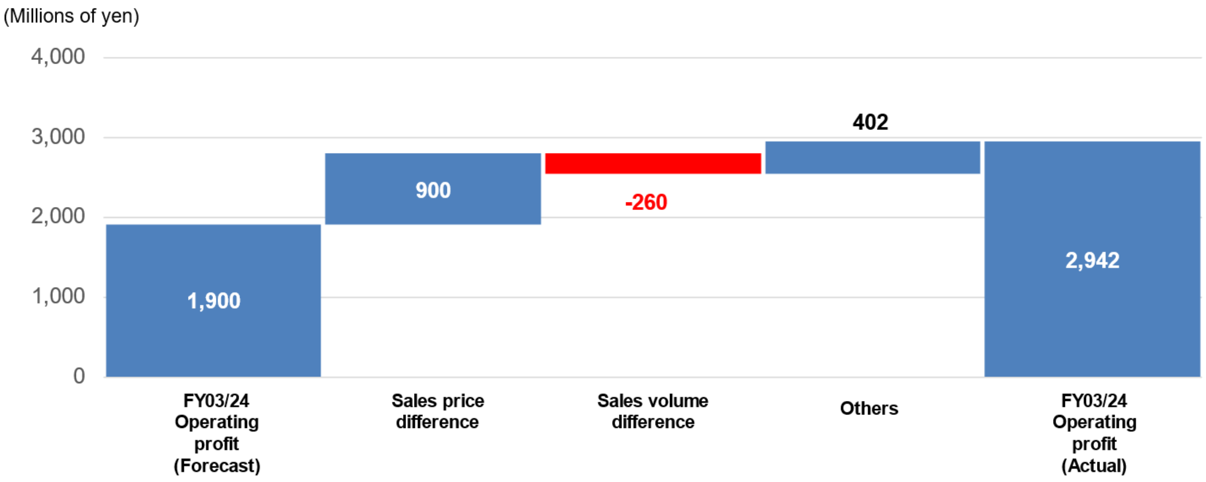
The following chart shows the factors behind the increase or decrease in operating income compared with the same period of the previous year.

The increase in the cost of raw materials and fuels was less than JPY6 billion, but this was largely offset by the price correction. However, the profit was boosted by the difference in capacity utilization due to the decrease in sales volume. Also, profit decreased due to the operation difference.

Factors Behind Operating Profit Variance (vs. Forecast)



Positive Factors	Negative Factors
・**Price Adjustment Impact and Sales Mix Improvement (Sales Price Difference)** Price adjustments, particularly for electronic materials, progressed beyond forecast levels, with improvements in the sales mix for dielectric materials also contributing positively.	・**Decrease in sales volume** Sales volumes for electronic materials and cosmetic materials saw sluggish growth, falling short of forecasted levels.

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This is the reason for the change from the forecast revised during the period.

Price correction progressed mainly in electronic materials and cosmetics, and an improved sales mix in dielectric materials was also successful.

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)
Total current assets	**72,101**	**76,042**	**3,941**
Property, plant and equipment	46,761	40,463	(6,298)
Other	9,158	8,938	(220)
Total non-current assets	**55,920**	**49,402**	**(6,518)**
Total assets	**128,021**	**125,445**	**(2,576)**
Notes/accounts payable	8,610	9,066	456
Short-term borrowing	13,175	15,108	1,933
Other	7,452	7,582	130
Total current liabilities	**29,237**	**31,757**	**2,520**
Long-term borrowing	8,467	8,930	463
Convertible Bonds	-	3,000	3,000
Other	5,598	6,290	692
Total non-current liabilities	**14,066**	**18,220**	**4,154**
Total liabilities	**43,304**	**49,978**	**6,674**
Shareholder's equity	78,863	71,183	(7,680)
Other	5,854	4,282	(1,572)
Total net assets	**84,717**	**75,466**	**(9,251)**
Total liabilities/net assets	**128,021**	**125,445**	**(2,576)**

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 YearEnd	FY24 YearEnd
Equity-to-asset ratio	62.9%	59.3%
CCC	210 days	216 days

(*CCC: cash conversion cycle)

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The following is the balance sheet.

Let me explain the main points.

The main reasons for the increase/decrease are as follows: Trade notes and accounts receivable increased by JPY2,015 million. The increase in the sales level just before the end of the fiscal year was about JPY1.2 billion higher than last year, and the payment of some accounts receivable was delayed to the next business day.

Inventories decreased by JPY1,378 million. We are working on and have started to improve the cash conversion cycle here, and the inventory volume decreased by about 15% at the end of the previous period.

With regard to inventory unit prices, raw materials prices increased slightly, while product prices rose.

Tangible fixed assets decreased by JPY6,298 million. This is due to the impact of JPY6,592 million in impairment losses.

As a result, the equity ratio is 59.3%, and the cash conversion cycle, here calculated on a monthly sales basis, is 216 days. We recognize that the cash conversion cycle remains high and will continue to improve.

Cash Flow Statement Comparison

(Unit: million yen)

Comparative Consolidated C/F	FY 2023	FY 2024	Change
Cash/deposit balance at start of period	**10,549**	**12,188**	**1,639**
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
Cash flow from operating activities	**773**	**6,866**	**6,093**
Purchases of property, plant and equipment	(2,658)	(4,024)	(1,366)
Other	38	61	23
Cash flow from investment activities	**(2,620)**	**(3,963)**	**(1,343)**
FCF (operating CF + investment CF)	**(1,847)**	**2,903**	**4,750**
Change in short/longterm 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
Total financial C/F	**3,283**	**1,259**	**(2,024)**
Total translation adjustments on cash/deposits	**202**	**124**	**(78)**
Change in cash/deposits	**1,638**	**4,286**	**2,648**
Cash/deposit balance at end of period	**12,188**	**16,475**	**4,287**

- **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.

We will explain the statement of cash flows.

Operating cash flow was JPY6,866 million. The increase from the previous year was due to reduction of inventories and decrease in income taxes paid.

Investment cash flow was negative JPY3,963 million. We are acquiring property, plant, and equipment mainly for the purpose of entering the bulk pharmaceutical intermediates of organic chemicals, which we will focus on in the future, and CDMO here. As a result, free cash flow was approximately JPY2.9 billion, an increase of JPY4.75 billion from the previous year.

As for financing cash flow, we raised JPY3 billion through the issuance of convertible bonds. This was due to the TOB of Sakai Trading Co. Ltd. As a result, the amount was JPY1,259 million, a decrease of JPY2,024 million compared to the previous year.

FY03/25 Earnings Forecast

(Millions of yen)

	FY03/24		FY03/25					
	Full-year results		1H forecast		2H forecast		Full-year forecast	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	YoY
Net sales	82,105	–	42,000	–	45,000	–	87,000	6.0%
Operating profit	2,942	3.6%	2,400	5.7%	3,000	6.7%	5,400	83.5%
Ordinary profit	3,066	3.7%	2,300	5.4%	2,900	6.4%	5,200	69.6%
Profit attributable to owners of parent	(7,092)	(8.6%)	1,600	3.8%	2,700	6.0%	4,300	–

Net sales	Sales volumes are expected to vary across sub-segments, but overall consolidated volume should remain stable. We plan to continue the price adjustments initiated last fiscal year, supporting anticipated sales growth through higher sales prices.
Operating profit	We anticipate profit growth, supported by the ongoing impact of price adjustments—which have boosted profits since the latter half of FY03/24—and a recovery in sales volumes in the electronic materials business, classified as a growth business.

External Factors (Assumptions)		Internal Factors (Assumptions)	
Positives	Negatives	Positives	Negatives
• Steady demand in automotive sector • Gradual recovery in semiconductor market • Zinc prices have bottomed out	• Prolonged economic stagnation in China • Weak demand in domestic building materials	• Ongoing price adjustments • Improvement in operating rates	—

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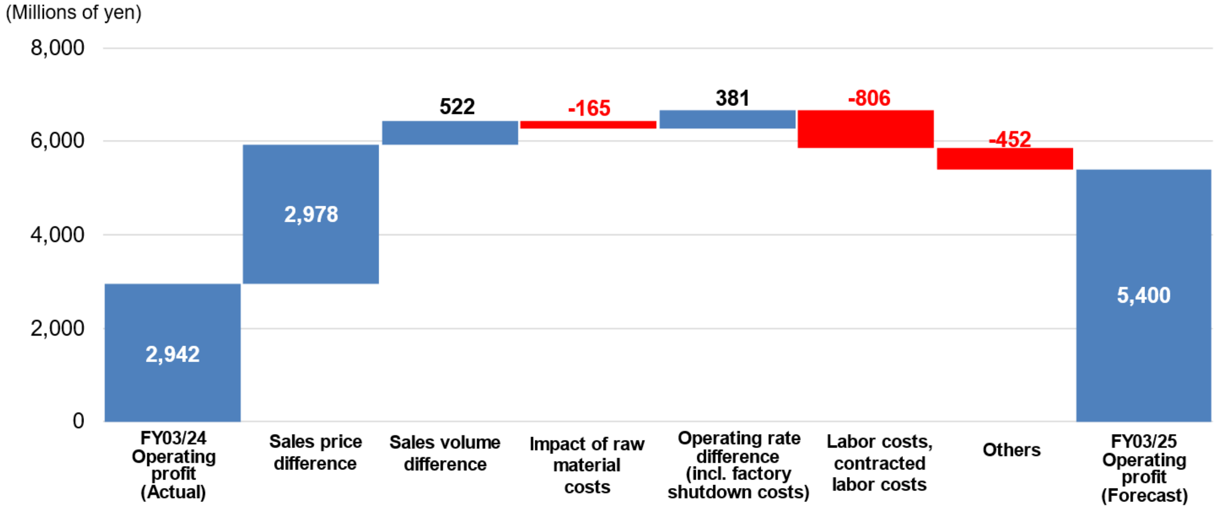
Next is the forecast for the fiscal year ended March 31, 2025.

For the full year, we forecast net sales of JPY87 billion and operating income of JPY5.4 billion.

As for net sales, while sales volume will not change significantly on a consolidated basis, we expect an increase in sales per unit since we will continue the price correction from the previous fiscal year in the current fiscal year.

Operating income is expected to benefit from the effect of price correction, which has been contributing to profits since H2 of the previous fiscal year, and a recovery in volume in the growing electronic materials business. And we expect to increase profit.

Factors Behind Projected YoY Change in Operating Profit



Positive Factors	Negative Factors
・Impact of Price Adjustments (Sales Price Difference) Ongoing price adjustments, including those still in progress, particularly in efficiency review areas, are expected to boost profits compared to the previous year.	**・Increase in Labor Costs** Higher wages due to base pay increases

This is the forecast for increase/decrease in operating income.

We expect an increase of approximately JPY3 billion due to the effect of sales price correction and the difference in sales unit prices.

Although we will continue to correct prices that have been left on the backlog, we expect to boost profits compared to the previous fiscal year due to the effects of price corrections, mainly in the efficiency improvement study projects that we have been continuing.

CAPEX, Depreciation, and R&D Expense: Trends and Forecast

(Millions of yen)

	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25 (Forecast)
CAPEX	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	2,898	2,487	2,376	2,674	2,722	3,000

- CAPEX
  Planned investments include restructuring costs for business sites as part of portfolio transformation, safety measures, and upgrades to production facilities for new products, with investments expected to rise to 8,500 million yen in FY03/25.

- Depreciation
  Due to the significant impact of impairment losses recorded in FY03/24, depreciation is expected to decrease to 4,000 million yen.

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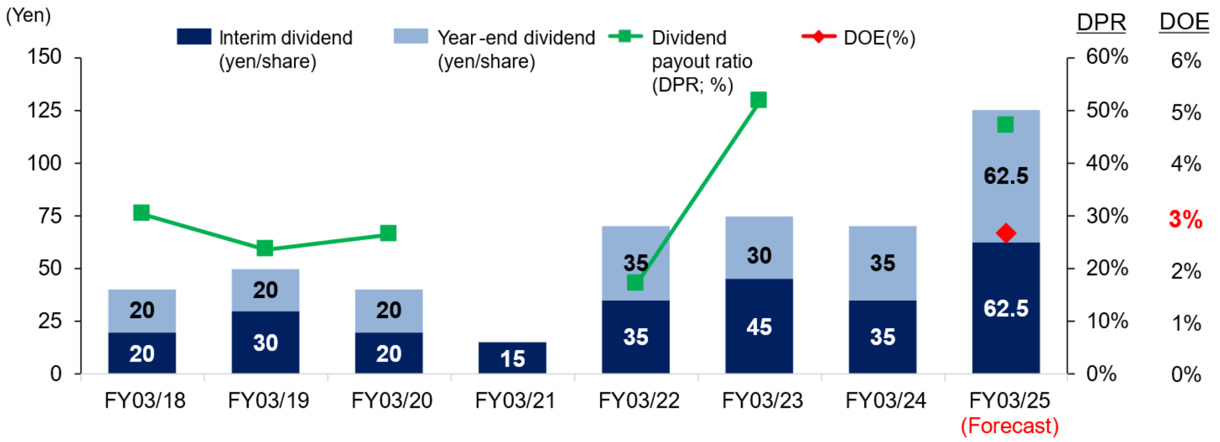
Continued below are the trends and forecasts for capital expenditures, depreciation, and research and development expenses.

Capital expenditures are expected to increase to JPY8.5 billion in the fiscal year ending March 31, 2025, due to planned expenses for restructuring of business sites in line with portfolio transformation, investment in safety measures, and improvement of production facilities for developed products.

Although not mentioned, we plan to make certain investments in growth businesses.

Depreciation and amortization expenses are expected to decrease by JPY4 billion due to the significant impact of impairment losses implemented in the fiscal year ended March 31, 2024.

Shareholder Returns



[For FY03/24]

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

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

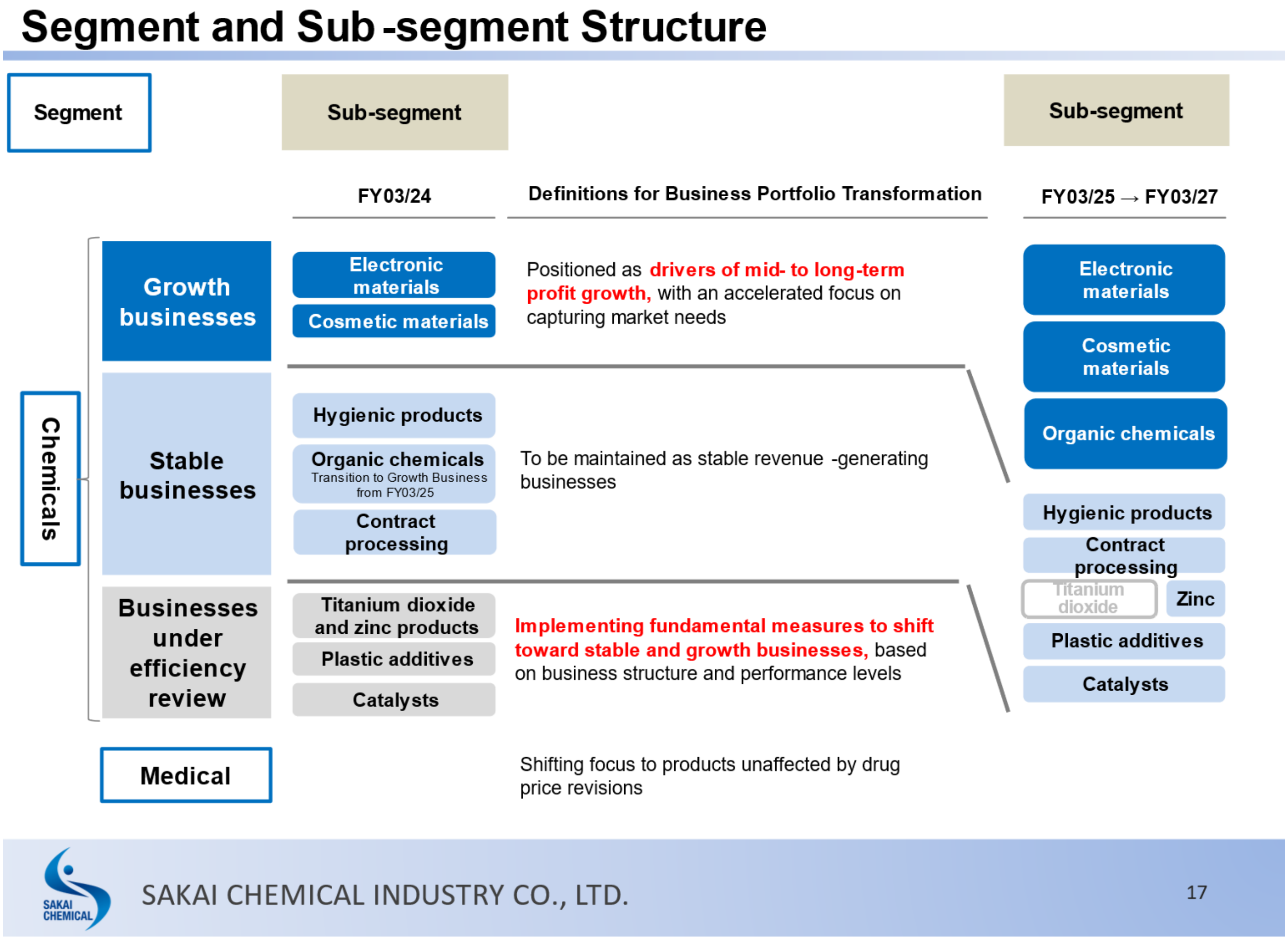
Revising the target from a payout ratio of 30% or more to a **dividend on equity (DOE) target of 3%,** with dividends distributed twice annually

Next, we will discuss shareholder returns.

For March 2024, we will pay an annual dividend of JPY70 per share.

As we will explain later in the new medium-term management plan, from the fiscal year ending March 31, 2025, to the fiscal year ending March 31, 2027, we plan to revise our basic dividend policy of aiming for a dividend payout ratio of 30% or more, and we plan to return profits to shareholders with a target DOE of 3%.

With regard to our dividend policy, we have paid a stable total dividend to date. In light of this track record, we have decided to introduce DOE. During the period of this medium-term management plan, we will aim for a DOE of 3% and return profits to shareholders twice a year.



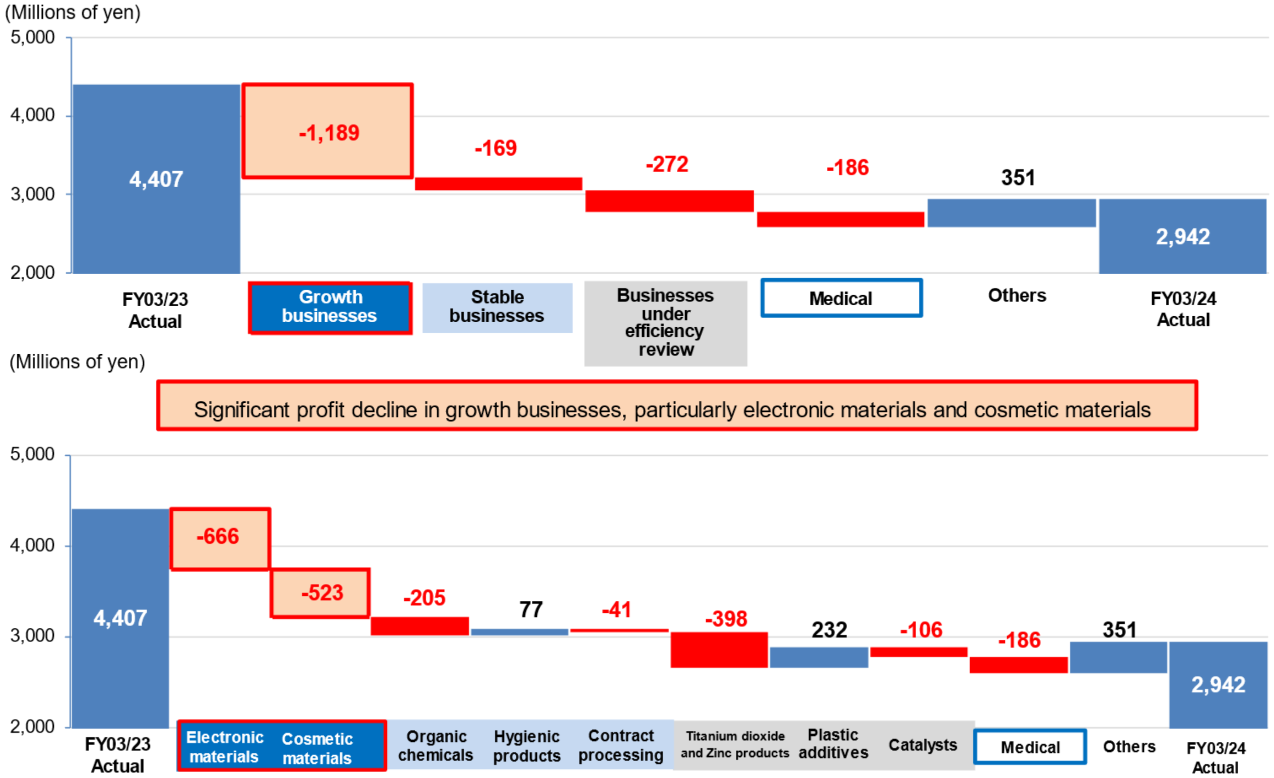
I will now continue with the segment results for the fiscal year ended March 31, 2024.

This shows the relationship between segments and sub-segments.

We have used the division on the left until the fiscal year ended March 31, 2024, but as announced in the new medium-term business plan, we will continue to reform our business portfolio, so from the fiscal year ending March 31, 2025, onward we will use the division on the right.

In the chemicals business, we plan to shift organic chemicals, which are stable businesses, to growth businesses, and zinc, resin additives, and catalysts to stable businesses, and we will eliminate businesses that we are considering streamlining.

YoY Change in Operating Profit by Sub -segment



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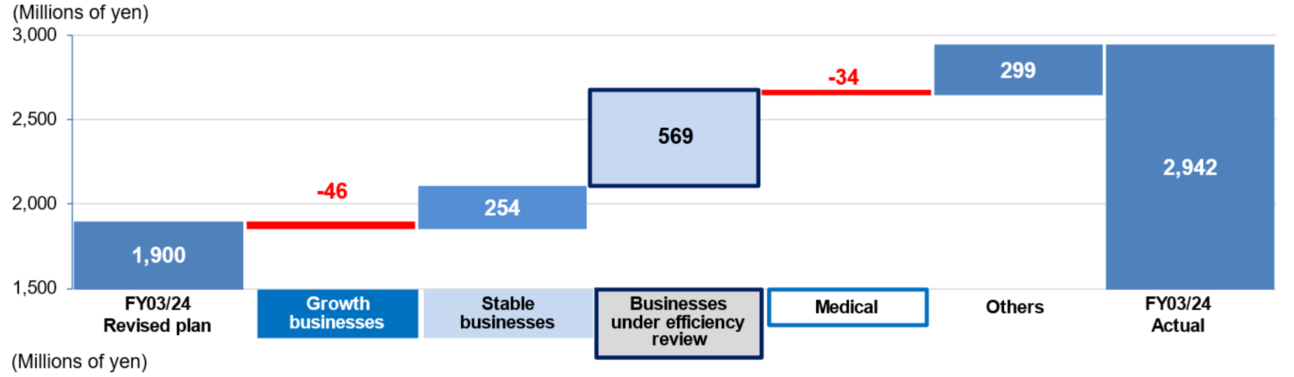
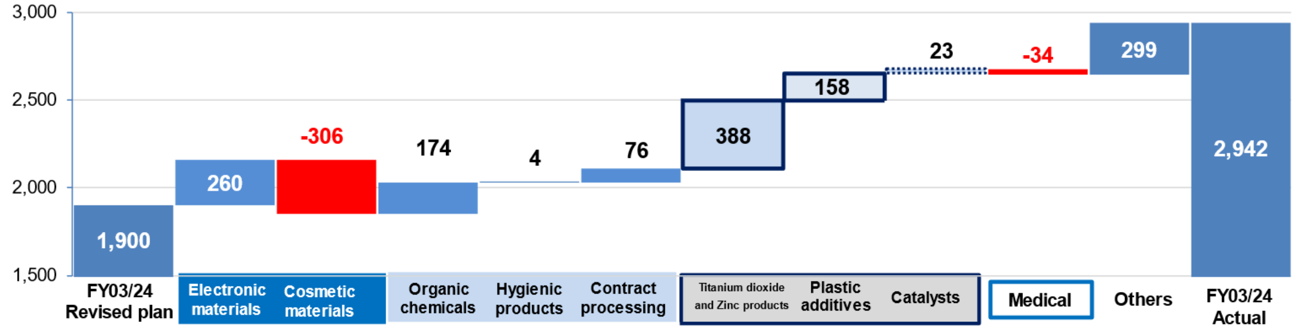
This is the change in operating income of the sub-segment. This is compared to the same period of the previous year.

As mentioned by Mr. Yagura earlier, operating income from the growth businesses of electronic materials and cosmetics materials has declined significantly.

Operating Profit Variance vs. Forecast by Sub -segment



Businesses under efficiency review, led by titanium dioxide and zinc products, and plastic additives, exceeded the revised pl an.



This is the forecast ratio.

As for the forecast, the results exceeded the revised forecast mainly for titanium dioxide and zinc products and plastic additives in the efficiency improvement study business, but cosmetics materials did not perform well, resulting in lower-than-expected income and profit.

We will now continue with an explanation of each of the sub-segments.

Electronic Materials

Growth businesses

● YoY Comparison (Millions of yen)

	FY03/23 Actual		FY03/24 Actual		Change	
	Amount	%	Amount	%	Amount	%
Net sales	8,939	—	8,978	—	39	0.4
Operating profit	946	10.6	280	3.1	-666	-70.4

● YoY Comparison

Net sales

(+) Price adjustments taking hold
Although sales volumes for dielectric products and dielectric materials declined due to the continued slump in the semiconductor market for consumer electronics from 2H FY03/23, price adjustments —particularly in dielectric products — took hold, helping to stabilize net sales year over year.

Operating profit

(−) Decline in sales volume and deteriorated sales mix
The prolonged demand slump that began in FY03/23 continued through Q2 FY03/24, leading to extended adjustments in operating rates. Year -over-year sales volumes declined, and a deteriorating sales mix in dielectric materials contributed to a significant drop in profit.

● vs. Forecast *Forecast is based on the revised plan in Q2 FY03/24

	FY03/24 Forecast		FY03/24 Actual		Difference	
	Amount	%	Amount	%	Amount	%
Net sales	9,415	—	8,978	—	-437	-4.6
Operating profit	20	0.2	280	3.1	260	1,300.0

● vs. Forecast

Net sales

(−) Decline in sales volume
While demand for MLCCs, closely linked to the semiconductor market, was expected to bottom out in Q2 FY03/24 and gradually recover, the recovery was slower than anticipated. This led to stagnant sales volumes and net sales falling short of the forecast.

Operating profit

(+) Price adjustments taking hold and improved sales mix
Price adjustments, primarily in dielectric products, and an improved sales mix in dielectric materials compared to the sales plan resulted in profit exceeding the forecast.

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Electronic materials.

Compared to the same period last year, sales volume of both dielectrics (barium titanate) and dielectric materials (high-purity barium carbonate) declined due to the sluggish semiconductor market. However, some price corrections, mainly in dielectrics (barium titanate), also penetrated the market, and sales remained almost unchanged.

Operating income declined significantly, partly because of a drop in sales volume due to prolonged adjustment of capacity utilization, and partly because of a deteriorated sales mix.

In terms of sales volume, we had expected sales volume to bottom out in Q2 of the previous year and gradually recover, but the market recovery was slower than expected, and as a result sales volume growth was sluggish, resulting in lower sales than expected.

Operating income exceeded the forecast as a result of price correction mainly in dielectrics (barium titanate) and an improved sales mix, especially in dielectric materials (high-purity barium carbonate) , compared to the sales plan.

Cosmetic Materials

Growth businesses

● YoY Comparison

(Millions of yen)

	FY03/23 Actual		FY03/24 Actual		Change	
	Amount	%	Amount	%	Amount	%
Net sales	2,790	—	2,498	—	-292	-10.5
Operating profit	430	15.4	(93)	(3.7)	-523	-121.6

● YoY Comparison

Net sales

(−) Decline in sales volume
Despite steady recovery in domestic demand, lower sunscreen consumption in overseas markets, particularly in China, led to a decline in sales volume. Temporary factors, such as quality improvement work, also impacted production, resulting in lower -than-planned output.

Operating profit

(−) Decline in sales volume and factory shutdown costs
Poor sales performance led to extended shutdowns during scheduled maintenance, lowering operating rates and incurring shutdown costs of approximately -100 million yen, resulting in a significant profit decline.

● vs. Forecast

*Forecast is based on the revised plan in Q2 FY03/24

	FY03/24 Forecast		FY03/24 Actual		Difference	
	Amount	%	Amount	%	Amount	%
Net sales	2,830	—	2,498	—	-344	-11.7
Operating profit	213	7.5	(93)	(3.7)	-306	-143.7

● vs. Forecast

Net sales

(−) Decline in sales volume
Lower-than-expected demand in overseas markets, especially in China, and production falling short of plan resulted in net sales below forecast.

Operating profit

(−) Decline in sales volume
Weak sales prevented growth in net sales, and an inventory loss of approximately -100 million yen due to defective products contributed to profit falling significantly below forecast.

Next is cosmetics materials.

Compared to the same period last year, net sales decreased due to a decline in sales volume affected by sluggish consumption of sunscreens in China and other countries, and the inability to produce as planned due to temporary factors such as quality improvement work, despite a steady recovery in domestic demand.

Operating income decreased significantly due to a decline in sales volume and the recording of approximately JPY100 million in plant shutdown expenses resulting from a longer than usual shutdown for periodic repairs.

Compared to the forecast, net sales fell short of the forecast due to lower-than-expected growth in sales volume as a result of continued sluggish demand overseas and the inability to produce as planned.

Operating income also fell far short of the forecast, due in part to the lack of sales growth and, although this was a one-time factor, a JPY100 million loss on valuation of defective products.

Organic Chemicals

Stable businesses

● **YoY Comparison** (Millions of yen)

	FY03/23 Actual		FY03/24 Actual		Change	
	Amount	%	Amount	%	Amount	%
Net sales	8,014	—	7,813	—	-201	-2.5
Operating profit	1,600	20.0	1,395	17.9	-205	-12.8

● **vs. Forecast** *Forecast is based on the revised plan in Q2 FY03/24

	FY03/24 Forecast		FY03/24 Actual		Difference	
	Amount	%	Amount	%	Amount	%
Net sales	8,080	—	7,813	—	-267	-3.3
Operating profit	1,221	15.1	1,395	17.9	174	14.3

● **YoY Comparison**

Net sales	**(−) Decrease in shipments of pharmaceutical intermediates** Additives for plastic lens monomers (used in eyeglass lenses) saw steady shipment growth due to robust lens demand. However, a decline in shipments of pharmaceutical intermediates led to an overall decrease in net sales.
Operating profit	**(−) Lower shipment volume and high raw material costs** Profit declined for plastic lens monomer additives due to high raw material costs, and pharmaceutical intermediates also saw a profit decline due to reduced shipment volumes.

● **vs. Forecast**

Net sales	**(−) Decline in sales volume** Sales volume for thio -based products, excluding plastic lens monomer additives, fell short of plan, resulting in net sales below forecast.
Operating profit	**(+) Increase in shipment volume** Strong demand for eyeglass lenses led to higher -than-expected sales volume for plastic lens monomer additives, resulting in profit exceeding forecast.

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Next is organic chemicals.

Compared to the same period last year, sales of additives for plastic lens monomers, which are eyeglass lens materials, showed a steady increase in shipment volume due to strong demand for eyeglass lenses, but the shipment volume of bulk pharmaceutical intermediates decreased, resulting in a decline in total sales.

Operating income decreased due to the unavoidable impact of high raw material and fuel prices for eyeglass lens materials, while operating income decreased in active pharmaceutical ingredients and intermediates due to a decrease in shipment volume.

Sales of these products other than eyeglass lens materials and organic chemical products fell short of the forecast because the sales volume of these products fell short of the plan.

Operating income was boosted by strong demand for plastic lenses and eyeglass lens materials. As a result, sales volume increased more than planned and exceeded the forecast.

Hygienic Products

Stable businesses

● **YoY Comparison** (Millions of yen)

	FY03/23 Actual		FY03/24 Actual		Change	
	Amount	%	Amount	%	Amount	%
Net sales	5,496	–	5,455	–	-41	-0.7
Operating profit	327	5.9	404	7.4	77	23.5

● **vs. Forecast** *Forecast is based on the revised plan in Q2 FY03/24

	FY03/24 Forecast		FY03/24 Actual		Difference	
	Amount	%	Amount	%	Amount	%
Net sales	5,923	–	5,455	–	-468	-8.0
Operating profit	400	6.7	404	7.4	4	1.0

● **YoY Comparison**

Net sales	**(−) Decline in sales volume of imported products** Yen depreciation slowed movement of imported hygienic products, but net sales held steady year -over-year.
Operating profit	**(+) Contribution from improved production yield and reduced logistics costs** Compared to FY03/23, improved production yields reduced manufacturing costs, and lower export shipping costs decreased operating expenses, leading to profit growth.

● **vs. Forecast**

Net sales	**(−) Decline in movement of imported and manufactured products** Yen depreciation reduced movement of imported products below plan, and a decline in diaper demand in Indonesia, driven by inflation, kept sales of manufactured products below forecast.
Operating profit	**(+) Improved production yield and reduced logistics costs** Sales declined, lowering operating rates, but the positive effects of yield improvements and lower export freight costs offset expenses, resulting in profit close to forecast.

It is a hygienic product.

Compared to the same period of the previous year, net sales were at the same level as the same period of the previous year due to the weak yen, which resulted in a slowdown in the movement of imported commercial products related to hygienic products.

Operating income increased due to lower manufacturing costs resulting from improved yields and lower operating expenses resulting from lower export freight costs.

Sales fell short of the forecast due to slower-than-planned sales of manufactured goods, as the weak yen caused a downturn in cargo movements of imported commercial products and soaring prices in Indonesia caused a slump in the diaper market.

Operating income was almost in line with the forecast, as operating expenses decreased due to the effect of yield improvement and lower export freight costs, despite lower capacity utilization due to lower sales.

Contract Processing

Stable businesses

● **YoY Comparison** (Millions of yen)

	FY03/23 Actual		FY03/24 Actual		Change	
	Amount	%	Amount	%	Amount	%
Net sales	6,244	–	6,177	–	-67	-1.1
Operating profit	587	9.4	546	8.8	-41	-7.0

● **vs. Forecast** *Forecast is based on the revised plan in Q2 FY03/24

	FY03/24 Forecast		FY03/24 Actual		Difference	
	Amount	%	Amount	%	Amount	%
Net sales	6,961	–	6,177	–	-784	-11.3
Operating profit	470	6.7	546	8.8	76	16.2

● **YoY Comparison**

Net sales

(–) Decline in sales volume
Contract processing saw lower sales with the completion of a large project. For processed pigments, declines in sales volume for construction and bath -related products were offset by price adjustments, keeping net sales stable.

Operating profit

(–) Decline in sales volume
Both contract processing and processed pigments experienced lower sales volumes, resulting in reduced profit.

● **vs. Forecast**

Net sales

(–) Decline in sales volume
Sales of pigments for construction and office equipment were weak, resulting in net sales below forecast.

Operating profit

(+) New project acquisition and price adjustments taking hold
Contract processing exceeded expectations, as more new projects than anticipated were acquired to replace completed large contracts. Additionally, the effect of price adjustments for processed pigments contributed to profit above forecast..

Next is contract processing.

YoY, sales decreased due to the completion of large projects in contracted processes. Sales of processed pigments were generally maintained on a YoY basis due to the penetration of price correction, despite a decrease in sales volume of building materials and bath additives.

Operating income decreased due to lower sales volume.

Sales fell short of forecast due to sluggish sales in processed pigments for building materials and pigments for office automation equipment.

Operating income exceeded the forecast due to new orders received for process processing that exceeded expectations in place of large projects that had been terminated, as well as the penetration of price correction in the processing pigment business.

Titanium Dioxide and Zinc Products (Excluding Cosmetic Materials)

Businesses under efficiency review

● YoY Comparison (Millions of yen)

	FY03/23 Actual		FY03/24 Actual		Change	
	Amount	%	Amount	%	Amount	%
Net sales	15,068	–	14,269	–	-799	-5.3
Operating profit	(34)	(0.2)	(432)	(3.0)	-398	–

● YoY Comparison

Net sales	**(−) Decline in domestic zinc price (YoY: approx. 700 million yen)** A drop in domestic zinc prices led to a significant decline in zinc product sales. For titanium dioxide, reduced sales volume due to aggressive low-cost competition from China was partially offset by price adjustments; however, net sales declined.
Operating profit	**(−) Decline in titanium dioxide sales volume and high raw material costs** Although price adjustments were prioritized, high raw material costs and competitive low prices from Chinese suppliers led to lower sales volumes for titanium dioxide. Inventory adjustments due to reduced sales further lowered operating rates, resulting in a profit decline. (Limited impact on profit from zinc products due to processing -fee model)

● vs. Forecast *Forecast is based on the revised plan in Q2 FY03/24

	FY03/24 Forecast		FY03/24 Actual		Difference	
	Amount	%	Amount	%	Amount	%
Net sales	14,949	–	14,269	–	-680	-4.5
Operating profit	(820)	(5.5)	(432)	(3.0)	388	–

● vs. Forecast

Net sales	**(−) Decline in titanium dioxide sales volume** While implementing price adjustments for titanium dioxide, stronger-than-expected competition from low -cost Chinese products led to a sharper -than-anticipated decline in sales volume, resulting in net sales below forecast.
Operating profit	**(+) Price adjustments on titanium dioxide and zinc products taking hold** Ongoing price adjustments and impairment losses recognized in Q3 FY03/24 helped reduce the anticipated loss, resulting in a narrower loss than forecasted.

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Next, titanium dioxide and zinc products. This excludes cosmetics materials.

The YoY sales decline in the domestic zinc quotation market was about JPY700 million compared to the previous year. As for sales of titanium dioxide, the decline in sales volume due to the aggressive sales of inexpensive Chinese products was offset by price adjustments, but sales declined.

Operating income decreased due to a decline in sales volume as a result of prioritizing price correction in the face of the remaining impact of high raw material and fuel prices and the inexpensive offensive by Chinese companies, although we have been pushing forward with price correction. This is a strategy of not chasing low-priced products. The decrease in profit was due in part to lower capacity utilization resulting from inventory adjustments.

Sales were lower than forecast due to lower-than-expected sales volume in titanium dioxide as a result of the greater-than-expected impact of the offensive of inexpensive products from China amid price correction efforts.

However, the deficit in operating income was smaller than expected due to the penetration of continuous price correction and the disposal of impairment losses that were executed at the time of Q3 closing of the fiscal year ended March 31, 2024.

Plastic Additives

Businesses under efficiency review

● **YoY Comparison** (Millions of yen)

	FY03/23 Actual		FY03/24 Actual		Change	
	Amount	%	Amount	%	Amount	%
Net sales	13,354	–	13,418	–	64	0.5
Operating profit	404	3.0	636	4.7	232	57.4

● **vs. Forecast** *Forecast is based on the revised plan in Q2 FY03/24

	FY03/24 Forecast		FY03/24 Actual		Difference	
	Amount	%	Amount	%	Amount	%
Net sales	15,772	–	13,418	–	-2,354	-14.9
Operating profit	478	3.0	636	4.7	158	33.1

● **YoY Comparison**

Net sales	**(+) Price adjustments taking hold and expanded sales efforts overseas** Domestic sales declined due to a drop in housing starts, and sales to China decreased overseas. However, price adjustments took hold domestically and internationally, and expanded sales of non-lead stabilizers overseas helped keep net sales stable year-over-year.
Operating profit	**(+) Price adjustments and expanded sales overseas** Profit increased due to price adjustments domestically and expanded sales of non-lead stabilizers overseas, leading to an improved sales mix.

● **vs. Forecast**

Net sales	**(−) Decline in sales volume** Weak demand for PVC in domestic construction and fittings, combined with prolonged economic stagnation in China, led to sales volumes falling short of plan in both domestic and overseas markets, resulting in net sales below forecast.
Operating profit	**(+) Price adjustments taking hold and increase in non-lead stabilizers** Both domestic and overseas price adjustments taking hold, along with expanded local sales of non-lead stabilizers in Vietnam and Thailand, led to profit exceeding the forecast.

Next is plastic additives.

In terms of YoY sales, domestic demand was affected by a decline in housing starts and other factors, while overseas, sales volume of products for China declined. However, sales were almost on par with the previous year due to price correction both in Japan and overseas, and sales expansion of non-lead stabilizers in overseas local markets.

Operating income increased due to the penetration of price correction in Japan, as well as an improved sales mix due to expanded sales of non-lead stabilizers in overseas local markets.

Compared to the forecast, sales to the domestic market were sluggish for PVC demand. However, due to the prolonged economic stagnation in China overseas, both sales volumes did not grow as much as planned and were lower than expected.

However, operating income exceeded the forecast due to the penetration of price correction both in Japan and overseas and sales expansion of non-lead stabilizers at overseas sites in Vietnam and Thailand.

Catalysts

Businesses under efficiency review

● YoY Comparison

(Millions of yen)

	FY03/23 Actual		FY03/24 Actual		Change	
	Amount	%	Amount	%	Amount	%
Net sales	4,193	—	3,527	—	-666	-15.9
Operating profit	179	4.3	73	2.1	-106	-59.2

● YoY Comparison

Net sales	**(−) Decline in sales volume** Nickel catalyst sales were impacted by scheduled maintenance at domestic customer facilities, and sales volume of denitrification catalysts declined after a large overseas project from the previous period was completed.
Operating profit	**(−) Decline in sales volume** Despite the effect of price adjustments, the decrease in sales volume could not be offset, resulting in a profit decline.

● vs. Forecast

*Forecast is based on the revised plan in Q2 FY03/24

	FY03/24 Forecast		FY03/24 Actual		Difference	
	Amount	%	Amount	%	Amount	%
Net sales	3,707	—	3,527	—	-180	-4.9
Operating profit	50	1.3	73	2.1	23	46.0

● vs. Forecast

Net sales	**(−) Decline in sales volume** Sales of nickel catalysts did not grow as expected due to delays in customer plant startups. For denitrification catalysts, a profit-focused sales strategy avoided excessive price competition, leading to sales volumes below plan and net sales falling short of forecast.
Operating profit	**(+) Effect of price adjustments taking hold** Price adjustments, particularly for nickel catalysts, contributed to operating profit exceeding the forecast.

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Next is the catalysts.

Compared to the same period last year, sales volume decreased. This was largely due to the impact of periodic repairs by domestic customers of nickel catalysts, and a drop in sales volume of deNOx catalysts due to a lull in large overseas projects that had contributed to the previous year's results.

Operating income decreased, despite the penetration of price correction, as it could not offset the decline in sales volume.

Sales volume of nickel catalysts fell short of the forecast due to a delay in the start-up of customers' new plants than expected, and sales volume of deNOx catalysts fell short of the forecast as a result of avoiding excessive price competition based on a sales policy that emphasizes profitability.

Operating income exceeded the forecast due to the penetration of price correction mainly in nickel catalysts.

Medical

Medical

● YoY Comparison

	FY03/23 Actual		FY03/24 Actual		Change	
	Amount	%	Amount	%	Amount	%
Net sales	7,868	—	7,995	—	127	1.6
Operating profit	272	3.5	86	1.1	-186	-68.4
Net sales (New businesses)	1,303	—	1,615	—	312	23.9

● vs. Forecast *Forecast is based on the revised plan in Q2 FY03/24

	FY03/24 Forecast		FY03/24 Actual		Difference	
	Amount	%	Amount	%	Amount	%
Net sales	8,563	—	7,995	—	-568	-6.6
Operating profit	120	1.4	86	1.1	-34	-28.3
Net sales (New businesses)	2,069	—	1,615	—	-454	-21.9

● YoY Comparison

Net sales	**(+) Medical devices, OTC pharmaceuticals, new businesses** Despite sales declines in barium contrast agents and Alroid G due to drug price revisions, net sales rose slightly as renewed medical devices, increased OTC pharmaceutical sales (driven by a rise in cold patients following eased COVID-19 restrictions), and growth in new businesses offset these declines.
Operating profit	**(−) Drug price revision, high raw material prices** Although profits rose in medical devices and OTC pharmaceuticals, profit margins were negatively impacted by drug price revisions and high raw material costs, resulting in a profit decline.

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

● vs. Forecast

Net sales	**(−) Barium contrast agent, Alroid G, new businesses** Planned sales in new business areas were expected to offset declines in sales volume for existing barium contrast agents and Alroid G, but delays in some product launches contributed to net sales falling below forecast.
Operating profit	**(−) High raw material prices** Rising raw material prices negatively impacted operating profit, resulting in performance below forecast.

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This is a medical business.

Sales of barium contrast media and Aluloid-G (ethical pharmaceuticals) decreased due to the NHI price revision, but sales of medical devices and OTC drugs increased, resulting in a slight YoY increase in total sales.

Operating income will also decrease due to the inevitable impact of lower margins from NHI drug price revisions and the high cost of raw materials and fuel.

Compared to the forecast, sales were expected to be lower than expected due to the existing barium contrast media business, Aluloid G, and some delays in the launch of some products in these areas, although the decline in these prescription drugs was planned to be covered by new businesses.

Operating income was lower than forecast due to the unavoidable impact of higher raw material and fuel prices.

Business Environment Overview

	Sub-segment	Assumptions for FY03/25 Forecast
Growth businesses	Electronic materials	The semiconductor market has been recovering since 2H FY03/24, a trend anticipated to continue into this fiscal period.
	Cosmetic materials	Domestic demand: Expected to maintain a steady recovery Overseas demand: Anticipated to gradually turn toward recovery
	Organic chemicals	The eyeglass lens market is projected to hold steady.
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.
	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.

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Finally, before we discuss the sub-segment forecasts for the fiscal year ending March 31, 2025, we present here our perception of the business environment.

We expect an overall recovery in growth businesses. However, in the efficiency improvement study business, first of all, for titanium dioxide and zinc products, we expect the severe sales situation to continue, with an oversupply of titanium dioxide and the continued inflow of inexpensive overseas products into the domestic market.

Domestic demand for plastic additives is still sluggish and sales growth is expected to be difficult, but overseas demand will expand. We expect the switch from lead-based stabilizers to non–lead-based stabilizers to proceed accordingly.

Sub-segment Forecast

(Millions of yen)

	FY03/24 Actual			FY03/25 Full-Year 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	10,913	1,023	9.4	1,935	21.6	743	265.4
Cosmetic 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
Medical	7,995	86	1.1	8,175	100	1.2	180	2.3	14	16.3
Others	11,975	38	0.3	13,553	520	3.8	1,578	13.2	482	1268.4
Consolidated	**82,105**	**2,942**	**3.6**	**87,000**	**5,400**	**6.2**	**4,895**	**6.0**	**2,458**	**83.5**

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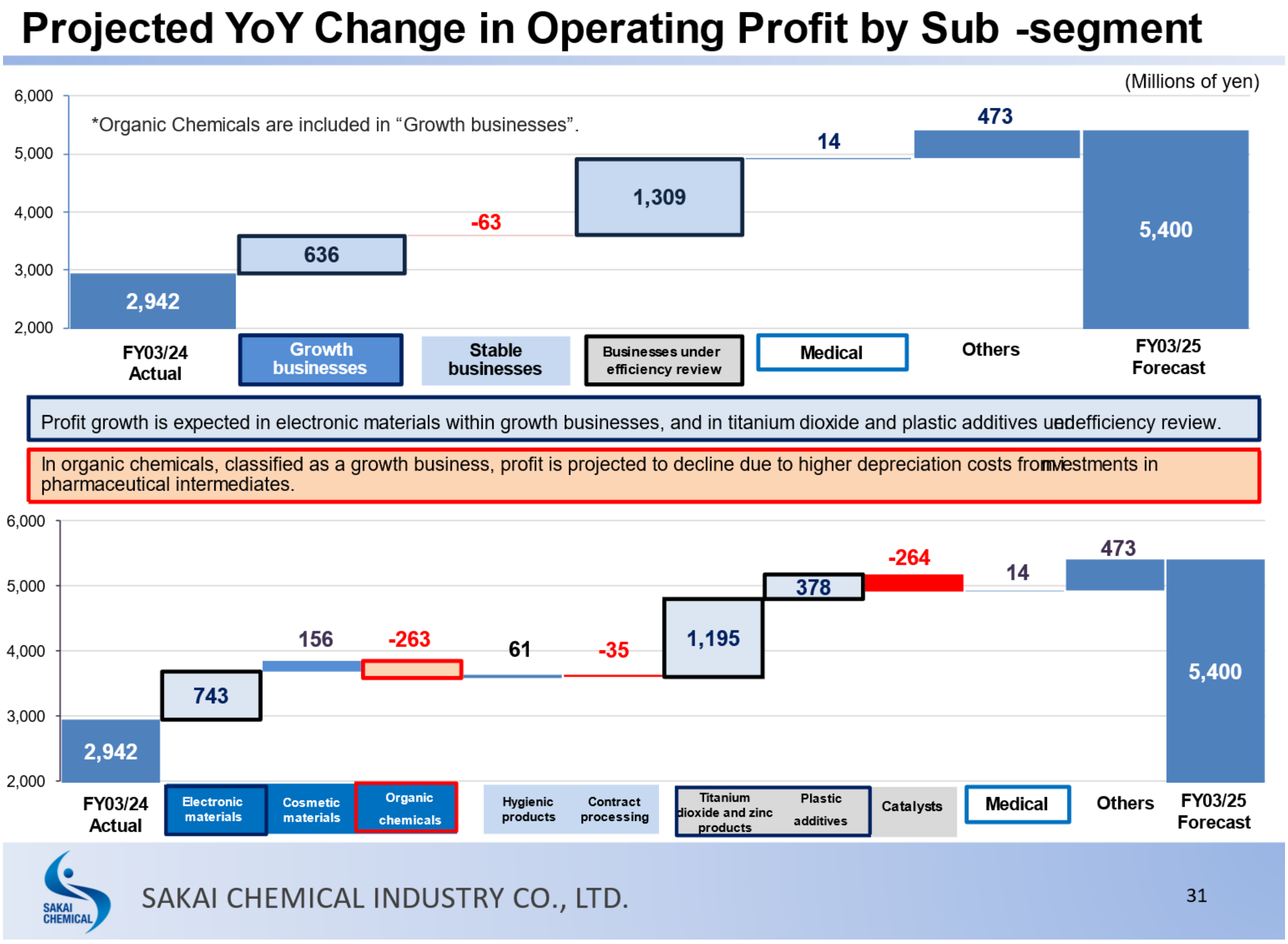
The forecast by sub-segment is as follows.

The new medium-term plan also shows an image of going from JPY2.9 billion to JPY5.4 billion, and the profit amount can be found here by sub-segment.



Finally, the table shows the projected changes in operating income for the sub-segments.

First of all, compared with the same period of the previous year, we expect an increase of JPY5.4 billion due to an increase in sales volume of electronic materials and the effect of price correction in titanium dioxide and zinc, which is a business under consideration for efficiency improvement.

However, for organic chemicals, we expect capital investment in active pharmaceutical ingredients and intermediates. With that, we expect an increase in depreciation expenses, so we expect a decrease in profit for this organic chemical.

That is all for the explanation. Thank you very much for your kind attention.

Question & Answer

Moderator [M]: Now, I would like to receive questions on the contents of the financial statements that I have just explained.

As indicated at the meeting and on the web, we would like to receive questions first from those present at the meeting, and then from those on the web.

Please note that this briefing is being transcribed for the record. We do not disclose the name of the company or the name of the transcriber on our website, but we would appreciate your understanding that the transcription of your question will be recorded.

Now, I would like to start with those of you in the audience. If you have any questions, please raise your hand and I will bring the microphone to you.

Thank you.

Participant [Q]: Thank you for your time today. Let me ask three questions on electronic materials.

The first point is, please tell us what the sales composition is for the period that ended for dielectrics (barium titanate) and dielectric materials (high-purity barium carbonate). This is the first point.

The second point is the image of their respective profit margins. I think the profit margin is changing a bit now, but could you tell me what the variation is?

Third, I understand that there was a deterioration in the mix of dielectric materials (high-purity barium carbonate) in this fiscal year's results. Can you tell us what exactly was meant by this worsening of the mix? I ask for the above three points.

Moderator [M]: Thank you. Now, Ogama will answer.

Ogama [A]: Thank you for your questions. First of all, the composition ratio of dielectric materials (high-purity barium carbonate) and dielectrics (barium titanate) is not disclosed in detail, but I will give you a rough idea of the ratio. In terms of sales, the ratio is roughly three to two. Sales of dielectric materials are higher than those of dielectric materials (high-purity barium carbonate) , although this varies from YtoY.

Your second question, I think you asked about operating margin. This also varies considerably from YtoY, and it is difficult to give an approximate figure, but the profit margin is higher for dielectrics (barium titanate).

In terms of operating profit margin, the difference between the spread of dielectrics (barium titanate) and dielectric materials (high-purity barium carbonate) is approximately 10%. I will refrain from giving an exact operating profit margin, but you can imagine that the operating profit margin for dielectric materials (high-purity barium carbonate) is lower.

The third point is the difference in the composition of dielectric materials (high-purity barium carbonate), and there are several types of dielectrics (barium titanate). Relatively old products, or products that have been around for a long time, have relatively low unit selling prices, while more recent products, or capacitors used in middle-end and high-end applications, have high unit selling prices.

Since we often ship in response to customers' requests, the composition difference has improved due to the relatively large number of items with high sales unit prices. That is all.

Participant [Q]: Thank you very much. I have an additional question.

In the results for the fiscal year ended March 2024, sales were almost flat, but was there a difference between dielectrics (barium titanate) and dielectric materials (high-purity barium carbonate)? Also, you are forecasting a considerable increase in sales for the current fiscal year, but please tell us if there is any difference in the growth rate for each of the two. That is all.

Ogama [A]: Flat, yes, in terms of composition, there was a slight increase in sales of dielectrics (barium titanate) in the fiscal year ended March 2024. However, the level is not so different from the ratio I mentioned earlier, so I hope you understand that this was not a reversal of the composition ratio.

In the current fiscal year ending March 31, 2025, it is not a question of which will have more sales, but since market conditions have recovered considerably, we expect that the volume base, volume, and sales themselves will grow at about the same rate.

Participant [Q]: The results for the fiscal year ended March 2024 were almost flat in terms of sales, which means that dielectrics (barium titanate) grew, and dielectric materials (high-purity barium carbonate) slightly decreased, although not by that much. Is that correct?

Ogama [A]: Yes, it is. However, because of the effect of the price correction, in terms of volume, both are falling, March 2020, compared to the previous year.

Participant [M]: Okay. Thank you very much.

Moderator [M]: Thank you very much. Does anyone else in the audience have any other questions? Is it all right with you?

Now, I would like to pass the baton to those of you who are participating via the Web.

Now I would like to move on to questions from the online audience. Mr. Ishibashi, who has raised his hand, please remove your microphone mute and comment.

Participant [Q]: Excuse me, I would like to ask you two questions.

The first is that I have the impression that performance has picked up considerably in Q4 of the fiscal year that ended. Looking only at chemicals, the Company's operating income was JPY1.2 billion, before deducting company-wide expenses, of course, but it came back to JPY1.9 billion. Of course, the organic chemicals business was biased toward Q4, but I wonder if it is safe to assume that the profits for Q4 of the fiscal year will basically continue to be based on the Q4 profits from the new fiscal year onward. I would like to confirm whether this is not due to a transitory factor or not.

The other thing is, you mentioned the price correction effect in the electronic materials area, what is the situation? Does this mean that the margins were a little low to begin with and have come through belatedly? I would like to ask if there has been any change in the attitude of acceptance on the part of customers.

Ogama [A]: Thank you very much. The first point, that Q4 has picked up considerably, is as you have indicated. We are aware of this as well.

As for market conditions, electronic materials bottomed out in Q2 of the last fiscal year, ended March 31, 2024, and have been recovering. It is not as much of a V-shaped recovery as expected, but it is still showing in volume terms that it is picking up in Q3 and Q4. Currently, we see that situation continuing, and we expect this situation to continue, especially for electronic materials.

Of course, in Q2 of the previous fiscal year, we usually see a slight shift to H2 of the fiscal year when there are scheduled maintenance projects, but since the market seems to be moving based on the assumptions I mentioned earlier, I expect that Q4 will continue to see a similar trend.

Participant [Q]: One more thing, please.

Ogama [A]: Regarding the status of the price increase, in the last fiscal year, the environment was quite receptive to our request, and it is not necessarily true that 100% of our request was approved, but last fiscal year, the situation was much more favorable.

However, the timing was a little later than we had planned, and the penetration of this system finally progressed in Q4, leading to a recovery in business performance in Q4.

As for the future, the situation regarding the price of raw materials and fuels has calmed down somewhat, so we anticipate that negotiations will be quite difficult.

However, as we have stated in the new medium-term management plan, there are still some areas in which we need to make firm progress on price correction as part of our management policy, and we will continue to negotiate with them.

Participant [Q]: I see. This may be a bit of a mid-term plan, but is it correct to say that you will continue to correct the prices of electronic materials and improve profitability over the next three years, regardless of raw material increases?

Ogama [A]: Yes, we are going to proceed with that.

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

Moderator [M]: Thank you very much. Is there anything else?

Since there do not seem to be any other questions online, I would like to conclude the financial results briefing session.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
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