



SAKAI CHEMICAL INDUSTRY CO., LTD.

Financial Results Presentation for the Fiscal Year Ended March 31, 2024

May 28, 2024

[TSE Prime; Securities Code: 4078]

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
<ul style="list-style-type: none"> Steady movement in automotive-related shipments 	<ul style="list-style-type: none"> Prolonged economic stagnation in China Sluggish semiconductor market Weak demand in the domestic building materials sector Decline in zinc prices 	<ul style="list-style-type: none"> Implementation of price adjustments 	<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Steady movement in automotive-related shipments Semiconductor market bottoming out 	<ul style="list-style-type: none"> Prolonged economic stagnation in China Weak demand in the domestic building materials sector Decline in zinc prices 	<ul style="list-style-type: none"> Implementation of price adjustments Improvement in sales mix 	



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.



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

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

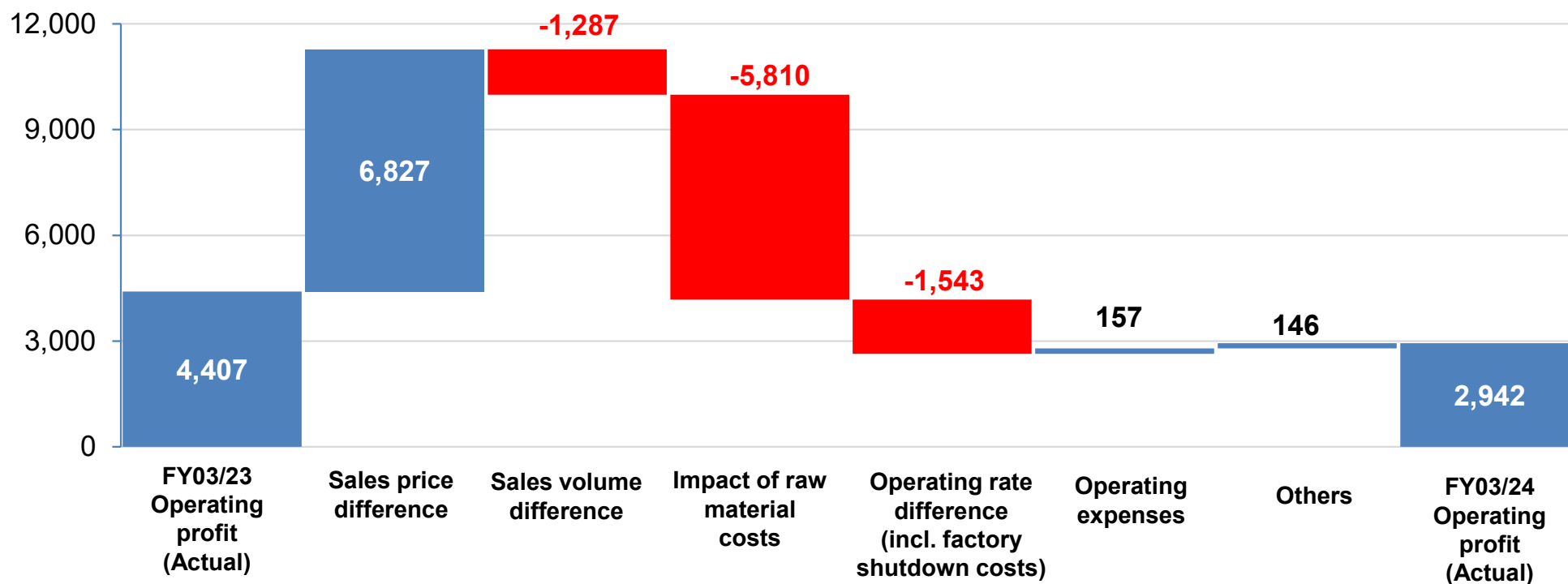
(Millions of yen)

		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



Factors Behind YoY Change in Operating Profit

(Millions of yen)



Positive 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.

Negative Factors

• Decline in Sales Volume / Lower Operating Rate

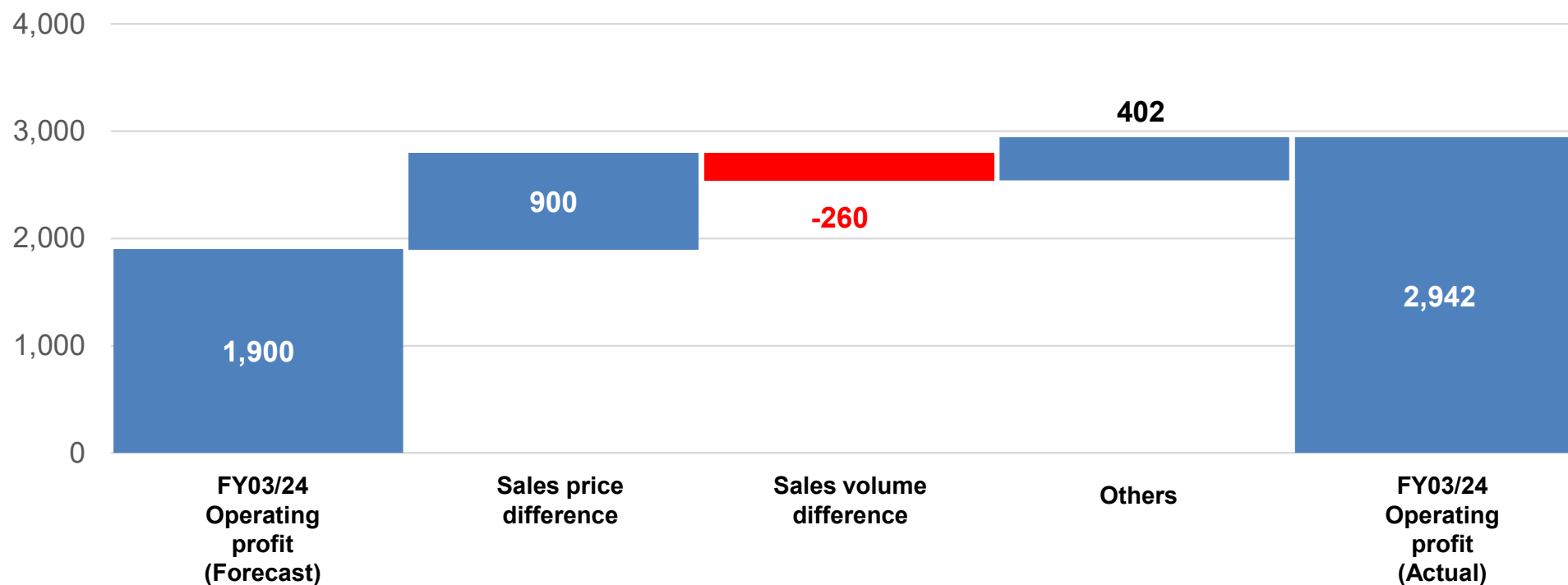
Decreased sales volumes for electronic materials, titanium dioxide, and other sub-segments lowered operating profit.

Additionally, production adjustments aimed at reducing inventory increased fixed costs, resulting in lower operating rates.



Factors Behind Operating Profit Variance (vs. Forecast)

(Millions of yen)



Positive 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.

Negative Factors

• Decrease in sales volume

Sales volumes for electronic materials and cosmetic materials saw sluggish growth, falling short of forecasted levels.



Balance Sheet (YoY Comparison)

(Millions of yen)

Consolidated B/S	FY03/23	FY03/24	Change
Cash and deposits	12,409	16,590	4,181
Notes and accounts receivable - trade	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 property, plant and equipment	55,920	49,402	-6,518
Total assets	128,021	125,445	-2,576
Notes and accounts payable - trade	8,610	9,066	456
Short-term borrowings	13,175	15,108	1,933
Other	7,452	7,582	130
Total current liabilities	29,237	31,757	2,520
Long-term borrowings	8,467	8,930	463
Convertible-bond-type bonds with share acquisition rights	-	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
Shareholders' 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 and net assets	128,021	125,445	-2,576

[Key Factors Driving Change]

• **Notes and Accounts Receivable +2,015 million yen (+7.3%)**

(1) Increased sales near period-end (Jan-Mar)
2023 20,102 → 2024 21,350 (+6.2%)

(2) March 31, 2024, was a bank holiday, causing some accounts receivable payments to be deferred to the next business day. (Friday in 2023)

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

(1) Inventory volume: Decreased by approx. 15% from prior period-end due to reduction efforts

(2) Unit cost: Slight increase in raw materials; rise in finished goods

• **Property, Plant and Equipment -6,298 million yen (-13.4%)**

Impact from impairment loss: -6,592 million yen

Key Indicators	End-FY03/23	End-FY03/24
Equity ratio	62.9%	59.3%
CCC	210 days	216 days

(CCC: Cash Conversion Cycle)



Cash Flow Statement (YoY Comparison)

(Millions of yen)

Consolidated C/F	FY03/23	FY03/24	Change
Beginning Cash and Cash Equivalents Balance	10,549	12,188	1,639
Profit (loss) before income taxes	4,977	(3,703)	-8,680
Depreciation	4,417	4,354	-63
Decrease (increase) in trade receivables	2,374	(1,868)	-4,242
Decrease (increase) in inventories	(6,833)	1,501	8,334
Increase (decrease) in trade payables	(1,065)	385	1,450
Impairment losses	40	6,661	6,621
Income taxes refund (paid)	(2,866)	(620)	2,246
Other	(271)	155	426
Cash flows from operating activities	773	6,866	6,093
Purchase of property, plant and equipment	(2,658)	(4,024)	-1,366
Other	38	61	23
Cash flows from investing activities	(2,620)	(3,963)	-1,343
FCF (Operating CF + Investment CF)	(1,847)	2,903	4,750
Increase (decrease) in short-term and long-term borrowings	4,653	2,383	-2,270
Proceeds from issuance of bonds with share acquisition rights	-	3,000	3,000
Dividends paid	(1,289)	(1,055)	234
Purchase of shares of subsidiaries	(0)	(3,067)	-3,067
Other	(77)	1	78
Total Financial C/F	3,283	1,259	-2,024
Total Translation Adjustments on Cash and Cash Equivalents	202	124	-78
Total Change in Cash and Cash Equivalents	1,638	4,286	2,648
Ending Cash and Cash Equivalents Balance	12,188	16,475	4,287

- **Operating CF**

Increased due to inventory reduction and lower corporate tax payments (including refunds).

- **Investing CF**

Primarily used for acquiring property, plant and equipment to expand into CDMO for pharmaceutical intermediates, a focus area in organic chemicals.

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

- **Financial CF**

Funds were raised through the issuance of unsecured convertible bonds with warrants, but expenditures for acquiring shares of a subsidiary (Sakai Trading Co., Ltd., via TOB) resulted in a 2,024 million yen decrease from the previous year.



FY03/25 Earnings Forecast



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.

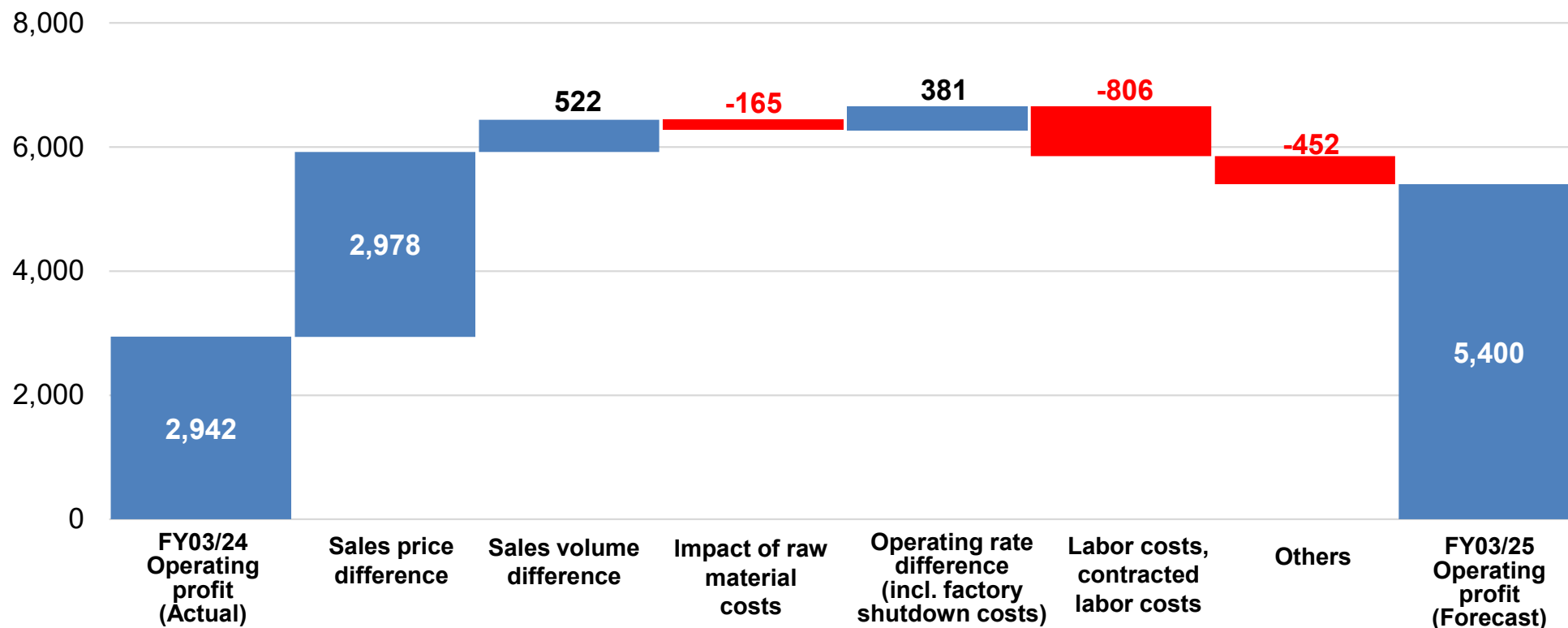
Operating profit We anticipate profit growth, supported by the ongoing impact of price adjustments—which have boosted profits since the latter half of FY03/24—and a recovery in sales volumes in the electronic materials business, classified as a growth business.

External Factors (Assumptions)		Internal Factors (Assumptions)	
Positives	Negatives	Positives	Negatives
<ul style="list-style-type: none"> Steady demand in automotive sector Gradual recovery in semiconductor market Zinc prices have bottomed out 	<ul style="list-style-type: none"> Prolonged economic stagnation in China Weak demand in domestic building materials 	<ul style="list-style-type: none"> Ongoing price adjustments Improvement in operating rates 	—



Factors Behind Projected YoY Change in Operating Profit

(Millions of yen)



Positive 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.

Negative Factors

• Increase in Labor Costs

Higher wages due to base pay increases



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

(Millions of yen)

(Forecast)

	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25
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.

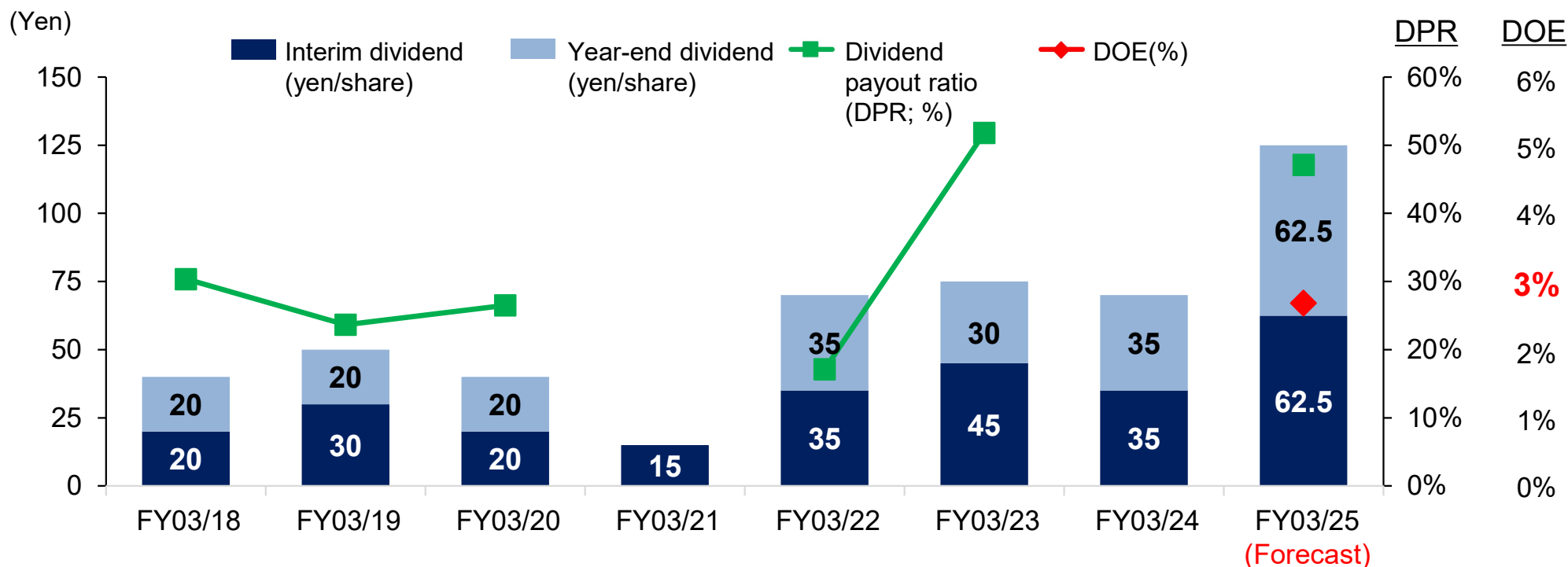
- Depreciation

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

Shareholder Returns



Shareholder Returns



[For FY03/24]

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

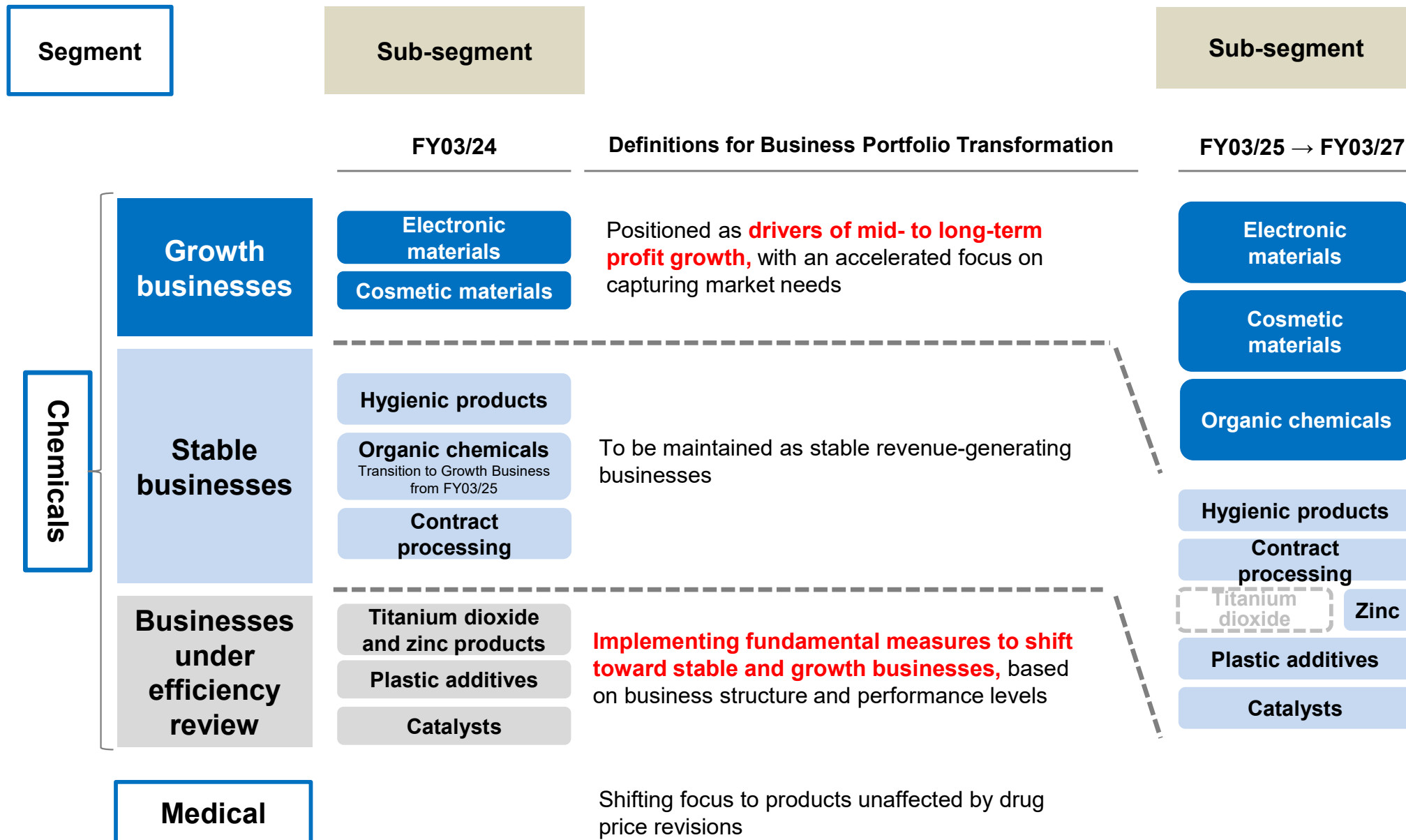
[Basic policy for distribution of retained earnings for FY03/25–27]

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



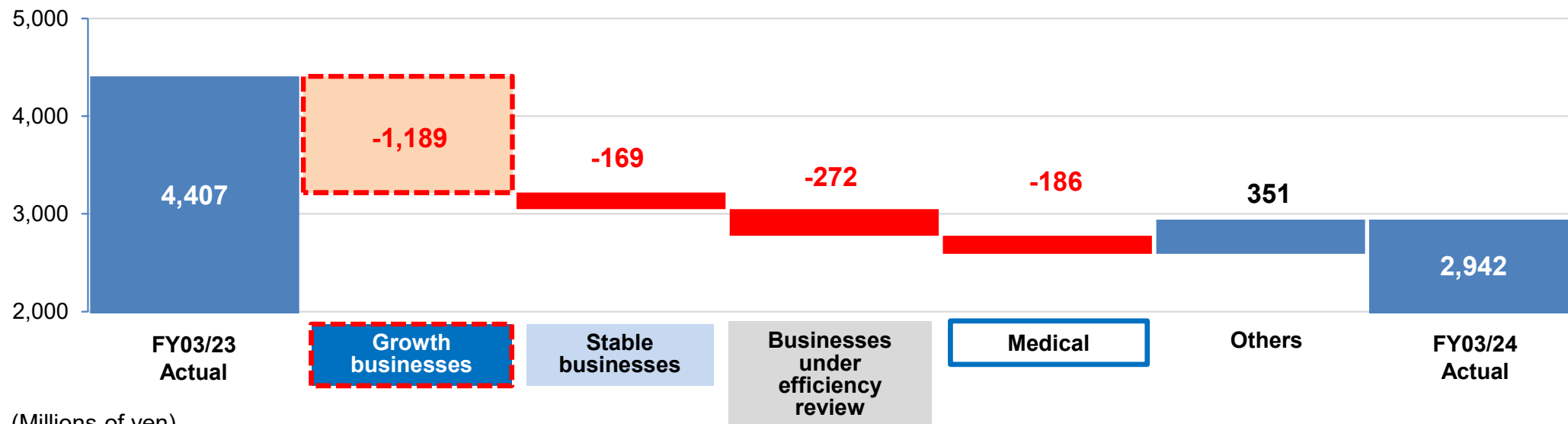
FY03/24 Segment Results

Segment and Sub-segment Structure



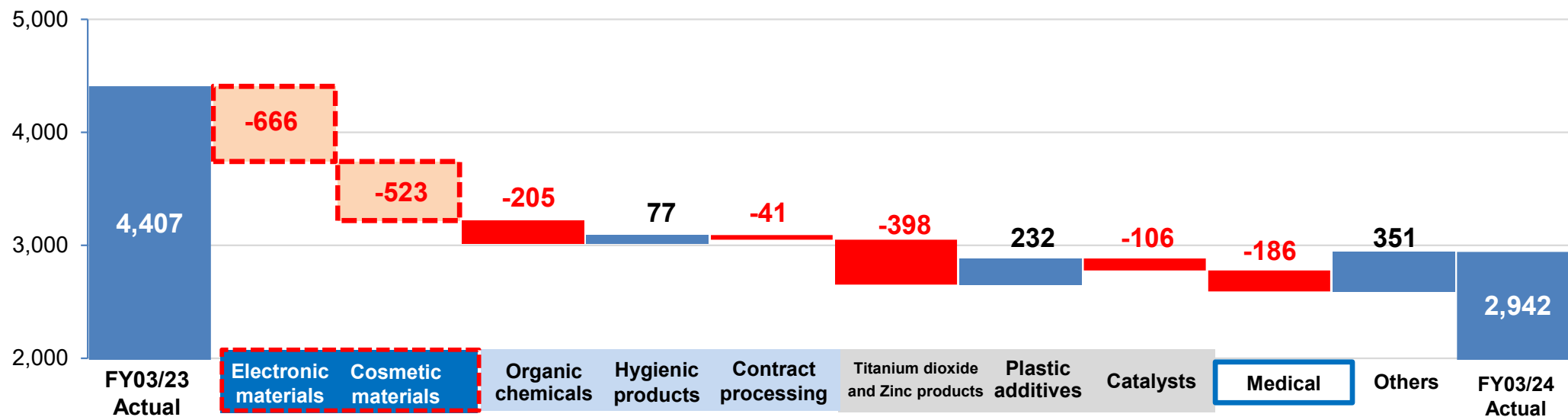
YoY Change in Operating Profit by Sub-segment

(Millions of yen)



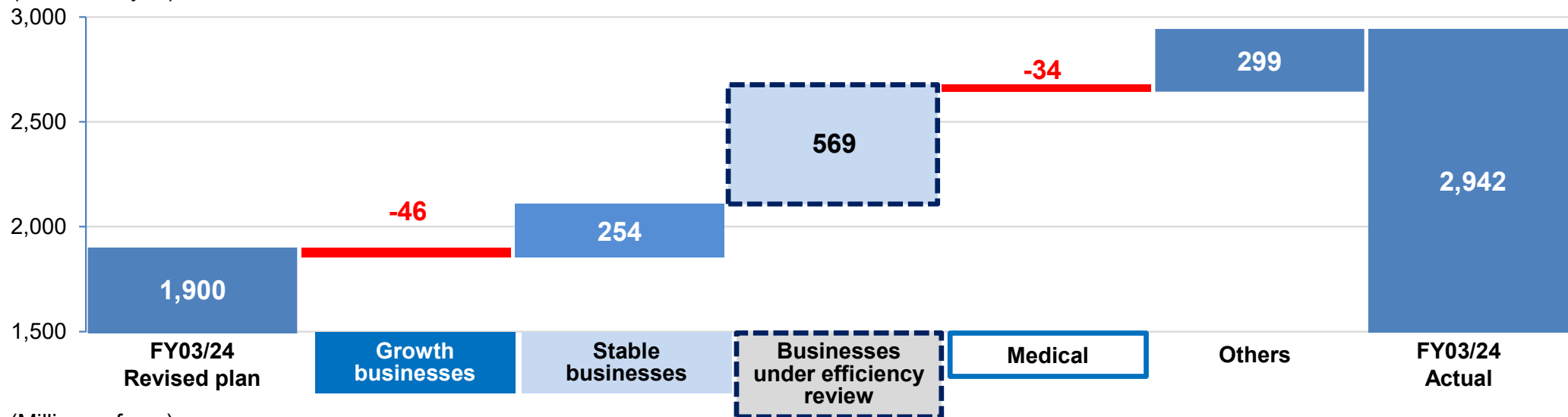
(Millions of yen)

Significant profit decline in growth businesses, particularly electronic materials and cosmetic materials



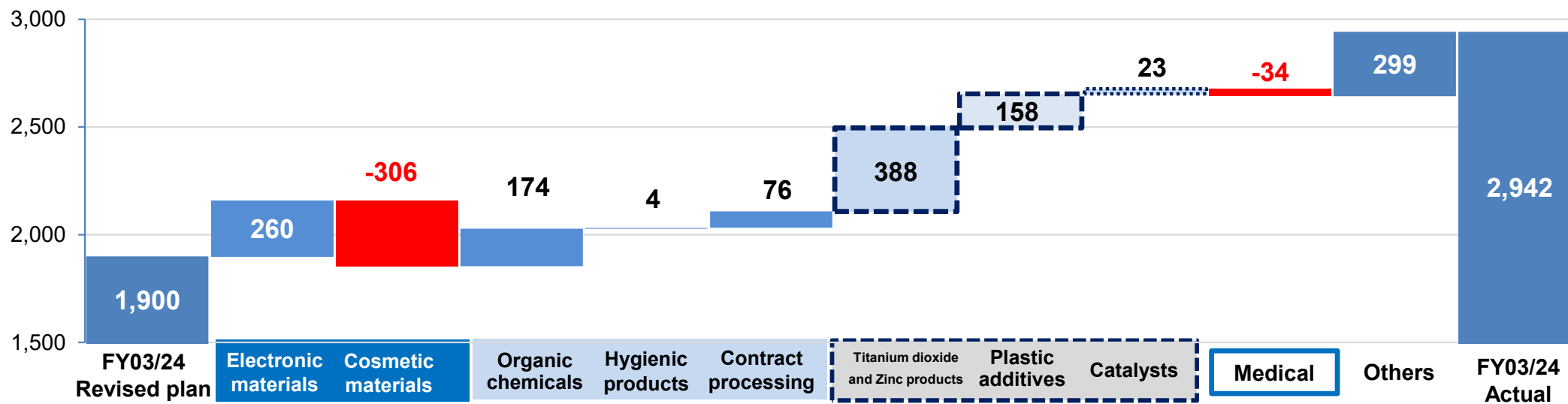
Operating Profit Variance vs. Forecast by Sub-segment

(Millions of yen)



(Millions of yen)

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



● 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.
	(-) 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.
Operating 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.
	(+) 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.
Operating profit	

● 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

● 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

● YoY Comparison

Net sales	<p>(-) 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.</p>
Operating profit	<p>(-) 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.</p>

● vs. Forecast

Net sales	<p>(-) 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.</p>
Operating profit	<p>(-) 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.</p>

● 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.

● 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	<p>(-) Decline in sales volume of imported products Yen depreciation slowed movement of imported hygienic products, but net sales held steady year-over-year.</p>
Operating profit	<p>(+) 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.</p>

● vs. Forecast

Net sales	<p>(-) 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.</p>
Operating profit	<p>(+) 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.</p>

● 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	<p>(-) 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.</p>
Operating profit	<p>(-) Decline in sales volume Both contract processing and processed pigments experienced lower sales volumes, resulting in reduced profit.</p>

● vs. Forecast

Net sales	<p>(-) Decline in sales volume Sales of pigments for construction and office equipment were weak, resulting in net sales below forecast.</p>
Operating profit	<p>(+) 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..</p>

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	—

● 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	—

● YoY Comparison

Net sales	<p>(-) 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.</p>
Operating profit	<p>(-) 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)</p>

● vs. Forecast

Net sales	<p>(-) 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.</p>
Operating profit	<p>(+) 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.</p>



● 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	<p>(+) 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.</p>
Operating profit	<p>(+) 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.</p>

● vs. Forecast

Net sales	<p>(-) 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.</p>
Operating profit	<p>(+) 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.</p>

● 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

● 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

● YoY Comparison

Net sales	<p>(-) 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.</p>
Operating profit	<p>(-) Decline in sales volume Despite the effect of price adjustments, the decrease in sales volume could not be offset, resulting in a profit decline.</p>

● vs. Forecast

Net sales	<p>(-) 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.</p>
Operating profit	<p>(+) Effect of price adjustments taking hold Price adjustments, particularly for nickel catalysts, contributed to operating profit exceeding the forecast.</p>

● 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	<p>(+) 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.</p>
Operating profit	<p>(-) 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.</p>

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

● vs. Forecast

Net sales	<p>(-) 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.</p>
Operating profit	<p>(-) High raw material prices Rising raw material prices negatively impacted operating profit, resulting in performance below forecast.</p>

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.

Sub-segment Forecast

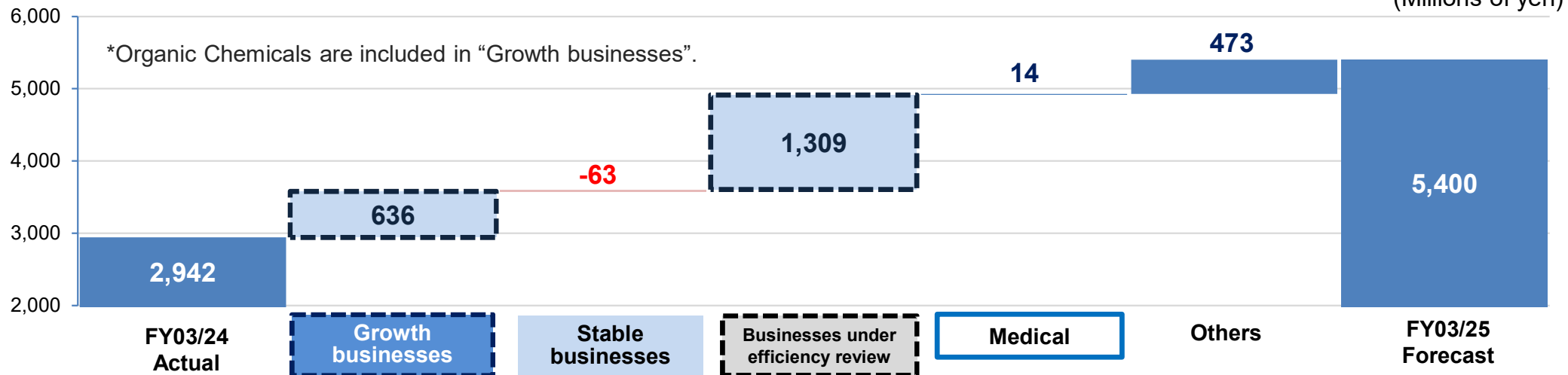
(Millions of yen)

	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



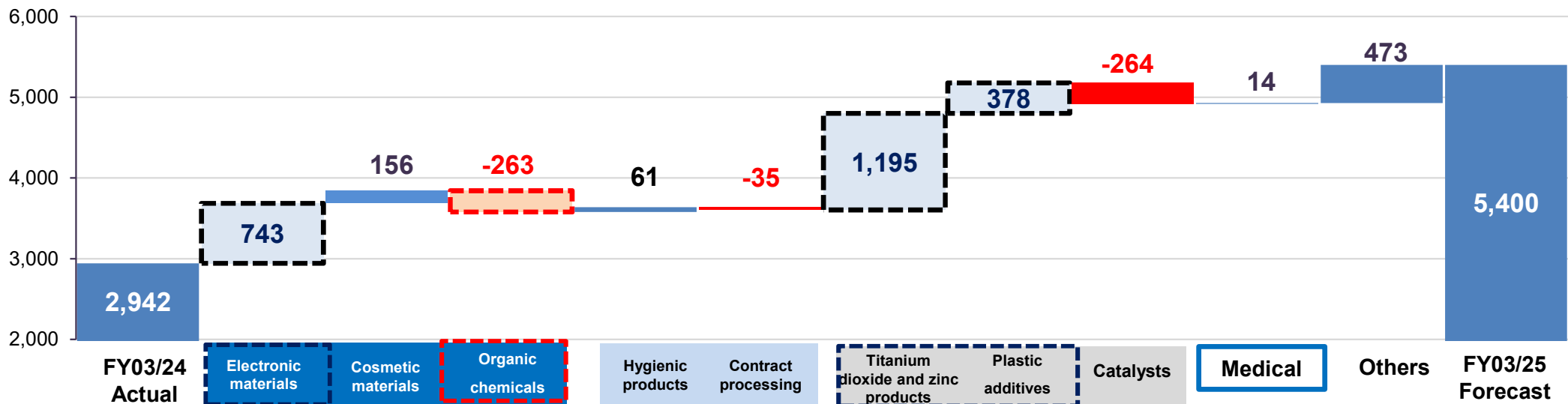
Projected YoY Change in Operating Profit by Sub-segment

(Millions of yen)



Profit growth is expected in electronic materials within growth businesses, and in titanium dioxide and plastic additives under efficiency review.

In organic chemicals, classified as a growth business, profit is projected to decline due to higher depreciation costs from investments in pharmaceutical intermediates.



Q&A

■ Q&A Order

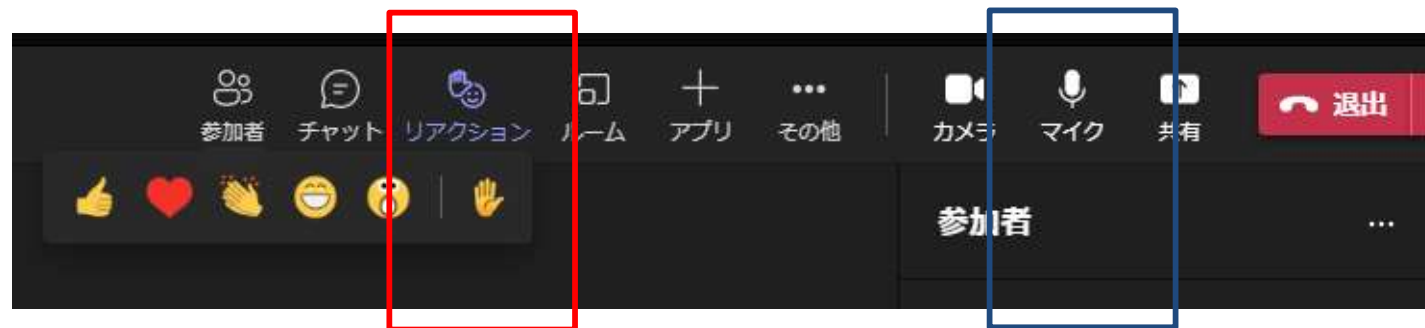
(1) Questions from audience members in the venue → (2) Questions from online participants

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

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

■ How to Ask Questions Online

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



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

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

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

Reference Materials

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



Sakai Chemical Industry Co., Ltd. Company Profile

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

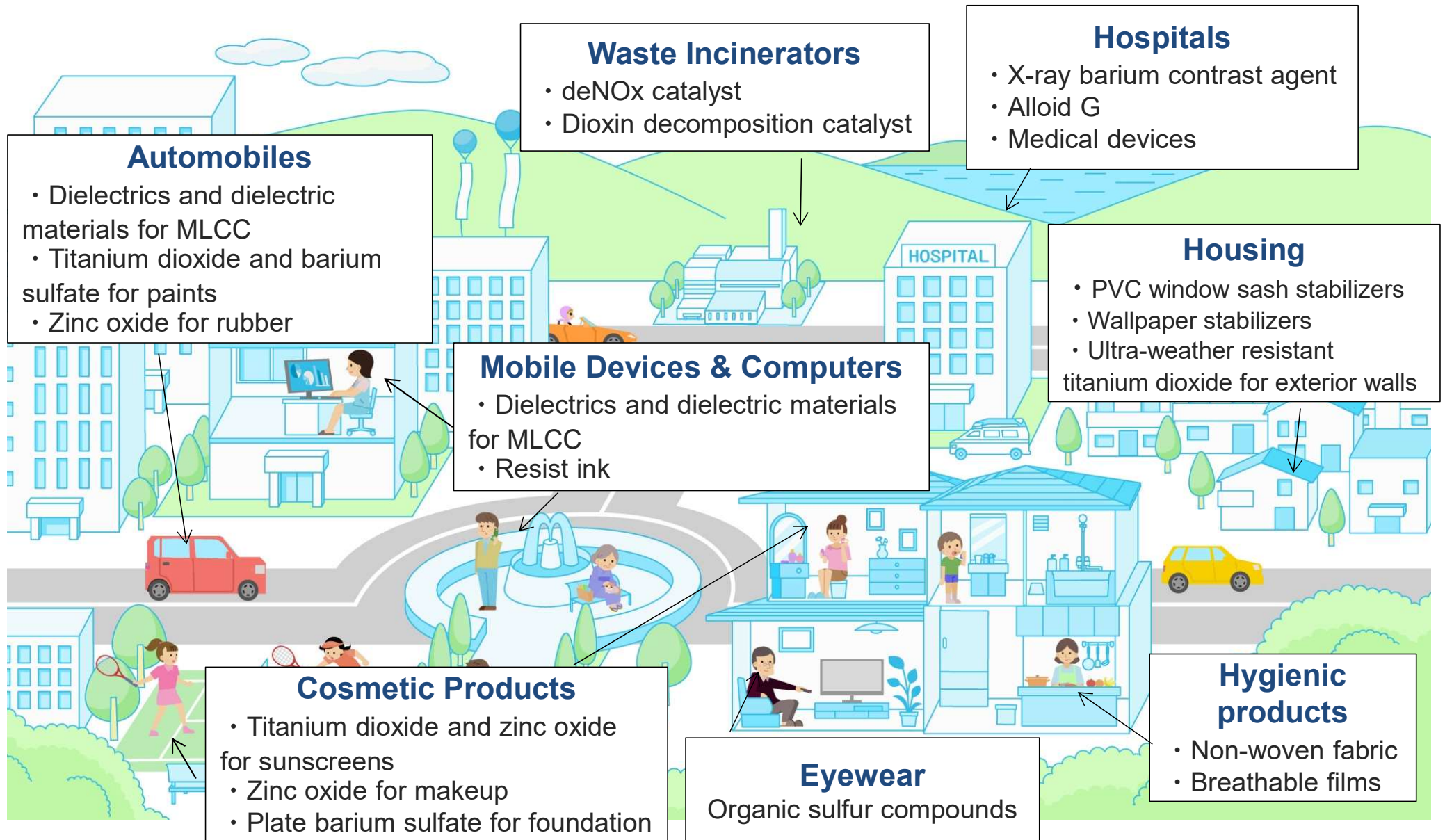
Chemical (Sales)

Sakai Trading Co., Ltd.

Medical (Manufacture & Sales)

Kaigen Pharma Co., Ltd.

Sakai Group Products in Everyday Life



Businesses and Sales Structure

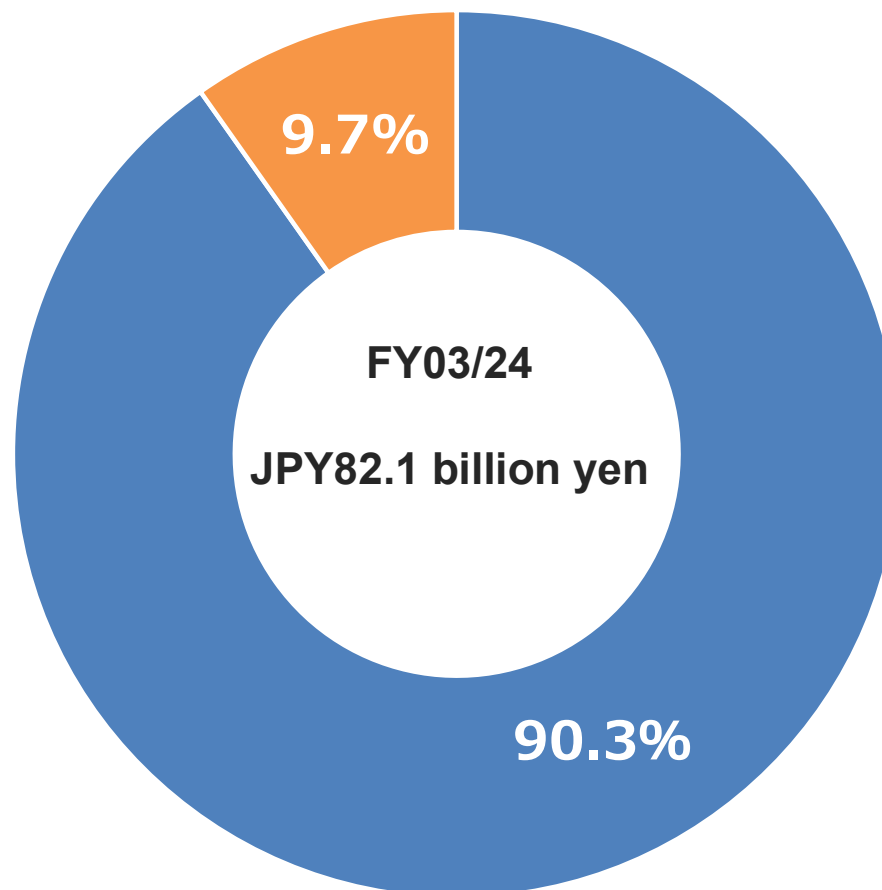
Medical

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.

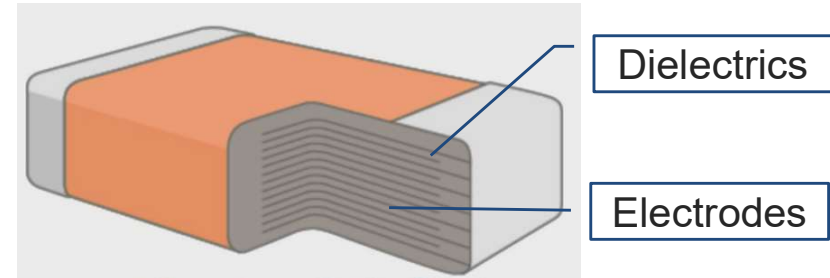


Our Businesses: Chemicals

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

Titanium Dioxide and Zinc Products

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

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

**Used in places
like these**



Our Businesses: Chemicals

Plastic Additives

Pipes, joints, window frames, wallpapers, wire harnesses

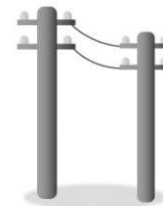
- PVC stabilizers/non-PVC stabilizers
- Hydrotalcite: Used in lead-free PVC stabilizers and agricultural films due to its high heat retention and transparency



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

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

**Used in places
like these**



Our Businesses: Chemicals

Hygienic Products

Diapers, feminine hygiene products

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

Used in places like these

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



Organic Chemicals

Plastic lenses, concrete, lubricants, pharmaceuticals

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

Used in places like these



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

Our Businesses: Chemicals

Catalysts

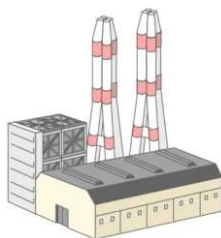
Waste incinerators, thermal power stations, margarine, adhesives, optical films

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

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



Used in places like this



Contract Processing

Contracted manufacturing of inorganic and organic industrial chemical products:

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

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



Our Businesses (Medical)



Kaigen Pharma Co., Ltd.

X-ray barium contrast agents

Used in gastrointestinal imaging

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

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



Medical devices

- Endoscope washing/ disinfection equipment

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



Alloid G

Drugs for peptic ulcers and gastroesophageal reflux disease

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



OTC drugs

- Kaigen Series
- Kaigen Granules
- Kaigen Pack IB Granules

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



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

Amount units: million yen

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

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



Quarterly Trends in the Chemical Business

Amount units: million yen

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

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



Trends in Medical Business Sales by Product

Amount units: million yen

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



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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