堺化学工業株式会社

# Sakai Chemical Industry Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2025

May 27, 2025

# Event Summary

| | |
|---|---|
| **[Company Name]** | Sakai Chemical Industry Co., Ltd. |
| **[Company ID]** | 4078-QCODE |
| **[Event Language]** | JPN |
| **[Event Type]** | Earnings Announcement |
| **[Event Name]** | Financial Results Briefing for the Fiscal Year Ended March 2025 |
| **[Fiscal Period]** | FY2025 Annual |
| **[Date]** | May 27, 2025 |
| **[Number of Pages]** | 36 |
| **[Time]** | 15:30 - 16:25<br>(Total: 55 minutes, Presentation: 45 minutes, Q&A: 10 minutes) |
| **[Venue]** | Webcast |
| **[Venue Size]** | |
| **[Participants]** | 56 |
| **[Number of Speakers]** | 2<br>Toshiyuki Yagura — President, Representative Director<br>Shinji Ogama — Executive Officer |

## Presentation

**Moderator**: It is time to begin the financial results briefing of Sakai Chemical Industry Co., Ltd. for the fiscal year ended March 31, 2025. Thank you very much for taking time out of your busy schedule to attend the briefing today.

Today's event is a hybrid meeting with both online and offline participants.

Today, Mr. Ogama, Executive Officer in charge, will first explain the financial results for the fiscal year ended March 31, 2025, and then President Yagura will explain the progress of the medium-term management plan.

After that, we would like to receive your comments and questions.

We will now begin to explain the financial results. Executive Officer Ogama, please.

## Key Points of This Presentation

| | |
|---|---|
| FY03/25 results | ➢ **Operating profit and operating profit margin both roughly doubled YoY**<br>Profitability improved significantly for businesses under efficiency review, with particular improvement in profitability secured through titanium oxide and zinc products. This stronger profitability was attributable in part to impairment accounting, as well as selling price revisions and unprofitable product cuts implemented in line with a business portfolio transformation strategy. Regarding growth businesses, improved semiconductor market conditions fueled a recovery in the electronic materials business, which, along with selling price adjustments, helped drive sharp rises in operating profit and our operating profit margin. |
| FY03/26 forecast | ➢ **Compared to FY03/25, we project operating profit will rise approximately 500 million yen, bringing our full-year outlook to 6,500 million yen.**<br>Despite underperformance in growth businesses, we anticipate profit growth attributable to further improvement in the efficiency of both stable businesses and businesses under efficiency review, where profitability has already expanded. Due to the unpredictable nature of their effects, we have excluded potential impact from reciprocal US tariffs from our projections. |
| Shareholder returns | ➢ Our FY03/26 forecast projects we will achieve 83% of our target minimum 8,000 million yen in total shareholder returns, which is included as a fundamental policy of our Medium-Term Management Plan, by the end of the year.<br>➢ For FY03/26, we plan to pay **130 yen per share** in annual dividends, based on a DOE benchmark of 3%.<br>➢ We have also approved a **share buyback of up to 2,500 million yen or one million shares** (equivalent to 6.17% of total issued shares). |
| Progress of Medium-Term Management Plan | ➢ Profitability from businesses under efficiency review exceeded expectations, **driving operating profit into the 6,000 million-yen range**.<br>➢ Capital efficiency improved as **progress toward our cash conversion cycle reduction target exceeded 50% (cycle shortened 22 days YoY, boosting cash flow by 3,800 million yen)**.<br>➢ **ROE improved from -9.2% to 6.6%, making significant progress toward our FY03/27 target of 8%**.<br>➢ Non-financial initiatives are progressing as planned.<br>(Contribute to people's well-being: △ / Protect the global environment: 〇)<br>(Address social challenges through manufacturing: △ / Build a transparent and strong management structure: 〇)<br>Self-assessment (〇: Achieved; △: Not achieved or in progress) |

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**Ogama:** I am Ogama in charge of IR. Thank you very much for your time today. I will now explain the main financial results for the fiscal year ended March 31, 2025.

There are four main points in this explanation.

The first point is the results for the fiscal year ended March 31, 2025. Both operating profit and operating profit margin approximately doubled YoY.

The second point is the plan for the fiscal year ending March 31, 2026. We expect an increase of approximately JPY500 million in profit YoY. The forecast for operating profit for the full year is expected to be JPY6.5 billion.

The third point is shareholder return. The basic policy of the current medium-term management plan is to return a total of JPY8 billion or more to shareholders, and we estimate that we have made 83% progress toward this goal this fiscal year. The Company plans to pay a dividend of JPY130 per share, with a target DOE of 3%. The Company has also decided to repurchase its own shares.

The fourth point is the progress on the medium-term management plan. Operating profit reached the JPY6 billion level due to the improvement of profitability beyond the plan in the businesses under efficiency review. As for capital efficiency, CCC or cash conversion cycle, saw an improvement of more than 50% against the plan, reduced by 22 days compared to the previous fiscal year and improved by JPY3.8 billion in cash flow. ROE improved from negative 9.2% to 6.6%, making significant progress toward the target of 8% for the fiscal year ending March 31, 2027. On the non-financial side, various initiatives are being promoted as planned.

Today, I will explain the first and second points, and President Yagura will explain the third and fourth points.

# FY03/25 Results Summary

## ● YoY performance — Net sales: +2.8% / operating profit: +107.8%

Net sales grew modestly as selling price revisions offset sales volume declines incurred through businesses under efficiencyreview due to efficiency enhancement efforts. Operating profit improved significantly thanks primarily to performance gains in these businesses and arebound in sales volume performance from electronic materials.

| External factors | | Internal factors | |
|---|---|---|---|
| Positives | Negatives | Positives | Negatives |
| • Recovery in the semiconductor market<br>• Improvement in domestic zinc market conditions | • Persistent economic stagnation in China<br>• Sluggish demand for building materials in Japan<br>• Slow movement in automotive market | • Selling price revisions<br>• Improvement in operating ratio (Electronic materials)<br>• Expenses down YoY due to impairment losses recognized for FY03/24 | • One-time valuation loss |

## ● Versus initial projections: Net sales -0.3% / operating profit +12.8%

Net sales were roughly commensurate with projections as we prioritized pricing-led efficiency improvements over sales volume. Operating profit exceeded forecast by 12.8%, driven by efficiency gains including selling price revisions and expectation-exceeding sales performance from electronic materials.

| External factors | | Internal factors | |
|---|---|---|---|
| Positives | Negatives | Positives | Negatives |
| • Improvement in domestic zinc market conditions | • Persistent economic stagnation in China<br>• Slow movement in automotive market | • Improvement in operating ratio (Electronic materials) | • One-time valuation loss |

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First, this is financial summary for the fiscal year ended March 31, 2025. The details of the YoY comparisons or comparisons to the plan at the beginning of the fiscal year will be explained on the next slide. With this slide, I would like to explain the external and internal factors and assumptions for the last fiscal year.

As for the external factors, on the positive side, the semiconductor market recovered and the domestic zinc market rose. On the negative side, there was a prolonged economic slump in China, sluggish demand for construction materials in Japan, and weak cargo movements in the automotive industry.

As for the internal factors within the Company, positive aspects include price revisions, improved capacity utilization, and a decrease in depreciation expenses due to impairment losses incurred in the previous fiscal year.

On the negative side, there was a one-time write-down.

# FY03/25 Results Overview (YoY, Versus Forecast)

| | FY03/24 Actual | | FY03/25 Actual | | YoY Change | | Initial FY03/25 Forecast | | Versus Initial Forecast | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| Net sales | 82,105 | — | 84,409 | — | 2,303 | 2.8 | 87,000 | — | (2,590) | (3.0) |
| Operating profit | 2,942 | 3.6 | 6,093 | 7.2 | 3,151 | 107.1 | 5,400 | 6.2 | 693 | 12.8 |
| Ordinary profit | 3,066 | 3.7 | 6,279 | 7.4 | 3,212 | 104.7 | 5,200 | 6.0 | 1,079 | 20.8 |
| Profit attributable to owners of parent | (7,092) | — | 5,013 | 5.9 | 12,106 | — | 4,300 | 4.9 | 848 | 16.6 |
| EPS | (437.65 yen) | | 309.21 yen | | — | | 265.35 yen | | — | |

| | YoY Comparison | Versus Initial Forecast |
|---|---|---|
| Net sales | Despite sales volume decline observed primarily from businesses under efficiency review, net sales rose 2.8% YoY thanks to sharp recovery in the volume of electronic materials sold, growing performance impact from selling price revisions, and an upturn in the domestic zinc market. | With the recovery of the semiconductor market, sales of electronic materials exceeded expectations and helped offset declines in sales performance from titanium oxide and other areas of businesses under efficiency review. As a result of these factors, net sales fell 3.0% short of initial forecast. |
| Operating profit | Operating profit increased 107.1% YoY, driven by a recovery in performance from electronic materials and profit growth generated through businesses under efficiency review, where we implemented selling price increases, impairment accounting, and the elimination of unprofitable products. | Driven by strong sales performance from electronic materials and rising favorable impact from selling price revisions (particularly pronounced in businesses under efficiency review), operating profit exceeded our initial forecast by 12.8% and finished 6.9% above our revised forecast (raised from 5,400 million yen to 5,700 million yen in Q3 FY03/24). |

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This is a summary of the main financial results for the last fiscal year ended March 31, 2025. Net sales were JPY84,409 million, operating profit was JPY6,093 million, ordinary profit was JPY6,279 million, and profit attributable to owners of parent was JPY5,013 million.

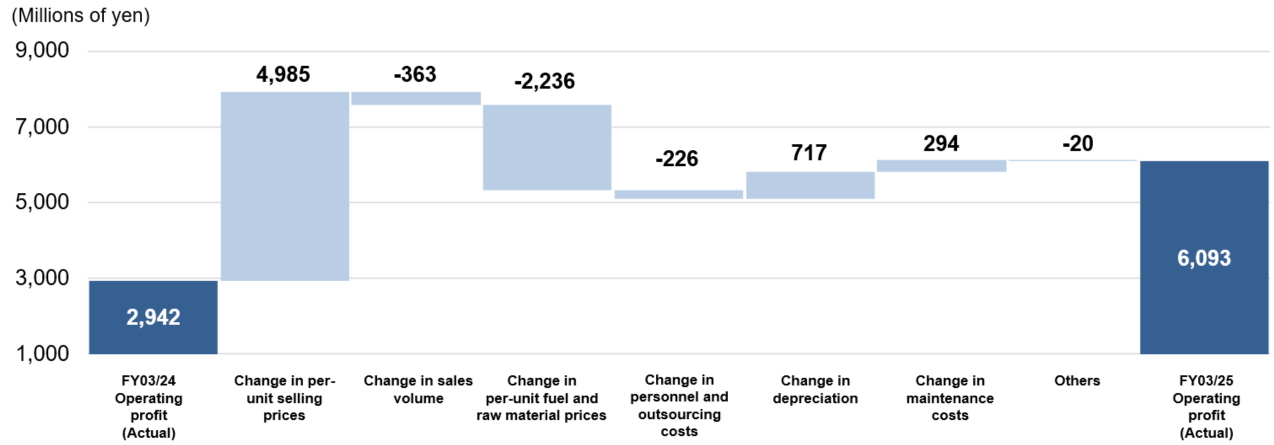
Net sales increased by 2.8% YoY due to a significant recovery in sales volume of the electronic materials, penetration of price revisions, and an increase in the domestic zinc market, despite a decrease in sales volume mainly in the businesses under efficiency review.

Operating profit increased by 107.1% due to the recovery and the effects of price revisions in the electronic materials, and impairment accounting, as well as improved profits from the businesses under efficiency review, which were combined with the elimination and consolidation of unprofitable products.

Compared to the initial plan at the beginning of the fiscal year, net sales decreased by 3%, due to the decrease in sales of the titanium dioxide and other businesses under efficiency review, which was offset by the stronger-than-expected sales of the electronic materials caused by the recovery of the semiconductor market.

Operating profit was 12.8% higher than the initial plan and 6.9% higher than the revised plan due to strong sales of the electronic materials and the penetration of price revisions mainly in the businesses under efficiency review.

## Factors Behind YoY Change in Operating Profit




| Positive Factors | Negative Factors |
|---|---|
| **Change in per-unit selling prices**<br>• Baseline selling price increases from pricing initiatives launched during FY03/24<br>• Sales mix improvement achieved through profitability correction measures and the elimination of unprofitable products<br><br>**Change in depreciation**<br>Impairment losses recognized for Q3 FY03/24 positively impacted operating profit performance throughout FY03/25 | **Change in per-unit fuel and raw material prices**<br>High fuel and raw material prices<br><br>**Change in sales volume**<br>Prioritization of a profitability-focused strategy led to sales volume declines in businesses under efficiency review |

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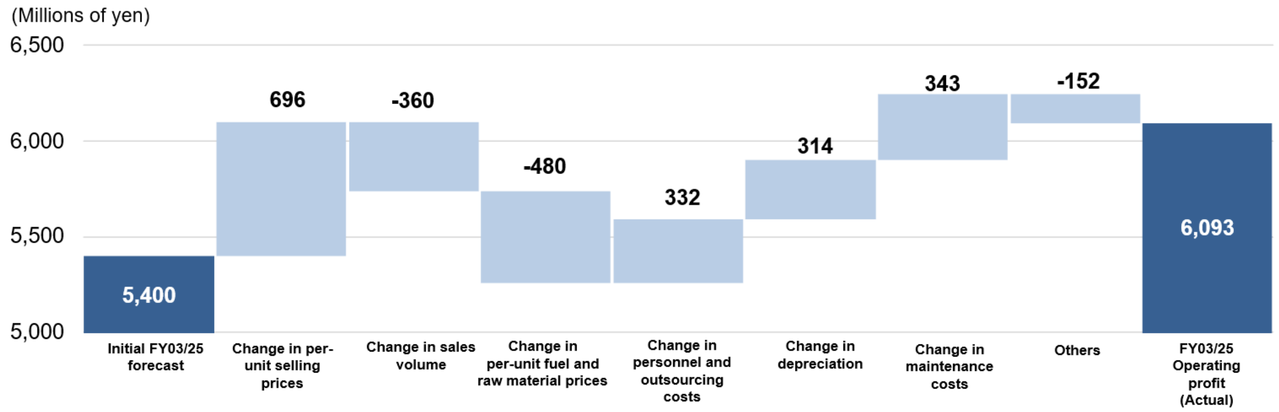
This shows factors contributing to the YoY increase or decrease in operating profit.

A very large positive factor was the difference in selling price per unit. As shown in the graph, there was a positive effect of approximately JPY5 billion due to the base increase effect from price revisions implemented since the previous fiscal year, as well as an improvement in the sales mix by correcting profitability and consolidating unprofitable products.

As for the difference in depreciation, the full-year effect of the impairment loss on fixed assets, which was implemented in Q3 of the fiscal year ended March 31, 2024, caused a positive effect of approximately JPY700 million on profit. The difference in raw material and fuel unit prices was influenced by high raw material and fuel prices, resulting in a negative impact of approximately JPY2.2 billion.

The difference in sales volume had a negative impact, due to the fact that we did not pursue volume because we adopted a strategy of emphasizing profitability in the businesses under efficiency review. This amount was about JPY360 million. All these factors resulted in an increase in profit of approximately JPY3.1 billion.

## Factors Behind Operating Profit Variance (Versus Initial Projections)




| Positive Factors | Negative Factors |
|---|---|
| **Change in per-unit selling prices**<br>• Baseline selling price increases from pricing initiatives launched during FY03/24<br>• Sales mix improvement achieved through profitability correction measures and the elimination of unprofitable products<br><br>**Change in maintenance costs**<br>• Minimization of maintenance costs associated with titanium oxide products slated for discontinuation | **Change in per-unit fuel and raw material prices**<br>• High fuel and raw material prices<br><br>**Change in sales volume**<br>• Sales of unprofitable products performed through businesses under efficiency review scaled back in line with our profitability-focused strategy<br>• With the exception of electronic materials, growth businesses failed to generate sales volume growth in excess of initial projections |

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This shows the factors for the increase or decrease in operating profit, in comparison with the plan at the beginning of the fiscal year.

The first major positive factor here is also the difference in selling price per unit. This was due to the effect of the base increase from price revisions implemented from the previous fiscal year, and an improvement in the sales mix through the correction of profitability and the elimination and consolidation of unprofitable products, which resulted in an increase of JPY700 million in profit.

As for the repair cost difference, we reduced the repair cost of pigment-grade titanium dioxide, of which sales are scheduled to be discontinued, to the minimum necessary, which resulted in an increase in profit of about JPY300 million.

The difference in raw material and fuel unit prices had a negative impact of approximately JPY500 million on profit, due to high raw material and fuel prices.

As for the sales volume difference, in the businesses under efficiency review, sales of unprofitable products were curbed due to the strategy of emphasizing profitability.

In the growth businesses, except for the electronic materials, we were not able to increase the volume beyond the initial plan, resulting in a decrease of less than JPY400 million compared to the plan. All these factors resulted in an increase in profit of approximately JPY700 million.

## Balance Sheet (YoY Comparison)

| Consolidated B/S (Millions of yen) | FY03/24 | FY03/25 | Change |
|---|---|---|---|
| Cash and deposits | 16,590 | 16,183 | -407 |
| Notes and accounts receivable - trade | 29,570 | 26,997 | -2,573 |
| Inventories | 28,747 | 26,993 | -1,754 |
| Other | 1,133 | 1,241 | 108 |
| **Total current assets** | **76,042** | **71,416** | **-4,626** |
| Property, plant and equipment | 40,463 | 44,520 | 4,057 |
| Other | 8,938 | 7,382 | -1,556 |
| **Total property, plant and equipment** | **49,402** | **51,903** | **2,501** |
| **Total assets** | **125,445** | **123,319** | **-2,126** |
| Notes and accounts payable - trade | 9,066 | 8,561 | -505 |
| Short-term borrowings | 15,108 | 11,512 | -3,596 |
| Other | 7,582 | 7,835 | 253 |
| **Total current liabilities** | **31,757** | **27,910** | **-3,847** |
| Long-term borrowings | 8,930 | 7,406 | -1,524 |
| Convertible-bond-type bonds with share - acquisition rights | 3,000 | 3,000 | - |
| Other | 6,290 | 5,614 | -676 |
| **Total non-current liabilities** | **18,220** | **16,022** | **-2,198** |
| **Total liabilities** | **49,978** | **43,933** | **-6,045** |
| Shareholders' equity | 71,183 | 74,679 | 3,496 |
| Other | 4,282 | 4,706 | 424 |
| **Total net assets** | **75,466** | **79,386** | **3,920** |
| **Total liabilities and net assets** | **125,445** | **123,319** | **-2,126** |

[Key Factors Driving Change]

・**Notes and Accounts Receivable -2,573 million yen (-8.7%)**
(1) Shortening of average collection period for receivables
(2) Due to a bank holiday occurring on March 31, 2024, payments for some accounts receivable were deposited on the following business day.

・**Inventories -1,754 million yen (-6.1%)**
Despite growth in per-unit prices for both raw materials and products, inventories declined thanks to efforts undertaken to reduce inventory quantity.

・**Property, Plant and Equipment +4,057 million yen (+10.0%)**
(1) Investment in growth businesses
(Multi-purpose plant for makeup materials [cosmetics])
(Entry into CDMO business for pharmaceutical APIs and intermediates [organic chemicals])
(2) Restructuring of businesses under efficiency review (catalysts)

・**Repayment of short-term borrowings: -3,596 million yen (-23.8%)**

| | End-FY03/24 | End-FY03/25 |
|---|---|---|
| Equity ratio | 59.3% | 63.5% |
| CCC | 216 days | 194 days |

▲ Shortened by 22 days
(CCC: Cash Conversion Cycle)

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Here is the balance sheet. Major factors for increase or decrease are indicated on the right.

First, notes and accounts receivable decreased by JPY2,573 million. There are two main factors here, and we have worked to shorten the collection period. The other reason is that the end of the previous fiscal year, March 31, 2024, was a bank holiday, which resulted in a JPY2,573 million decrease in notes and accounts receivable due to the postponement of some accounts receivable payments.

Inventories also decreased by JPY1,754 million. Although unit prices of both products and raw materials increased, they were reduced through efforts to reduce inventory quantity.

Property, plant, and equipment increased by JPY4,057 million. This was mainly due to investments in the growth businesses, which mainly include the cosmetics business and organic chemicals, and capital expenditures mainly in the catalysts business, which is a business under efficiency review.

Repayment of short-term borrowings amounted to JPY3,596 million. The capital adequacy ratio at the end of the fiscal year ended March 31, 2025 was 63.5%, and the cash conversion cycle or CCC was 194 days, a decrease of 22 days from the end of the previous fiscal year. This CCC will be explained in detail later in the progress of the medium-term management plan.

## Cash Flow Statement (YoY Comparison)

| Consolidated C/F (Millions of yen) | FY03/24 | FY03/25 | Change |
|---|---|---|---|
| **Beginning Cash and Cash Equivalents Balance** | **12,188** | **16,475** | **4,287** |
| Profit (loss) before income taxes | (3,703) | 5,973 | 9,676 |
| Depreciation | 4,354 | 3,649 | (705) |
| Decrease (increase) in trade receivables | (1,868) | 2,599 | 4,467 |
| Decrease (increase) in inventories | 1,501 | 1,926 | 425 |
| Increase (decrease) in trade payables | 385 | (650) | (1,035) |
| Impairment losses | 6,661 | 463 | (6,198) |
| Income taxes refund (paid) | (620) | (848) | (228) |
| Other | 157 | (1,107) | (1,264) |
| **Cash flows from operating activities** | **6,866** | **12,005** | **5,139** |
| Purchase of property, plant and equipment | (4,024) | (6,948) | (2,924) |
| Sale of investment securities | 157 | 1,369 | 1,212 |
| Other | (96) | (134) | (38) |
| **Cash flows from investing activities** | **(3,963)** | **(5,714)** | **(1,751)** |
| **FCF (Operating CF + Investment CF)** | **2,903** | **6,291** | **3,388** |
| Increase (decrease) in short-term and long-term borrowings | 2,383 | (5,136) | (7,519) |
| Proceeds from issuance of bonds with share acquisition right | 3,000 | | (3,000) |
| Dividends paid | (1,089) | (1,589) | (500) |
| Purchase of shares of subsidiaries | (3,067) | (152) | 2,915 |
| Other | 35 | (1) | (36) |
| **Total Financial C/F** | **1,259** | **(6,879)** | **(8,138)** |
| **Total Translation Adjustments on Cash and Cash Equivalents** | **124** | **266** | **142** |
| **Total Change in Cash and Cash Equivalents** | **4,287** | **(322)** | **(4,609)** |
| **Ending Cash and Cash Equivalents Balance** | **16,475** | **16,153** | **(322)** |

**Summary**
Higher profits and improvements in our cash conversion cycle enabled us to reduce borrowings from financial institutions while maintaining dividends and investment, leaving us with ample borrowing capacity for future capital needs.

• **Operating CF**
(1) Increase in profit
Recovery in business performance

(2) Decrease in trade receivables
- Shortening of average collection period for receivables
- Due to a bank holiday occurring on March 31, 2024, payments for some accounts receivable were deposited on the following business day.

(3) Decrease in impairment losses

• **Investing CF**
(1) Investment in growth businesses
(Multi-purpose plant for makeup materials [cosmetics])
(Entry into CDMO business for pharmaceutical APIs and intermediates [organic chemicals])
(2) Restructuring of businesses under efficiency review (catalysts)

**→ Free cash flow increased 3,388 million yen**

• **Financial CF**
Repayment of short-term borrowings and curtailment of long-term financing

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This is a statement of cash flows. In summary, compared to the previous fiscal year, the increase in profits and improvement in CCC allowed us to reduce borrowings from financial institutions while still paying dividends and making investments. This also left the Company with a surplus capacity to raise funds from financial institutions for future investments and other capital needs.

As for operating cash flow, net profit increased. This was due to the recovery in business performance. The decrease in trade receivables was due to the shortening of the collection period, as I mentioned earlier, and the postponement of some accounts receivable payments because the end of the previous fiscal year was a bank holiday. Also, impairment losses decreased. As I mentioned earlier, this was also due to a large impairment charge in Q4 of the fiscal year ended March 31, 2024, so the decrease here was significant.

As a result, operating cash flow for the fiscal year ended March 31, 2025 was JPY12,005 million, an increase of JPY5,139 million YoY.

As I mentioned earlier, investing cash flow was an outflow of JPY6,948 million, mainly for investments in the growth businesses and restructuring of the businesses under efficiency review. Total investing cash flow was JPY5,714 million, an increase of JPY1,751 million YoY.

As a result, free cash flow for the fiscal year ended March 31, 2025, was JPY6,291 million, an increase of JPY3,388 million YoY.

With regard to financing cash flow, the Company has been making repayments of short-term borrowings and restraining the procurement of long-term funds.

## Changes in Segment Reporting

| | |
|---|---|
| **Objective** | Following our full acquisition of Sakai Trading Co., Ltd., we aim to facilitate clearer understanding of our business structure while enabling management and disclosure of segment information more reflective of actual business conditions. |
| **Changes** | (1) The Chemicals business, previously reported as a single segment, has been eliminated, and its sub-segments have been reclassified as separate reportable segments.<br>(2) Barium, previously included within the "other" category of the chemical business, has been reclassified into a separate reportable segment.<br>(3) The activities of Sakai Trading Co., Ltd. have been recategorized under more appropriate reportable segments. |

**Previous**

◇ **Chemicals**

- Electronic materials
- Cosmetic materials
- Organic chemicals
- Hygienic products
- Contract processing
- Titanium dioxide and zinc products
- Plastic additives
- Catalysts
- Others

◇ **Medical**

◇・・・**Reportable segments**

**Current**

◇ **Electronic materials**
◇ **Cosmetic materials**
◇ **Hygienic Products**
◇ **Contract processing**
◇ **Titanium dioxide and zinc products**
◇ **Plastic additives**
◇ **Catalysts**
◇ **Barium**
◇ **Medical**
◇ **Others**

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I will continue with an explanation of the change in reportable segments. The purpose of this change is to accurately grasp the breakdown of SAKAI TRADING's business and to enable management and disclosure of segment information more in line with actual conditions after making SAKAI TRADING a wholly owned subsidiary.

There are three changed items. The chemical business, which was a reportable segment, is no longer reportable, and each sub-segment in this business has been changed to reportable segments. Second, inorganic materials, which were included in the others segment of the chemical business, are now listed separately as a reportable segment. Third, the businesses handled by SAKAI TRADING are more accurately classified into each reportable segment.

As a result, as you can see in the lower right-hand corner of this slide, the new reportable segments are electronic materials, cosmetics materials, organic chemicals, hygienic products, contract processing, titanium dioxide and zinc products, plastic additives, catalysts, inorganic materials, which is new, medical business, and others.

## Operating Profit Under New Reportable Segment Structure (YoY Comparison)

| Operating Profit by Segment (Millions of yen) | FY03/24 | FY03/25 | Change |
|---|---|---|---|
| **Growth businesses** | **2,029** | **2,557** | **527** |
| Electronic materials | 616 | 1,493 | 876 |
| Cosmetic materials | 120 | 293 | 173 |
| Organic chemicals | 1,293 | 770 | -522 |
| **Stable businesses** | **1,011** | **1,047** | **36** |
| Hygienic products | 448 | 427 | -21 |
| Contract processing | 563 | 620 | 57 |
| **Businesses under efficiency review** | **1,268** | **3,718** | **2,450** |
| Titanium dioxide and zinc products | (22) | 1,479 | 1,502 |
| Plastic additives | 762 | 1,393 | 631 |
| Catalysts | 351 | 18 | -332 |
| Barium | 177 | 826 | 648 |
| **Medical** | **89** | **(24)** | **-113** |
| **Others** | **762** | **1,171** | **408** |

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Here are operating profits according to new reportable segments.

For the fiscal year ended March 31, 2025, the growth businesses recorded operating profit of JPY2,557 million, an increase of JPY527 million YoY.

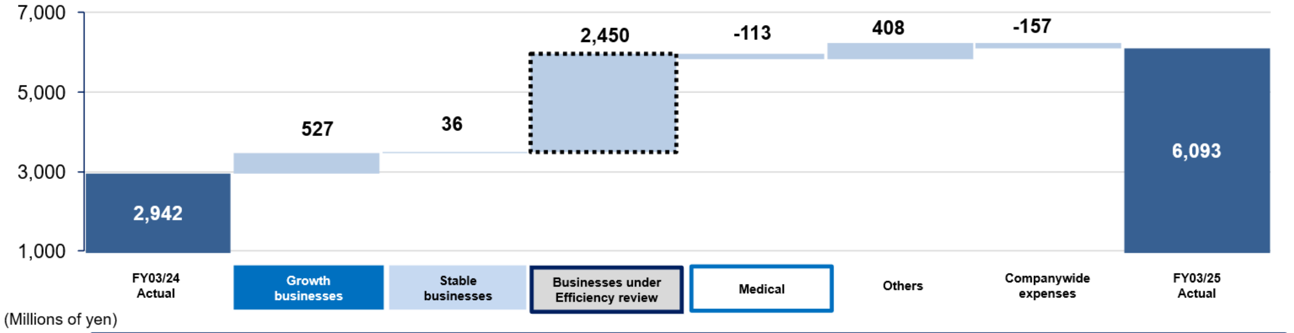
In the stable businesses, operating profit amounted to JPY1,047 million, an increase of JPY36 million YoY.

In the businesses under efficiency review, it was JPY3,718 million, an increase of JPY2,450 million YoY.

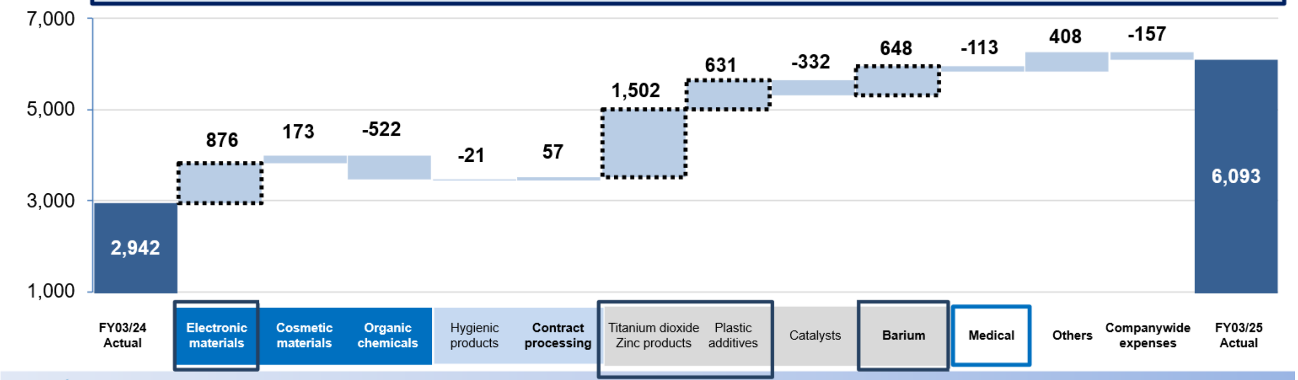
The medical business reported negative JPY24 million, a decrease of JPY113 million YoY.

Others reported JPY1,171 million, an increase of JPY408 million YoY.

# YoY Change in Operating Profit by Segment




- Growth businesses generated profit growth as recovery in profit performance from electronic materials compensated for losses from organic chemicals.
- Businesses under efficiency review achieved a substantial increase in profit, with particularly significant strides made in categories including titanium dioxide and zinc products, and barium.

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Here are the sub-segments. This shows YoY changes in operating profit.

As for the growth businesses, although the organic chemicals were in the red, this was offset by a recovery in profit from the electronic materials, resulting in an overall increase in operating profit.

In the businesses under efficiency review, we secured a large increase in profit mainly from the titanium dioxide and zinc products and inorganic materials.

# FY03/26 Earnings Forecast

- We project growth in net sales thanks primarily to full-year impact from selling price adjustments implemented during FY03/25.
- For 1H, we anticipate solid operating profit performance, supported by expectation-exceeding results from profit improvement measures implemented during FY03/25. However, in 2H, we project growth in fixed cost pressures due to our termination of pigment-grade titanium dioxide production, which is scheduled to take place by end-2025.
- On a full-year basis, we project profit will grow thanks to ongoing selling price correction and cost-cutting measures.

| | FY03/25 | | FY03/26 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Full-year results | | 1H forecast | | 2H forecast | | Full-year forecast | | |
| | Amount | Margin % | Amount | Margin % | Amount | Margin % | Amount | Margin % | YoY % |
| Net sales | 84,409 | — | 42,000 | — | 44,000 | — | 86,000 | — | 1.9 |
| Operating profit | 6,093 | 7.2 | 3,300 | 7.9 | 3,200 | 7.3 | 6,500 | 7.6 | 6.7 |
| Ordinary profit | 6,279 | 7.4 | 3,300 | 7.9 | 3,200 | 7.3 | 6,500 | 7.6 | 3.5 |
| Profit attributable to owners of parent | 5,013 | 5.9 | 2,800 | 6.7 | 2,700 | 6.1 | 5,500 | 6.4 | 9.7 |

| External Factors (Assumptions) | | Internal Factors (Assumptions) | |
|---|---|---|---|
| Positives | Negatives | Positives | Negatives |
| • Favorable semiconductor market conditions driven by strong AI-related demand | • Prolonged slowdown in the Chinese economy<br>• Sluggish demand in the automotive market<br>• Weak demand in the domestic building materials sector | • Continuation of selling price revisions | • Increase in personnel expenses |

*Due to the prohibitive difficulty of predicting their effects, our projections do not reflect potential impact from reciprocal US tariff policies.

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This is the forecast for the fiscal year ending March 31, 2026.

First, net sales are expected to increase mainly because the price revisions implemented in the previous fiscal year will be effective for the full year.

Profits are expected to be firm in H1 due to the effect of profit improvement that exceeded the plan in the previous fiscal year, but in H2, the production of pigment-grade titanium dioxide will be terminated. This is scheduled for the end of 2025. This termination will have an effect on fixed costs, but we expect to increase profit for the full year through continued price revision and cost reduction efforts.

As a result, for the full year, we plan net sales of JPY86 billion, operating profit of JPY6.5 billion, ordinary profit of JPY6.5 billion, and net profit attributable to owners of parent of JPY5.5 billion.

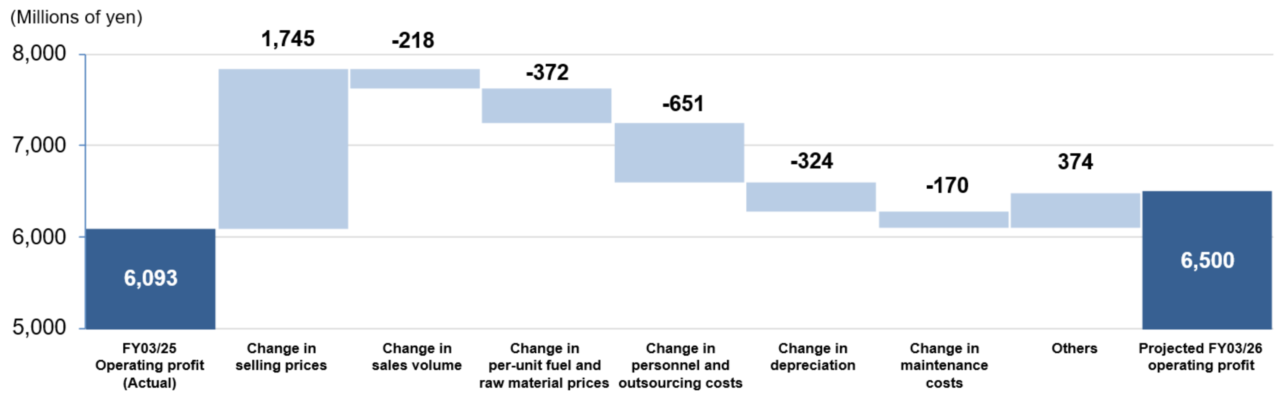
This is the assumption of external and internal factors for the current fiscal year.

As for external factors, on the positive side, we expect the semiconductor market to be favorable for AI-related products. On the negative side, we expect prolonged economic stagnation in China, sluggish demand for automotive-related products, and weak demand for building materials in Japan.

As for internal factors, the positive side is expected to include continued price revisions, and the negative side is expected to include an increase in personnel costs.

As noted at the bottom of the page, the impact of the US reciprocal tariff policy is difficult to predict and has not been factored into this plan.

# Factors Behind Projected YoY Change in Operating Profit




| Positive Factors | Negative Factors |
|---|---|
| **Change in per-unit selling prices**<br>• Baseline selling price increases from ongoing pricing initiatives<br>• Sales mix improvement achieved through profitability correction measures and the elimination of unprofitable products | **Change in personnel and outsourcing costs**<br>• Increase in wage payments due to base salary hikes |

SAKAI CHEMICAL INDUSTRY CO., LTD. 15

This is a comparison of the operating profit forecast with the previous fiscal year's results.

The positive factor is the difference in selling price per unit. We expect an increase of about JPY1.7 billion in profit due to the base increase effect of price revisions we have been working on, as well as an improvement in the sales mix through price adjustments and the elimination and consolidation of unprofitable products.

In contrast, as a negative factor, we expect a JPY650 million increase in wage payments due to the base increase in contracted personnel expenses. In total, we expect an increase of approximately JPY400 million in profit.

## Segment Forecasts (FY03/26 Sales and Operating Profit)

| | FY03/25 Actual | | | Full-year FY03/26 forecast | | | Difference | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Sales | Operating profit | OPM | Sales | Operating profit | OPM | Sales | | Operating profit | |
| | Amount | Amount | % | Amount | Amount | % | Amount | % | Amount | % |
| Electronic materials | 10,014 | 1,493 | 14.9 | 10,100 | 1,430 | 14.2 | 86 | 0.9 | -63 | -4.2 |
| Cosmetic materials | 2,676 | 293 | 11.0 | 2,800 | 270 | 9.6 | 124 | 4.6 | -23 | -7.8 |
| Organic chemicals | 6,638 | 770 | 11.6 | 7,500 | 730 | 9.7 | 862 | 13.0 | -40 | -5.2 |
| Hygienic products | 5,623 | 427 | 7.6 | 5,600 | 440 | 7.9 | -23 | -0.4 | 13 | 3.0 |
| Contract processing | 6,422 | 620 | 9.7 | 6,700 | 710 | 10.6 | 278 | 4.3 | 90 | 14.5 |
| Titanium dioxide and zinc products | 13,118 | 1,479 | 11.3 | 11,900 | 1,140 | 9.6 | -1,218 | -9.3 | -339 | -22.9 |
| Plastic additives | 13,061 | 1,393 | 10.7 | 13,600 | 1,430 | 10.5 | 539 | 4.1 | 37 | 2.7 |
| Catalysts | 3,186 | 18 | 0.6 | 3,500 | 430 | 12.3 | 314 | 9.9 | 412 | 2,288.9 |
| Barium | 5,175 | 826 | 16.0 | 5,400 | 930 | 17.2 | 225 | 4.3 | 104 | 12.6 |
| Medical | 8,321 | (24) | (0.3) | 8,600 | 0 | 0.0 | 279 | 3.4 | 24 | — |
| Others | 10,169 | 1,171 | 11.5 | 10,300 | 1,290 | 12.5 | 131 | 1.3 | 119 | 10.2 |
| Companywide expenses | — | (2,376) | — | — | (2,300) | — | — | — | 76 | -3.2 |
| **Consolidated** | **84,409** | **6,093** | **7.2** | **86,000** | **6,500** | **7.6** | **1,591** | **1.9** | **407** | **6.7** |

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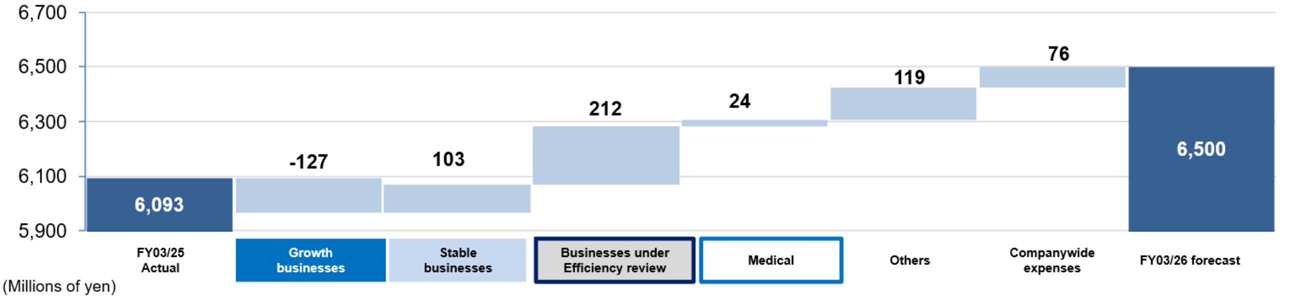
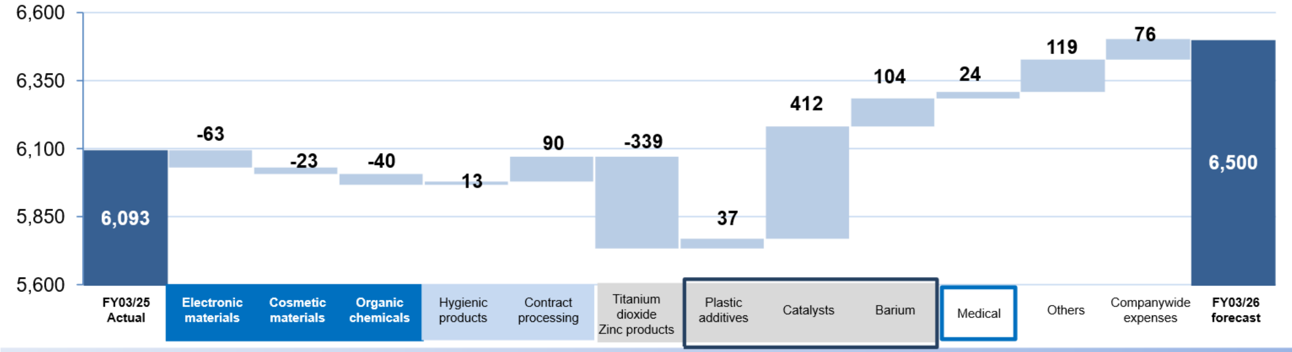
Here is the forecast by segment. The figures are as you can see here, and the factors, or rather the graph, can be seen on the next slide.

## Projected YoY Change in Segment Operating Profits for FY03/26




- Although we anticipate ongoing fixed costs pressures stemming from our planned discontinuation of pigment-grade titanium dioxide production (by end-2025), we project selling price revisions implemented for businesses under efficiency review will contribute from the outset of FY03/26, thereby generating annual profit growth.
- We anticipate sluggish sales volume performance and ongoing fixed cost pressures will lead to a decline in profit from growthbusinesses.




SAKAI CHEMICAL INDUSTRY CO., LTD. 17

First, production of pigment-grade titanium dioxide will be terminated. As I mentioned earlier, we are planning the termination at the end of 2025. Despite the fixed cost burden caused by this, we expect an increase in profit, as the effect of price revisions in the businesses under efficiency review, including other businesses, will contribute from the beginning of the fiscal year.

In the growth businesses, we expect a decline in profit because of the remaining impact of fixed costs and a slowdown in sales volume.

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

(Millions of yen)

| | FY03/21 | FY03/22 | FY03/23 | FY03/24 | FY03/25 forecast | FY03/25 | FY03/26 forecast |
|---|---|---|---|---|---|---|---|
| CAPEX | 9,567 | 5,967 | 2,658 | 4,024 | 8,500 | 6,945 | 8,000 |
| Depreciation | 4,243 | 4,331 | 4,417 | 4,354 | 4,000 | 3,649 | 4,000 |
| R&D | 2,487 | 2,376 | 2,674 | 2,722 | 3,000 | 2,699 | 2,800 |

| Capital Investment | | | | |
|---|---|---|---|---|
| | FY03/25 | | FY03/26 forecast | |
| | Growth investment | Restructuring investment | Growth investment | Restructuring investment |
| % | Approx. 40% | Approx. 60% | Approx. 50% | Approx. 50% |
| Primary details | • Organic chemicals: support transition toward CDMO of pharmaceutical intermediates and APIs<br>• Cosmetic materials: construction of a multipurpose plant for makeup materials | • Restructuring of the Sakai and Onahama manufacturing sites<br>• Site consolidation measures targeting improved efficiency for the catalyst business | See left | See left |
| Supplementary information | • Deviations from projections emerged because some investments were booked for fiscal years other than those for which they were originally scheduled. | | • We plan to continue pursuing similar investments. | |



Here are the trends in capital investment, depreciation, and R&D expenses. For the fiscal year ended March 31, 2025, capital investment totaled JPY6,945 million, depreciation JPY3,649 million, and R&D expenses JPY2,699 million. For the current fiscal year, we expect capital investment of JPY8 billion, depreciation of JPY4 billion, and R&D expenses of JPY2.8 billion.

In the fiscal year ended March 31, 2025, we invested approximately 40% of our capital investments in growth and 60% in renewal. The main growth investments were made in the organic chemicals and cosmetics materials in the growth businesses. In terms of renewal investment, we mainly invested in the restructuring of the Sakai and Onahama manufacturing sites, and in measures to improve the efficiency of the catalysts business.

The deviation from the plan was due to the delay to the current fiscal year, and we intend to continue to make similar investments in the current fiscal year, as we have written in our capital investment plan.

## FY03/26 Forecast (Current Outlook Regarding US Reciprocal Tariff Policy)

➢ Although we anticipate positive performance impact from ongoing yen appreciation, concerns remain over potential economic slowdown, which could have a particularly significant impact on business related to electronic materials. We will continue to monitor developments closely.

| Positive impact | Negative impact |
|---|---|
| ・**Foreign exchange**<br>Due to US-dollar depreciation and yen appreciation, we may be able to procure imported raw materials at an exchange rate more favorable than initially assumed. | ・**Electronic materials-related impact**<br>Stagnation of transaction activity associated with semiconductor supply chains<br><br>・**Other segments**<br>Sales volume decline across a broad range of business areas due to weakened global consumption<br><br>*We have incurred no direct impact from reciprocal US tariff policies, but have observed indirect effects across all segments. |

*Due to the prohibitive difficulty of predicting their effects, our projections do not reflect potential impact from reciprocal US tariff policies.

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I would like to explain our current view on the US reciprocal tariff policy in our forecast for this fiscal year. Although we expect some positive factors due to the strong yen, we are concerned about the economic slowdown, especially in transactions related to the electronic materials, and we will continue to monitor the trend closely.

A positive factor is considered to be the exchange rate. The weaker dollar and stronger yen may allow us to purchase imported raw materials at a stronger yen than the assumed exchange rate at the beginning of the fiscal year, which will become a positive factor.

And as for the negative impact, we are concerned about the stagnation of supply chain transactions related to semiconductors in the electronic materials and the impact of lower sales volumes in many other segments due to the global slump in consumption.

We do not expect any direct impact, but each segment may be indirectly impacted. Since the impact of the US reciprocal tariff policy is difficult to predict at this point, we have not factored it into our forecasted figures.

## Business Environment Overview

| | Segment | Assumptions for FY03/26 Forecast (as of May 2025) |
|---|---|---|
| Growth businesses | Electronic materials | We project ongoing favorable performance from AI-related operations but also anticipate conditions in the semiconductor market will remain sluggish, particularly in the automotive sector. |
| | Cosmetic materials | Cosmetic material demand appears to be on track toward a strong global recovery, but we continue to anticipate a challenging business environment in China. |
| | Organic chemicals | The eyeglass lens market is projected to hold steady.<br>Due to growing competitive pressures, we project a decline in orders for key commercially distributed pharmaceutical API intermediates. |
| Businesses under efficiency review | Titanium dioxide and Zinc products | For titanium dioxide, oversupply conditions are expected to persist, with continued inflows of low-cost imports putting pressure on domestic sales.<br>We forecast a YoY decline in the domestic market price for zinc. |
| | Plastic additives | Domestic demand: PVC market conditions are trending downward, making it challenging to increase sales. PVC：polyvinyl chloride<br>Overseas demand: Our medium-term outlook for PVC market growth remains unchanged, but we have observed some signs of deceleration due to economic stagnation in Thailand and notable headwinds from China. |
| | Barium | We project performance from automotive parts and materials will remain sluggish but anticipate ongoing steady growth in the eyeglass lens market. |

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This is our perception of the business environment for this fiscal year.

First, with regard to the growth businesses, we expect that AI-related business will at least continue to perform well for the electronic materials. However, the semiconductor market is expected to remain sluggish, at least for automotive applications.

In the area of cosmetics materials, we expect a steady recovery both in Japan and overseas, but the outlook for China remains challenging.

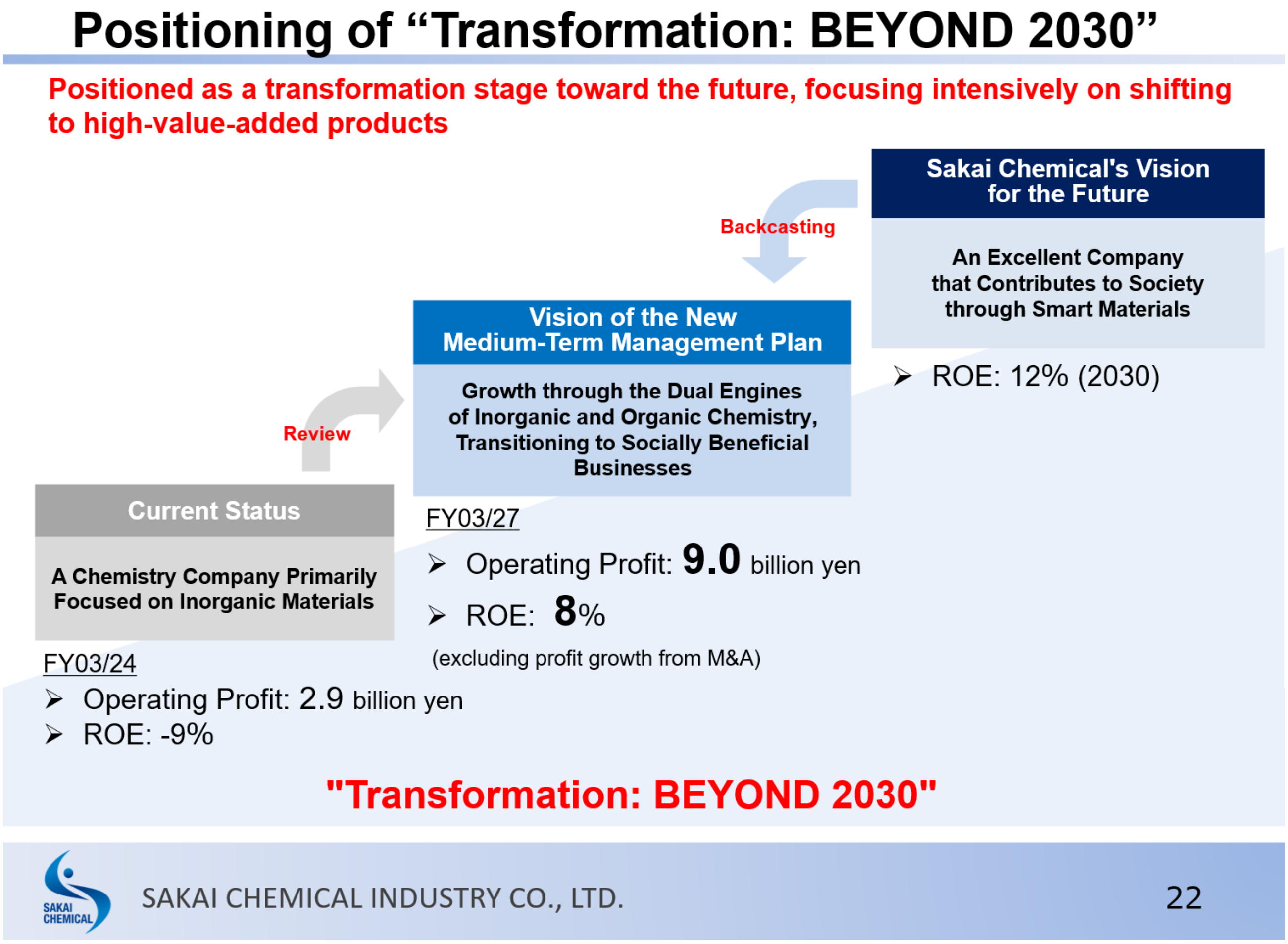
In the organic chemicals, the market for eyeglass lenses is expected to remain firm. However, the contracting of main commercial products for active pharmaceutical ingredients and intermediates is expected to decline due to the intensifying competitive environment.

In the businesses under efficiency review, as for the titanium dioxide in the titanium dioxide and zinc products, we expect the severe sales situation to continue because there will be oversupplied and inexpensive overseas products flowing into the domestic market. The domestic quotation for zinc is expected to decline YoY.

As for the plastic additives, domestic demand for PVC, or polyvinyl chloride, is also on a downward trend, and we expect sales growth to be difficult. As for overseas demand, although the PVC market will continue to expand over the medium term, we expect a slight slowdown due to the current economic slowdown in Thailand and the impact of the Chinese economy.

As for the inorganic materials, we expect that automotive parts and materials will remain sluggish, but the market for eyeglass lenses is expected to remain strong.

From this slide onward, President Yagura will give an explanation.




**Yagura:** Hello, everyone. I am Yagura. I would like to explain the progress of the first year of our medium-term management plan Transformation: BEYOND 2030.

First of all, I would like to review the content. Please take a look at the slide. This is a description of our vision and the positioning of this medium-term management plan, which we presented at the medium-term management plan briefing last year.

Sakai Chemical's vision for the future is to be an excellent company that contributes to society through smart materials, and the Company has positioned Transformation: BEYOND 2030 as a transformation stage toward the future, focusing intensively on shifting to high-value-added products. We then set our numerical targets for the fiscal year ending March 31, 2027 at JPY9 billion in operating profit and 8% in ROE.

## Key Initiatives and Progress Summary for “Transformation: BEYOND 2030”

| Transformation targets | | Key initiatives | Progress summary |
|---|---|---|---|
| Transformation 1 | Raise profitability | **Realigning our business portfolio toward high-value-added products**<br>➢ Expand sales and profits in growth businesses through investment in electronic materials, cosmetic materials, and organic chemicals, and grow businesses through M&A while determining the most suitable ownership for each business<br>➢ Make future investments for the next medium-term management plan (including cosmetic materials)<br>➢ Eliminate the pigment-grade titanium dioxide business | Self-assessment ○<br>(Operating profit; JPYbn)<br>FY03/24 2.9 → FY03/25 6.0<br>Approx. 2× operating profit |
| Transformation 2 | Improve capital efficiency | **Achieving ROE that exceeds capital costs and improving PBR**<br>➢ Manage cash flow and reduce assets through the sale of underutilized fixed assets<br>➢ Strengthen growth businesses through M&A and other proactive investment<br>➢ Improve capital efficiency through shareholder returns | Self-assessment ○<br>(ROE; %)<br>FY03/24 -9.2 → FY03/25 6.6<br>Targeting ROE of 8% |
| Transformation 3 | Enhance non-financial performance | **Rebuilding the management foundation through materiality promotion and accelerating non-financial initiatives**<br>➢ Ensure thorough measures to prevent recurrence of quality and safety issues<br>➢ Implement initiatives for human capital management as a source of growth | Self-assessment ○<br>Implementation of planned initiatives |

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Let us now look back at how progress was made in the first year.

From the top of the page, we have been pursuing policies focusing on profitability, capital efficiency, and non-financial aspects. I believe that we were able to achieve certain results. I will explain the details later, but in terms of profitability, operating profit has approximately doubled; in terms of capital efficiency, we have made progress toward achieving a ROE of 8%; and in terms of non-financial aspects, we have implemented a variety of initiatives.

# Progress of "Transformation: BEYOND 2030"

Transformation 1

| Initiatives | Year-one progress | Objectives / corresponding measures for second and subsequent years |
|---|---|---|
| **Expand earnings**<br>Self-assessment ○ | ■ Improved profitability through pricing and cost measures (selling price adjustments, consolidation/discontinuation of unprofitable products, etc.)<br>■ Generated substantial profit growth through businesses under efficiency review and exceeded our initial target of 5.4 billion yen | ■ Expanded profits through growth businesses<br>(1) Concentrate on upselling to existing customers<br>(2) Expand market share by acquiring new customers<br>(3) Raise average selling price per unit by increasing still-unadjusted prices |

Operating Profit (JPYbn)

| Business type | FY03/24 | FY03/25 | Change |
|---|---|---|---|
| Growth | 2.0 | 2.5 | 0.5 |
| Stable | 1.0 | 1.0 | 0.0 |
| Under efficiency review | 1.2 | 3.7 | 2.4 |
| Medical | 0.0 | 0.0 | -0.1 |
| Other | 0.7 | 1.1 | 0.4 |

Operating Profit (JPYbn)

| Business type | FY03/25 | FY03/26 total | Change |
|---|---|---|---|
| Growth | 2.5 | 2.4 | -0.1 |
| Stable | 1.0 | 1.1 | 0.1 |
| Under efficiency review | 3.7 | 3.9 | 0.2 |
| Medical | 0.0 | 0.0 | 0.0 |
| Other | 1.1 | 1.2 | 0.1 |

| Initiatives | Year-one progress | Objectives / corresponding measures for second and subsequent years |
|---|---|---|
| **Discontinue pigment-grade titanium oxide business**<br>Self-assessment ○ | ■ Completed final coordination with customers regarding required inventory levels<br>・Discontinuation of manufacturing: December 2025<br>・Conclusion of sales: March 2026 | ■ Wrap up manufacturing and sales activities in preparation for termination of the business<br>■ Gradually reallocate personnel in preparation for the Medium-Term Management Plan's third year |

SAKAI CHEMICAL INDUSTRY CO., LTD. 24

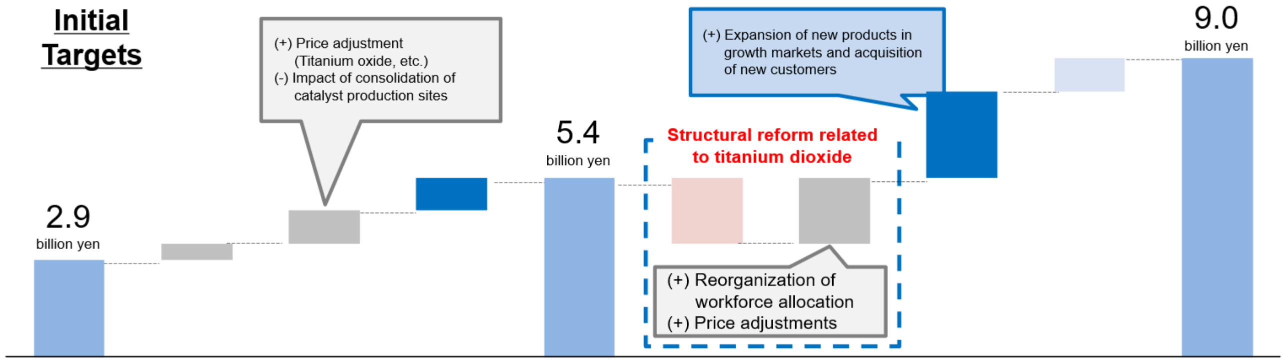
I would like to explain each of them in detail. First, regarding profitability, through profit improvement measures centered on the discontinuation of unprofitable products and price correction, the businesses under efficiency review achieved profit improvement ahead of the three-year plan. In addition, with regard to pigment-grade titanium dioxide, which is scheduled to be discontinued in the current fiscal year, we are proceeding with coordination with our customers and have set a goal of terminating production in December 2025 and sales in March 2026.

On the other hand, a challenge for the second year and beyond has become clear. That is a leap forward in the growing businesses, which I am sure you are all interested in. Although the second year is not expected to produce significant results, we recognize that it is time to steadily implement measures to bear fruit in the third year, and we will continue to work on each of these initiatives.

Meanwhile, we plan to terminate production and sales of pigment-grade titanium dioxide, for which we have announced the termination of the business and to reallocate personnel.

# Progress of "Transformation: BEYOND 2030"

Transformation 1




| Progress | 1 | 2 | 3 | Year one | 4 | 5 | 6 | 7 | Year two | Year three |
|---|---|---|---|---|---|---|---|---|---|---|
| FY03/24 Actual | Depreciation, etc. | Improvement of businesses under efficiency review | Capitalizing on market recovery through growth businesses | FY03/25 results | Impact from discontinuation of pigment-grade titanium oxide business | Improvements addressing rising fixed cost ratios | Capitalizing on market expansion through growth businesses | Expanding earnings from stable businesses, etc. | FY03/26 forecast | FY03/27 medium-term plan targets |
| FY03/25 (year one) | Aligned with projections | Exceeded projections | Some projections unmet | 6.1 billion yen | – | – | – | – | – | – |
| FY03/26 (year two) | – | Improvements impacting performance throughout the year | Implementing initiatives with continued diligence | – | Proceeding as planned | Initiatives underway despite delays | Initiatives underway despite delays | Proceeding as planned | 6.5 billion yen | – |
| FY03/27 (year three) | – | – | – | – | – | Offset previous delays | Offset previous delays | Proceed as planned | – | 9.0 billion yen |

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On the next slide, I will show you the overall picture and where we are now with regard to profit growth. The upper graph is an image of the profit growth initially announced, and the table at the bottom expresses each item, the degree of achievement, and comments on the future outlook.

The reason for the first year's profit increase of approximately JPY6.1 billion, significantly higher than the initial plan of JPY5.4 billion, was due to the fact that the plan was achieved ahead of schedule for the improvement of the second item, the businesses under efficiency review. Therefore, in the second year, we expect that effect to be realized from the beginning of the fiscal year to the full year.

As for the growth businesses, which is a challenge, as described as the third item and sixth item, although there are some delays, we will do what we need to do to make a leap forward in the third year and aim for JPY9 billion.

## Progress of "Transformation: BEYOND 2030"—Electronic Materials

Transformation 1

**Year-one progress**

- **Dielectrics:** △
  No significant progress achieved toward ensuring customer adoption within high-end and mid-range markets
- **Dielectric materials:** ○
  Progress exceeded initial expectations thanks to market recovery, growth in the volume of high-profit products sold, and expanding impact from partial price adjustments

**Profit growth measures (current medium-term plan period)**

■ **Keys toward expanding earnings under competitive conditions**
Accelerate technical response capabilities to ensure earlier customer adoption of new MLCC materials

- **Dielectrics:** Continue proposing development-stage products and providing prototyping support
- **Dielectric materials**: Continue adjusting prices and further improve our product portfolio

| | Industrial Environment Analysis (MLCC Market) |
|---|---|
| Market | • Market trends move in strong alignment with those in the semiconductor industry<br>• Demand expansion (electrification of vehicles, emergence of AI, etc.)<br>• Ongoing trend toward miniaturization in the MLCC market, with rising demand for thinner dielectric layers and higher multilayer integration<br>• High customer stickiness: once materials are adopted, switching away from them typically involves a lengthy process |
| Competition | • Dielectrics: External suppliers use solid-state, oxalate, and hydrothermal synthesis methods, while vertically integrated manufacturers mainly utilize the solid-state method<br>• Dielectric materials: One European company, one Japanese company, several Chinese companies<br>• Striving to propose materials suitable for customer needs while ensuring a stable supply |
| Sakai Chemical | • Capable of supplying both base dielectric compounds and application-ready dielectric materials<br>• Adopted the hydrothermal synthesis method, which is ideally suited for miniaturization requirements in the MLCC market<br>• High share (approx. 40–50%) in the dielectric materials market*<br>*According to research conducted by Sakai Chemical |

(Millions of yen)

| | FY03/25 | | FY03/26 forecast | | Change | Rate of change |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| Net sales | 10,014 | — | 10,100 | — | 86 | 0.9 |
| Operating profit | 1,493 | 14.9 | 1,430 | 14.2 | -63 | -4.2 |

- We anticipate generating profit growth in FY03/26, the second year of our Medium-Term Management Plan, will be prohibitively difficult, but we will continue pitching development-stage dielectric products as planned. Meanwhile, we will incorporate further dielectric material price adjustments into our strategy to facilitate improved performance during the plan's third year.

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Let's take a closer look at the key growth businesses on the following pages and beyond.

First, this is the electronic materials. As shown upper left, in the first year, while there was no significant progress in the adoption of newly developed products in dielectrics and no new adoption was achieved, progress in dielectric materials exceeded the plan due to a combination of market recovery and the effect of price correction in some products.

There are three items in our strength. One is that we have both dielectric and dielectric materials. Second, for dielectrics, the hydrothermal synthesis method is used, which is in line with the industry trend toward miniaturization. Third, we hold a high market share in dielectric materials. As noted here, according to our research, we have a market share of approximately 40% to 50%.

Considering the characteristics of the industry, where once a product is adopted, it is difficult to replace it, the key point is how quickly it can be adopted ahead of competitors. In the second year and beyond, we will respond more quickly to technology to expand new sales of dielectrics and improve the product portfolio through price revisions of dielectric materials.

For the second year, we currently expect a roughly equivalent result to the fiscal year ended March 31, 2025, a JPY86 million increase in net sales and a JPY63 million decrease in profit.

# Progress of "Transformation: BEYOND 2030"—Cosmetic Materials

Transformation 1

## Year-one progress

- **Sunscreen agents:** △
  Shipments for a major overseas client have begun but have not been extensive enough to fully offset sales volume decline stemming from conditions in the Chinese market
- **Makeup products:** ○
  Fully invested in the construction of a multipurpose plant scheduled for completion in February 2026 (earnings contribution expected to begin under next Medium-Term Management Plan)

## Industrial Environment Analysis (Sunscreen Market)

| | Industrial Environment Analysis (Sunscreen Market) |
|---|---|
| Market | • Shift from organic-based to inorganic materials (reflecting a broader movement aiming to reduce environmental impact)<br>• Growing demand for zinc oxide (driven by rising demand for UVA protection, which is essential for anti-aging skincare)<br>• Europe: Ongoing evaluation of zinc oxide as a UV filter<br>• United States: Rising demand for high-transparency materials<br>• China: Japanese manufacturers struggling due to economic slowdown |
| Competition | • Only a handful of manufacturers produce high-quality ultrafine-grade materials used in sunscreens |
| Sakai Chemical | • Share of the micronized zinc oxide market is approximately 20%*<br>• Major competitive edge in the field of powder processing technology<br>• Ultrafine zinc oxide products adopted by a major overseas company for the first time<br>*According to research conducted by Sakai Chemical |

## Profit growth measures (current medium-term plan period)

■ **Keys toward expanding earnings under competitive conditions**
Proactively undertake sales expansion initiatives while concentrating on high-quality zinc materials subject to rising demand in less competitive market segments

- **Sunscreen agents**
  Focusing on new customers, we will actively promote our ultra-fine zinc oxide — notable for its high transparency and strong UVA protection properties — while expanding sales channels into underdeveloped European markets and prioritizing sales growth in Europe and North America

(Millions of yen)

| | FY03/25 | | FY03/26 forecast | | Change | Rate of change |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| Net sales | 2,676 | — | 2,800 | — | 124 | 4.6 |
| Operating profit | 293 | 11.0 | 270 | 9.6 | -23 | -7.8 |

- For FY03/26, the second year of our Medium-Term Management Plan, our key focus will be price correction. We anticipate new customer acquisition and sales expansion efforts will begin generating sales volume gains during the plan's third year and are stepping up sales activities to facilitate this growth.

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Next, I will talk about the cosmetics materials.

As for the progress in the first year of this business, although we were able to start shipments of the cosmetics materials for sunscreens to a major overseas sunscreen manufacturer in H2, shipments to the domestic market were slower than planned due to the impact of the economic slowdown in China.

As for makeup products, on the other hand, investments in a new plant in preparation for the next medium-term management plan are proceeding as planned, and we are making steady progress in our efforts.

As for the industry environment, as in last year's business strategy briefing, demand for zinc oxide, which is good at cutting UVA, is increasing due to the change from organic to inorganic materials and the growing need for anti-aging products. In the meantime, while there are few manufacturers that handle high-quality ultrafine products, the Company is highly regarded for its quality by major overseas manufacturers. As shown in the upper right corner of the slide, we will aggressively expand sales of ultrafine zinc oxide products that match the industry trend in order to achieve profit growth in the second year and beyond. We would like to focus on expanding sales overseas and appoint global personnel from SAKAI TRADING.

The table below shows our performance plan for the second year, and although the results will not be fully realized, with an increase of JPY124 million in net sales and a decrease of JPY23 million in profit compared to March 2025, we will work hard to plant seeds that will blossom in the third year.

## Progress of "Transformation: BEYOND 2030"—Organic Chemicals

Transformation 1

**Year-one progress**

**Organic sulfur compounds:** △
Discussions regarding potential expansion of our production capacity remain ongoing. Sales fell short of targets due to inventory adjustments and other temporary factors.

**Pharmaceutical APIs and intermediates:** △
・**Further expansion of existing CMO contracts:** △
Targets unmet despite proactive efforts targeting expansion in sales of contract-manufactured products
・**Progress of CDMO:** ○
Operations aiming to facilitate CDMO development launched at new research facility

**Profit growth measures (current medium-term plan period)**

■ **Keys toward expanding earnings under competitive conditions**
・**Organic sulfur compounds**
While operating in a market with limited competition, strive to boost profitability while accelerating discussions regarding appropriate capacity expansion. Proceed with resource investment aiming to begin generating earnings during our next medium-term plan.
・**Pharmaceutical APIs and intermediates**
Building on the trust established through our strong CMO track record, expand sales and further strengthen our CDMO framework while aiming to generate early performance outcomes

**Industrial Environment Analysis**

| | Organic sulfur compounds | Pharmaceutical APIs and intermediates |
|---|---|---|
| Market | • Changes in eyeglass lens materials: glass ⇒ plastic<br>• Increase in population with myopia<br>⇒ Growth in demand for high-refractive-index lenses<br>Rise in value of eyeglasses as fashion items | • Major pharmaceutical companies strategically narrowing allocation of development resources toward core priorities<br>⇒ Outsourcing of development processes<br>• Geopolitical risks related to API production<br>⇒ Return to domestic API manufacturing |
| Competition | • Competition very limited, with only one industry peer overseas | • Large number of well-established early-mover manufacturers |
| Sakai Chemical | • Only supplier in Japan<br>• Technical expertise concerning the handling and production of organic sulfur compounds | • Extensive experience as a contract manufacturer (CMO) for leading pharmaceutical companies |

(Millions of yen)

| | FY03/25 | | FY03/26 forecast | | Change | Rate of change |
|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % |
| Net sales | 6,638 | — | 7,500 | — | 862 | 13.0 |
| Operating profit | 770 | 11.6 | 730 | 9.7 | -40 | -5.2 |

・For FY03/26, the second year of our Medium-Term Management Plan, we project growth in sales and a decline in profit. We anticipate expansion in shipments of organic sulfur compounds will drive sales increase, while profit drops due to a downturn in shipments of pharmaceutical intermediates. As time progresses, we will continue exploring optimal investment conditions for our organic sulfur compound activities. With regard to pharmaceutical API and intermediates, we plan to focus on securing new CMO and CDMO contracts.

CMO： Contract Manufacturing Organization CDMO： Contract Development Manufacturing Organization

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Lastly, I will explain the organic chemicals.

In the first year of this business, progress in organic sulfur compounds fell short of the plan due to inventory adjustments by customers and other factors. In the area of active pharmaceutical ingredients and intermediates, one of the mainstays of this business, CMO, which we have been working on for some time, fell short of the plan due to a decline in the contract volume of mainstay products. Meanwhile, with regard to our new CDMO initiative, we have been making steady progress with our investments and began operation at a new research building in the fiscal year ended March 31, 2025.

As for trends in the industry environment, with regard to organic sulfur compounds, the myopia population is increasing and demand for eyeglasses as a fashion item is rising, while there is little competition. As for the active pharmaceutical ingredients and intermediates, while the division of labor in manufacturing is accelerating in the pharmaceutical industry, the situation here is conversely competitive.

Therefore, as shown in the upper right corner of the slide, in the second year and beyond, we will further accelerate discussions on capacity expansion investment for organic sulfur compounds, taking profitability into account. We will also work to further enhance our system and achieve a successful result for the active pharmaceutical ingredients and intermediates as soon as possible by making existing customers for CMO shift to a new contract for CDMO.

## Progress of “Transformation: BEYOND 2030”—Capital Allocation

Transformation 1・2

Initial plan: Allocate cash acquired through profit generation, an improved CCC, and non-current asset sales to capital investment, shareholder returns, and M&A.

**Funding**

**Borrowing and warrants**

Convertible bonds (already raised)

**Sale of non-current assets**

CCC improvement 7.0 billion yen

**Operating cash flow 34.0 billion yen**

Cash in

**M&A**

**Shareholder returns 8.0 billion yen or more**

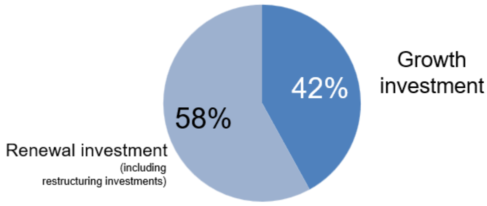
**Capital investment 20.0 billion yen**

Cash out

### Shareholder Return Policy

- Target dividends exceeding previous levels, aiming for a DOE of 3%
- Implement flexible share buybacks

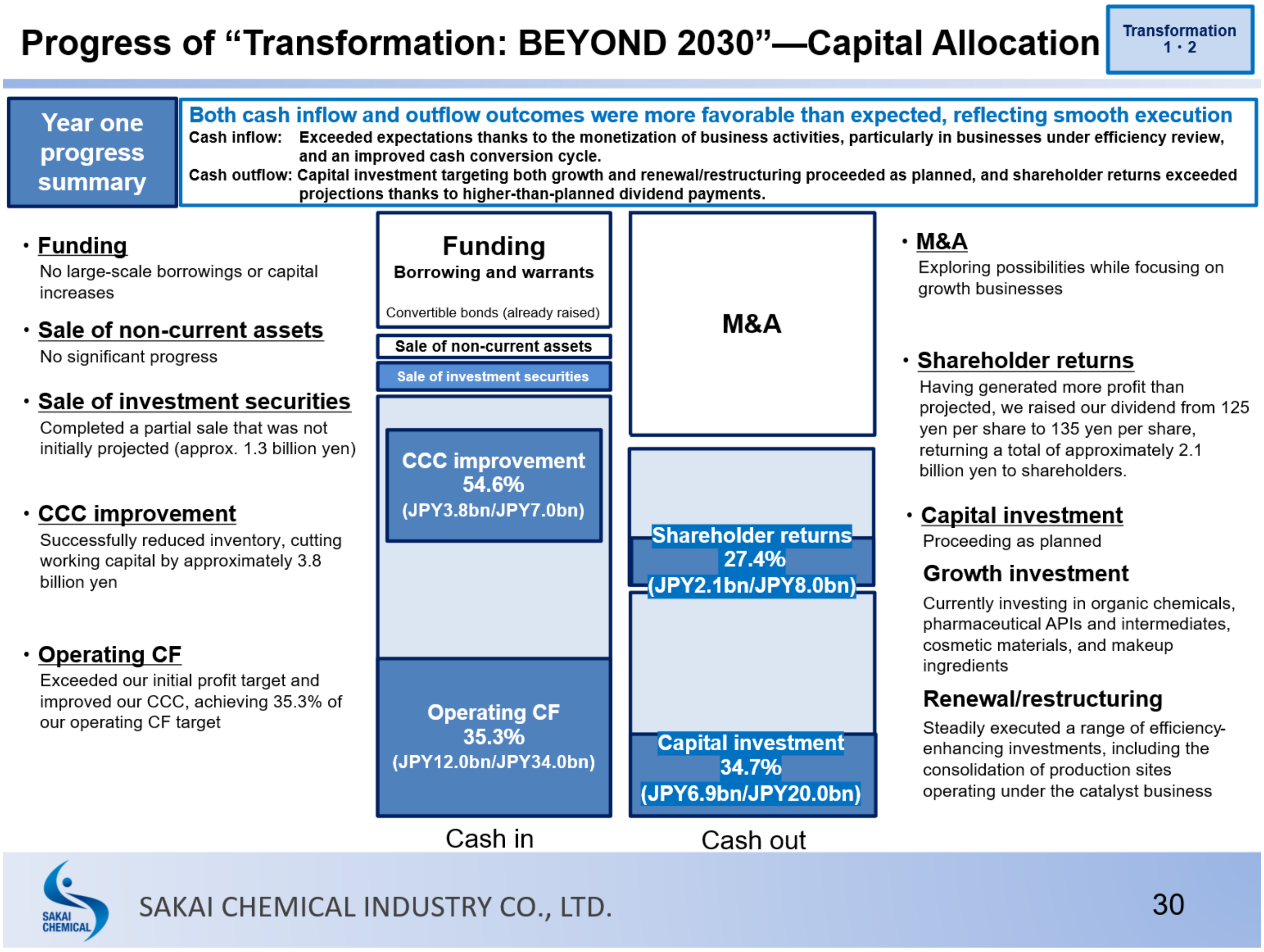
### Capital Investment Plan




- Growth investments will focus on production expansion in growth businesses (electronic materials, cosmetic materials, and organic chemicals)



This is about capital allocation. Here is the overall picture of the three-year period that we presented when we announced the medium-term management plan.




Please refer to the slide to see how the progress has been after the first year. I think the results of a year's work are very easy to understand, comparing them to the plan. In summary, we recognize that we have made good progress, exceeding our plan.

First, regarding cash-in on the left side, the cash conversion cycle, which has been positioned as a particularly important issue, has been reduced due to faster inventory turnover, resulting in the creation of JPY3.8 billion in cash or 54.6% of the planned target of JPY7 billion. The profit plan was also achieved, resulting in operating cash flow of JPY12 billion or 35.3% of the three-year target of JPY34 billion.

Next is the cash-out on the right side. Capital investments, both for growth, and maintenance and renewal, have been progressing smoothly as planned, amounting to JPY6.9 billion or 34.7% of the initial plan of JPY20 billion.

Shareholder return is 27.4% and will be discussed in more detail on the next page.

# Progress of “Transformation: BEYOND 2030”

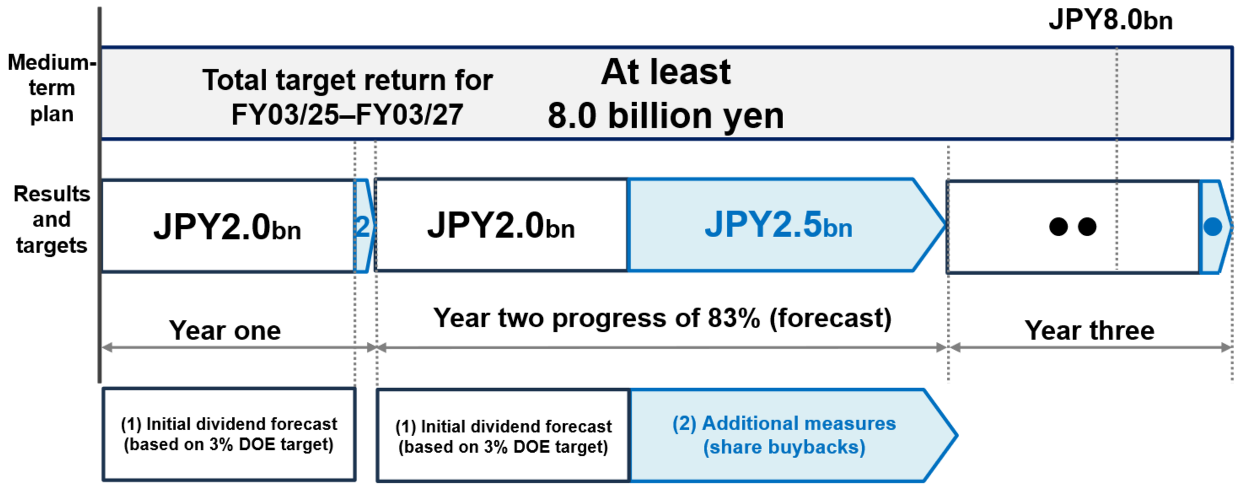
Transformation 2

## Policy on Shareholder Returns

**Basic policy aims to return a total of 8.0 billion yen or more to shareholders (FY03/25–FY03/27)**

(1) Distribute dividends stably while targeting a DOE of about 3%

(2) Consider additional shareholder return measures (raising dividends, share buybacks, etc.) while carefully assessing performance trends and **remaining mindful of our target ROE**

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Since the announcement of the initial forecast for this fiscal year, I have received many inquiries, so I would like to reiterate our policy on returns during the period of this medium-term management plan.

I believe that there were two major comments from shareholders prior to the formulation of the medium-term management plan. One is that we should not increase or decrease dividends significantly based on performance but rather provide stable dividends. Second, I remember that you asked us to show how much cash we plan to generate and how much of that cash will be used to return to shareholders.

Therefore, we have presented a capital allocation plan, and as a basic policy, we plan to return a total of more than JPY8 billion to shareholders over the three years of the medium-term management plan from the cash inflows and operating cash flows planned for the three years. We have also set a target of 3% DOE, not a payout ratio, for dividends, in order to pay stable dividends. Then, taking into consideration the business performance trend and targeted ROE, we decided to consider additional measures such as dividend increase and share buyback.

As shown in the figure, in the first year, the dividend was JPY2 billion in the initial plan, but we increased the dividend by approximately JPY200 million in response to the favorable progress of the profit plan.

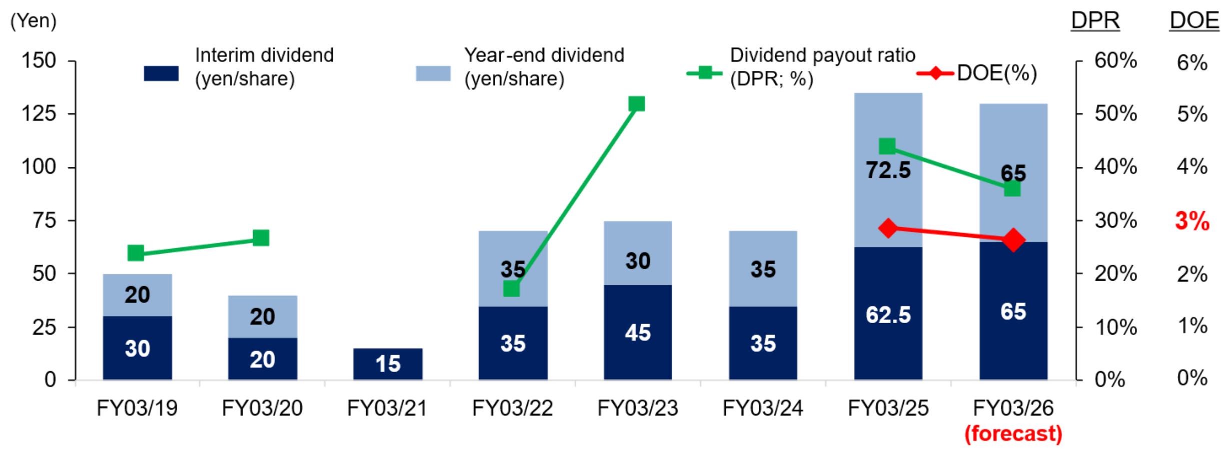
In the second year, we plan to pay a dividend of JPY2 billion based on DOE and also implement the recently announced JPY2.5 billion share buyback, bringing the cumulative progress rate of shareholder returns in the second year to approximately 83%. At the time the plan was announced, I was asked a question about whether the annual dividend of JPY2 billion would be enough to reach JPY8 billion, but with this second year of the plan, I believe that you have captured the image of shareholder returns of more than JPY8 billion.

We intend to take the same stance in the third year and beyond, and will strive to achieve a balance between earned profit and assets by shareholder returns, while keeping ROE in mind.

## Shareholder Returns

Transformation 2

➢ To enhance capital efficiency and shareholder value per share, we have decided to conduct a share buyback of up to **2.5 billion yen**. **All acquired shares will be cancelled**.




| Share buybacks | JPY2.0bn | — | — | JPY1.5bn | — | — | — | JPY2.5bn |
|---|---|---|---|---|---|---|---|---|

DOE = dividend on equity

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Based on this idea, in the second year, as shown on the right side of the graph, for the fiscal year ending March 31, 2026, we plan to pay a total of JPY130, JPY65 for both the interim and year-end periods. And all shares to be acquired through the JPY2.5 billion share buyback are scheduled to be cancelled.

# Progress of “Transformation: BEYOND 2030” — 2

Transformation 2

■ Cash conversion cycle target: 180 days or less

Target cumulative three-year monetary impact of 7.0 billion yen (by end-FY03/27)

**⇒During the first year of our Medium-Term Management Plan, we shorted our cash conversion cycle by 22 days and generated 3.8 billion yen in operating cash flow.**

| | Unit | FY03/24 | FY03/25 | Change |
|---|---|---|---|---|
| Trade receivables turnover period | Days | 130 | 115 | -15 |
| Inventory turnover period | Days | 126 | 115 | -11 |
| Accounts payable turnover period | Days | 40 | 37 | -3 |
| **CCC** | Days | **216** | **194** | **-22** |
| **Working capital** | **JPYbn** | **49.2** | **45.4** | **-3.8** |

Formula: working capital ÷ sales × 12 months × 30 days

Our Actions

・Trade receivables: Shorten collection period

・Inventory: Reassess appropriate inventory levels and reduce inventory quantities

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Next, I would like to discuss the progress of the cash conversion cycle, which is a key indicator of asset efficiency. Our target is less than 180 days and to generate cash of more than JPY7 billion in monetary terms.

Please take a look at the changes in the area circled in red on the table. Mainly, we reviewed the collection period in trade receivables and reviewed appropriate inventory, and reduced the volume in inventories. As a result, we succeeded in reducing the cash conversion cycle by 22 days and working capital by JPY3.8 billion. We will continue our efforts in the second year and beyond, aiming to improve the balance sheet to a more muscular one.

## Progress of "Transformation: BEYOND 2030" — 3

Transformation 3

**Strengthening awareness regarding preventative safety and implementing effective human capital strategies remain key ongoing challenges**

| Material priorities | KPIs | Self-assessment | Progress / future action |
|---|---|---|---|
| Contribute to people's well-being | Major labor incidents: Zero cases | △ | Although an accident requiring leave of at least four days occurred, but we have completed all necessary response and prevention measures. |
| | Engagement improvement | △ | A company-wide third-party survey revealed current engagement scores are below average. In response, we are revising training programs for managers, including those related to performance evaluations. |
| | Promote diversity | ○ | To achieve diversity goals set for FY2030, we have defined intermediate milestones aligned with our current Medium-Term Management Plan targets. To facilitate achievement of these milestones, we are currently implementing recruitment, talent development, and policy reforms. |
| Protect the global environment | Reduce $CO_2$ emissions | ○ | We have achieved a 32% reduction in Scope 1 and 2 emissions relative to FY2013 levels. Meanwhile, we plan to steadily undertake efforts aiming improve visibility and data accuracy for Scope 3 emissions. |
| | Environmental incidents: Zero cases | ○ | We will continue closely monitoring changes in specific environmental variables through routine scheduled checks. |
| Address social challenges through manufacturing | Launch of smart material products | △ | Moving forward, we will determine R&D priorities based on market trends while selectively allocating management resources to high-impact areas. |
| Build a transparent and strong management structure | Major compliance violations: Zero cases | ○ | Through ongoing compliance training and educational initiatives, we will sustain efforts aiming to raise organizational awareness and uphold ethical standards. |

Self-assessment (○: Achieved; △: Not achieved or in progress)

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Lastly, I will talk about materiality promotion and non-financial initiatives. We have set forth four key issues to be addressed: make people happy, protect the global environment, solve social issues through manufacturing, and build a strong, transparent management system. We still have a ways to go in addressing quality, safety, and human capital, which we have identified as challenges. We intend to strengthen our efforts in the future.

That is all from me. Thank you very much.

## Question & Answer

**Moderator [M]:** We would now like to receive your comments and questions. Please provide us with your company name and your name when you ask your question. We have also transcribed this briefing, which is available on our website. We will, of course, withhold the name of your company and your name from the publication, but please understand that your question will be included in the publication.

**Moderator [M]:** Then, please ask your question.

**Participant [Q]:** I would like to ask a couple of questions. First, you said that the profitability improvement measures have been working very well. I think that is right. As the President explained, the growth businesses will not show results in the second year, but as shown on slide 26, the volume of dielectric materials in the electronic materials business has been increasing. How much did it grow last fiscal year and what will happen this fiscal year? Please explain this.

**Ogama [A]:** Thank you for your question. Ogama will answer. First, I would like to talk about dielectric materials and dielectrics on a volume basis. From an overall perspective, dielectrics, or electronic materials as a whole, have increased by approximately 25%. In the case of dielectric materials and dielectrics, the increase in dielectric materials was about 10 percentage points higher than that of the overall increase, while the dielectrics were slightly lower than that of the previous fiscal year. That's all for the volume. Do you have anything else to ask?

**Participant [Q]:** Can you also tell me how I should see the new fiscal year?

**Ogama [A]:** In the new fiscal year, we expect a slight growth in dielectric materials, but not as much as double-digit growth. Unfortunately, the proportion of dielectrics for automotive applications is a little high, and as I mentioned in my explanation, demand for automotive applications has not been good, so we expect a slight YoY decline in dielectrics.

**Participant [Q]:** I understand. If we look only at dielectric materials, they grew very much last fiscal year. Why did they grow so much? On the other hand, in the new fiscal year, single-digit growth means that there will be growth, but the growth will be quite low. Why did it grow so much last fiscal year? Also, why is the growth slower this fiscal year? Please explain this point.

**Ogama [A]:** You pointed out that the growth rate was very large, but this is because the fiscal year ended March 2024 was too bad and Q2 of the fiscal year ended March 2024 was the bottom, from which there was a sharp recovery.

Also, looking at the sales of dielectric materials by quarter for the fiscal year ended March 31, 2025, they were roughly linked to the sales of capacitors of a certain capacitor manufacturer, so I think the growth was about the same as that or recovery.

You have pointed out that the growth rate will slow down a little in the current fiscal year. There was some recovery in the fiscal year ended March 31, 2025, and as far as market conditions are concerned, while some expect that the semiconductor market will grow by double digits, JEITA's market forecast for H1 of this fiscal year is still growth by a few percents, and the capacitor manufacturer also expects that it will only grow by 2 or 3 percent. Therefore, we expect that the growth of dielectric materials will be a little slower.

**Participant [Q]:** I understand. Also, there has been no significant progress in the adoption of development products for dielectrics. Is the current situation such that although the dielectric materials by the solid-phase method are increasing, those by the hydrothermal synthesis method that your company has adopted are not growing much?

**Ogama [A]:** In the past, it was often said that those by the solid-phase method have applications for something and those by the hydrothermal method have applications for something, but these days, it is difficult to differentiate by manufacturing method, rather, they are more influenced by the market conditions. I am repeating this, but the proportion of our dielectrics in the automotive market is quite large, and due to the sluggish market, we expect to have a bit of a tough time in the current fiscal year as well.

In the meantime, there are still some characteristics depending on the manufacturing method. As Yagura explained, we are good at making fine particles by hydrothermal synthesis, which matches the trend toward miniaturization of MLCCs. We have been focusing on such high-end products, and we are now in the process of planting the seeds for future growth in this area.

**Participant [Q]:** I understand. Second, in terms of the cosmetics materials on page 27, you talked about a major overseas company to which you have already begun shipments. What is the scale of their sales? Last fiscal year, total sales were JPY2.7 billion, and this year's sales are JPY2.8 billion, so please tell me how much of that was from that customer.

**Ogama [A]:** Thank you very much. As we plan to increase this amount significantly in the third year, it does not account for a large portion of the JPY2.8 billion forecast for the fiscal year ending March 31, 2026. You can understand that it is less than 10%.

**Participant [Q]:** I understand. Lastly, you have changed segments, and the number of segments has increased by about 10 this time. I think it has actually become a little confusing. I think it would be fine to report the growth businesses one by one, but I think it would be easier to understand if the improvement businesses were grouped together. What do you think?

**Yagura [A]:** As you pointed out, I think it is too detailed and difficult to understand. We are considering leaving the current medium-term management as it is, but we would like to present it in a neatly organized format for the next medium-term management plan.

**Participant [M]:** I understand. Thank you very much.

**Moderator [M]:** Thank you very much. Since there seem to be no further questions, I would like to conclude this financial results briefing for the fiscal year ended March 31, 2025. Thank you very much for your participation today.

[END]

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***Document Notes***

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
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