



堺化学工業株式会社

Sakai Chemical Industry Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2021

November 25, 2020

Event Summary

[Company Name]	Sakai Chemical Industry Co., Ltd.	
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[Event Type]	Earnings Announcement	
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[Time]	15:30 – 16:14 (Total: 44 minutes, Presentation: 26 minutes, Q&A: 18 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Masaaki Yabe	President, Representative Director
	Atsuya Nakanishi	Managing Director of Investor Relations

Presentation

Moderator: Thank you very much for your participation in Sakai Chemical Industry Co., Ltd.'s Interim Financial Briefing for the Fiscal Year Ending March 2021 while you are busy. We will now start the meeting.

This time, in order to prevent the spread of COVID-19, we have decided not to hold the event at the venue, but rather to use a live streaming format. Today, Mr. Nakanishi, Managing Director of Investor Relations, will first explain the overview of the interim financial results. After that, Mr. Yabe, President Representative Director, will explain the performance forecast for the year ending March 2021. At the end of the meeting, we will receive your questions.

So, Managing Director Nakanishi, please.

2021年3月期中間業績概要（対前年同期）

金額単位：百万円

	2020.3 2Q		2021.3 2Q		増 減	
		売上高比		売上高比		
売上高	43,995	100.0%	40,244	100.0%	▲ 3,750	▲ 8.5%
営業利益	1,848	4.2%	1,597	4.0%	▲ 251	▲ 13.6%
経常利益	1,905	4.3%	1,219	3.0%	▲ 686	▲ 36.0%
親会社株主に帰属する 四半期純利益	1,110	2.5%	558	1.4%	▲ 552	▲ 49.8%

◆ 売上高

有機化学品および衛生材料は堅調に推移したものの、酸化チタン・亜鉛製品、樹脂添加剤を中心に低調に推移し、減収となった。

◆ 営業利益

設備投資を行ってきた電子材料において減価償却負担の増加をカバーできず、また固定費上昇により、減益となった。

※営業外費用として、操業休止費用442百万円を計上しています。



SAKAI CHEMICAL INDUSTRY CO., LTD.

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Nakanishi: I am Nakanishi. First, I would like to provide an overview of the interim results for the fiscal year ending March 2021 on a consolidated basis.

Net sales were JPY40.244 billion, a YoY decrease of JPY3.75 billion, or 8.5%. Operating income was JPY1.597 billion, a decrease of JPY251 million, or 13.6%. Ordinary income was JPY1.219 billion, a decrease of JPY686 million, or 36.0%. Profit attributable to owners of parent was JPY558 million, a decrease of JPY552 million, or 49.8%.

Although sales of organic chemicals and hygiene materials were firm, sales of titanium oxide, zinc products, and resin additives were sluggish resulting in a decrease in sales. Operating income declined, because we were unable to cover the increased depreciation burden in electronic materials, where we have been investing in facilities, and due to an increase in fixed costs.

As a side note, in the period under review, JPY442 million of shutdown costs are recorded as non-operating expenses. Therefore, we think it is close to the actual situation to make a YoY comparison through ordinary profit.

事業別売上高・営業利益

金額単位：百万円

		2020.3 2Q	2021.3 2Q	増 減	
化学事業	売上高	39,393	36,299	▲ 3,093	▲7.9%
	営業利益	2,461	2,290	▲ 170	▲6.9%
医療事業	売上高	4,602	3,945	▲ 657	▲14.3%
	営業利益	464	242	▲ 221	▲47.7%
全社費用	売上高	—	—	—	—
	本社部門費	▲ 1,077	▲ 936	—	—
合計	売上高	43,995	40,244	▲ 3,750	▲8.5%
	営業利益	1,848	1,597	▲ 251	▲13.6%



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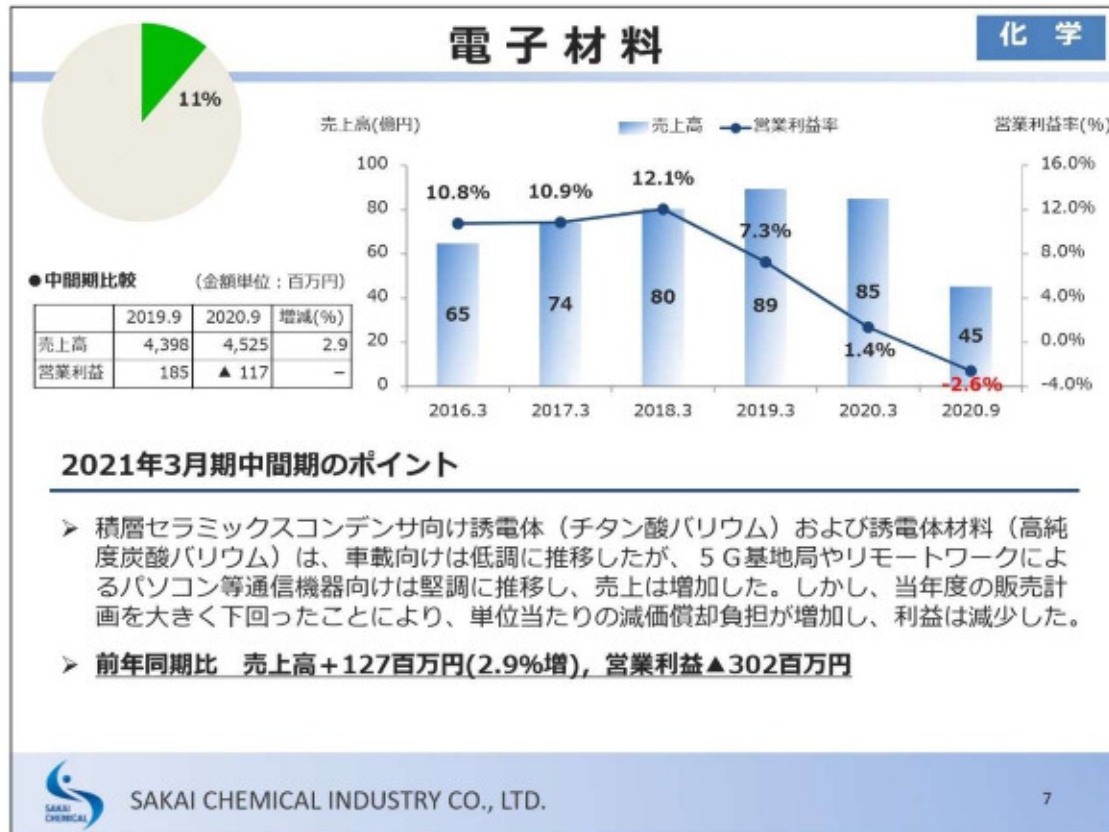
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Next, I will explain sales and operating income by business division. We have been dividing our businesses into the Chemicals Business, the Pharmaceuticals Business, and corporate expenses.

In the Chemical Business, net sales were JPY36.299 billion. Compared with the same period of the previous fiscal year, sales decreased by JPY3.093 billion, or 7.9%. Operating income was JPY2.29 billion, a decrease of JPY170 million, or 6.9%.

In the Medical Business, net sales were JPY3.945 billion, a YoY decrease of JPY657 million, or 14.3%. Operating income was JPY242 million, down JPY221 million, or 47.7%.

We recorded corporate expenses of JPY936 million, which decreased compared to the same period of the previous fiscal year. The total column is the same as the number I explained earlier, so I will skip it.

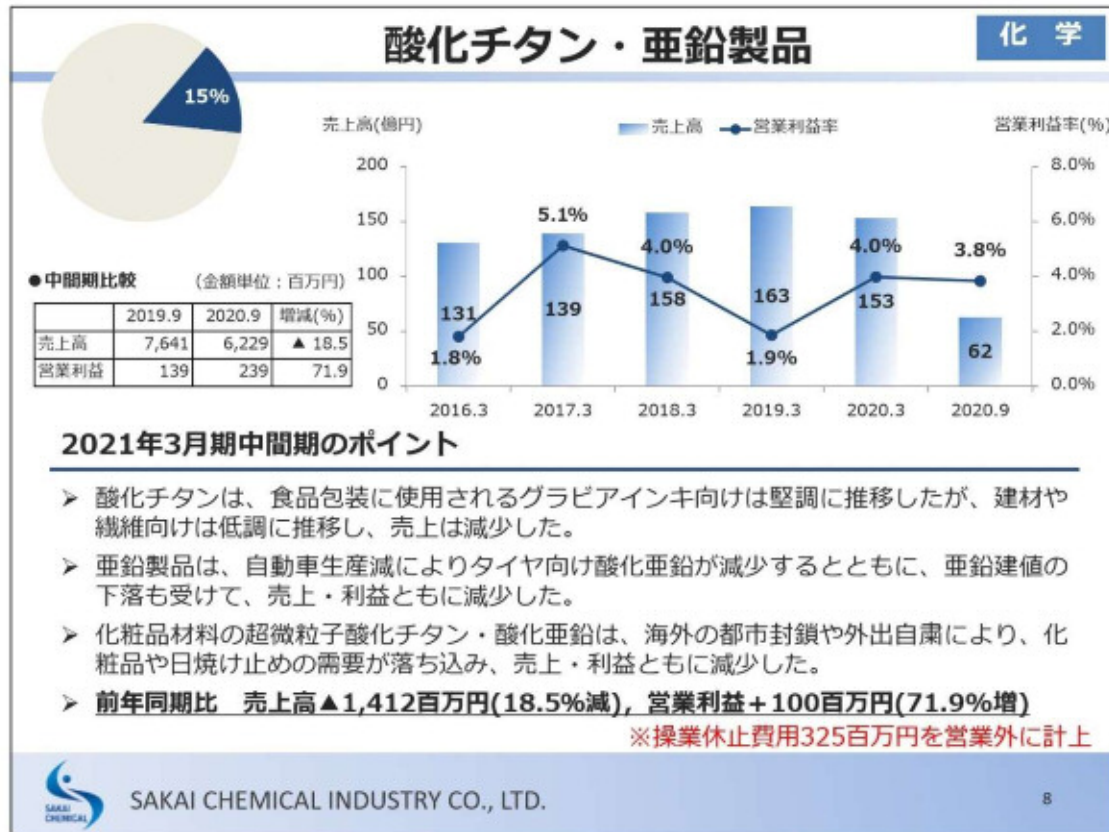


Let me explain the Chemical Business sub-segments. First, electronic materials.

As described, sales of barium titanate, a dielectric material for multilayer ceramic capacitor, and high-purity barium carbonate, a dielectric material, for automotive applications remained sluggish. But for 5G base station and communications equipment for remote-work use remained strong. As a result, sales increased.

However, operating income declined due to an increase in the depreciation burden per unit as a result of significantly underperforming the sales plan for the current fiscal year. Unfortunately, we posted an operating loss.

On a YoY basis, net sales increased by JPY127 million. Operating income decreased by JPY302 million.



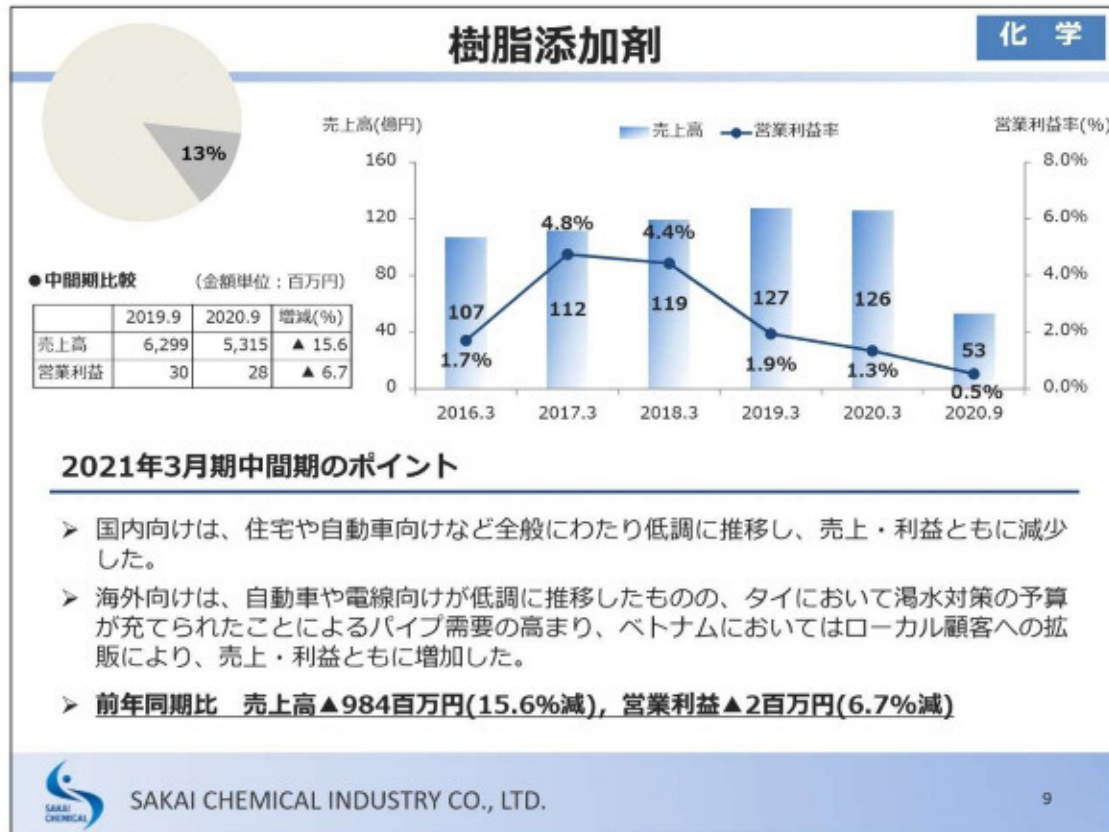
Next is titanium oxide, and zinc products.

Sales of titanium oxide for gravure inks used in food packaging were firm, but sales for construction materials and textiles were sluggish, resulting in a decrease in sales.

Sales and operating income of zinc products declined, reflecting a decline in sales of zinc oxide for tires due to a decline in automotive production caused by COVID-19 crisis, and also due to a decline in zinc price quoted.

Sales and operating income of cosmetics materials' ultra-fine titanium oxide and zinc oxide declined due to a drop in demand for cosmetics and sunscreen, as a result of overseas urban blockage, self-restraint on outings, and a drop in inbound tourists.

On a YoY basis, net sales decreased by JPY1.412 billion. Operating income increased JPY100 million. However, as I mentioned earlier, we have posted a non-operating expense of JPY325 million for shutdown costs. In reality, operating income decreased by JPY225 million.

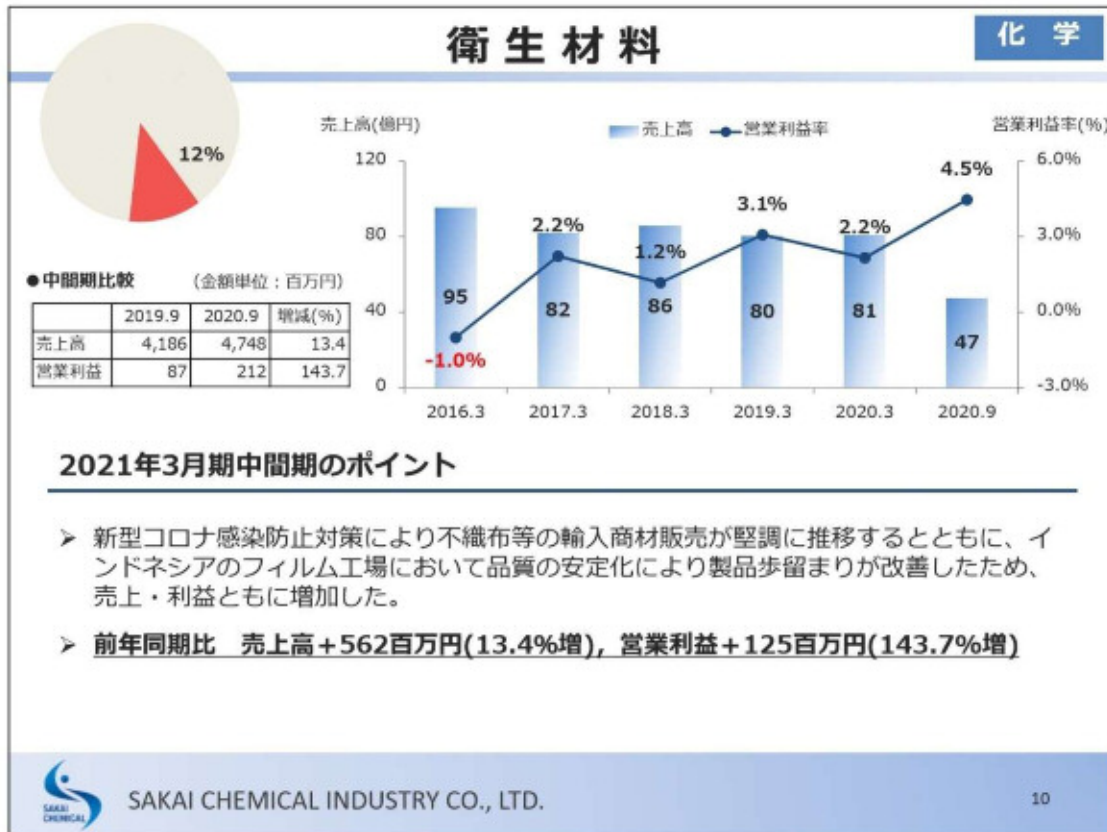


Next, let's look at resin additives.

Sales to the domestic market were sluggish across the board, including housing and automotive applications. Both sales and operating income decreased.

Overseas, we have local subsidiaries in Thailand and Vietnam. Although sales for automobiles and wire applications were sluggish, in Thailand, demand for pipes increased due to the national budget for drought countermeasures, in Vietnam, sales expansion to local customers, both sales and operating income increased.

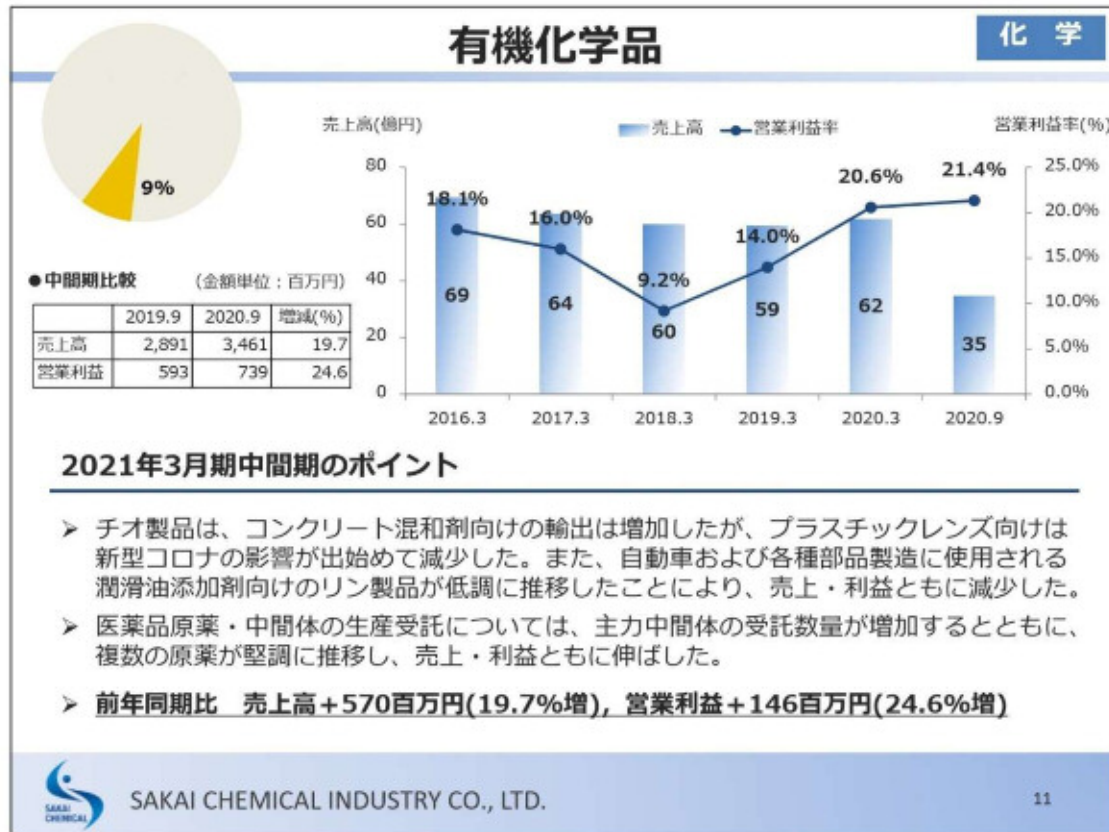
On a YoY basis, net sales decreased by JPY984 million. Operating income also decreased by JPY2 million.



Next, let's look at hygiene materials.

Both sales and operating income increased due to steady sales of imported products, such as nonwoven fabric, as a result of measures to prevent COVID-19 infections, as well as improved product yields at our film plant in Indonesia, due to stabilized quality.

On a YoY basis, net sales increased by JPY562 million. Operating income also increased significantly by JPY125 million.

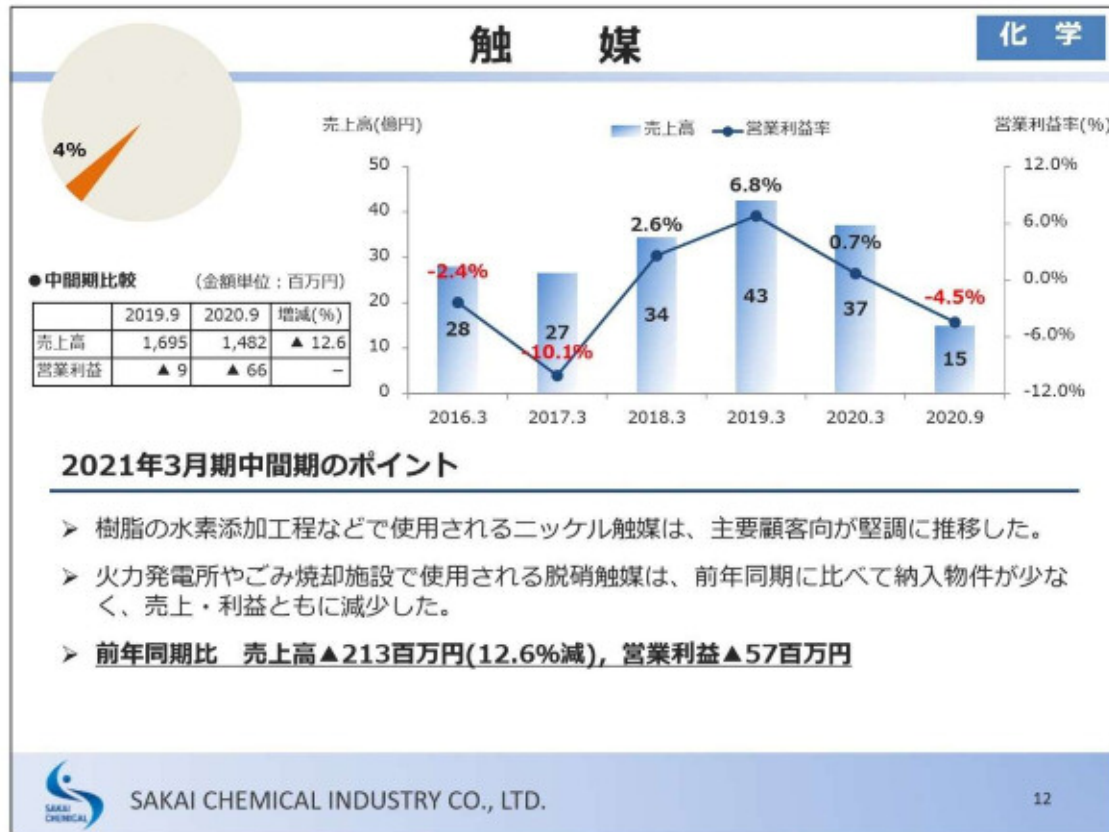


Next is organic chemicals.

Thio products for concrete admixture increased, but those for plastics lenses declined as the impact of COVID-19 began to appear. In addition, phosphate products for lubricant additives used in the manufacture of automobiles and various parts were sluggish, both sales and operating income decreased.

On the other hand, in contract manufacturing of active pharmaceutical ingredients and intermediates, both sales and operating income grew due to an increase in the volume of contract manufacturing of mainstay intermediates and steady growth in multiple active pharmaceutical ingredients.

Consequently, net sales increased by JPY570 million YoY. Operating income increased by JPY146 million.

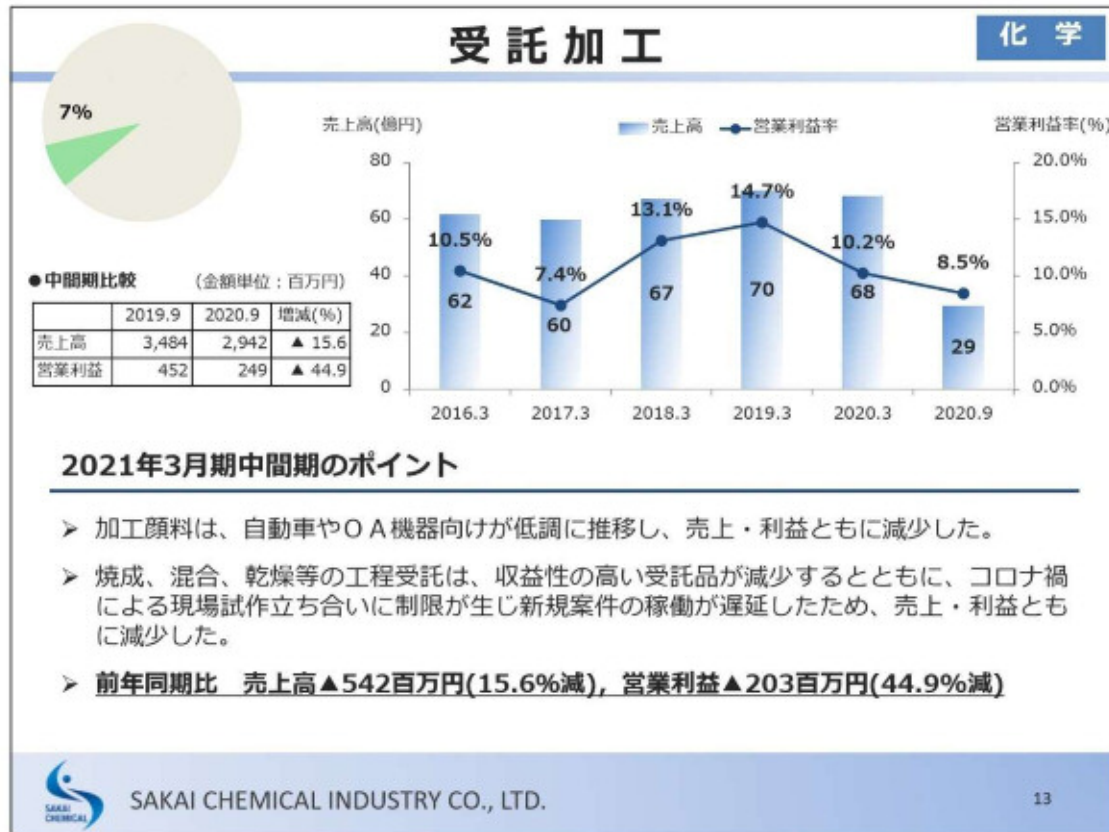


Next, let's look at catalysts.

Sales of nickel catalysts, used in the hydrogen additive process for resins and other applications, were firm for major customers.

NOx removal catalysts, used at thermal power plants and waste incineration facilities, decreased due to fewer deliveries compared to the same period of the previous fiscal year, both sales and operating income decreased..

On a YoY basis, sales decreased by JPY213 million. Operating income also decreased by JPY57 million.



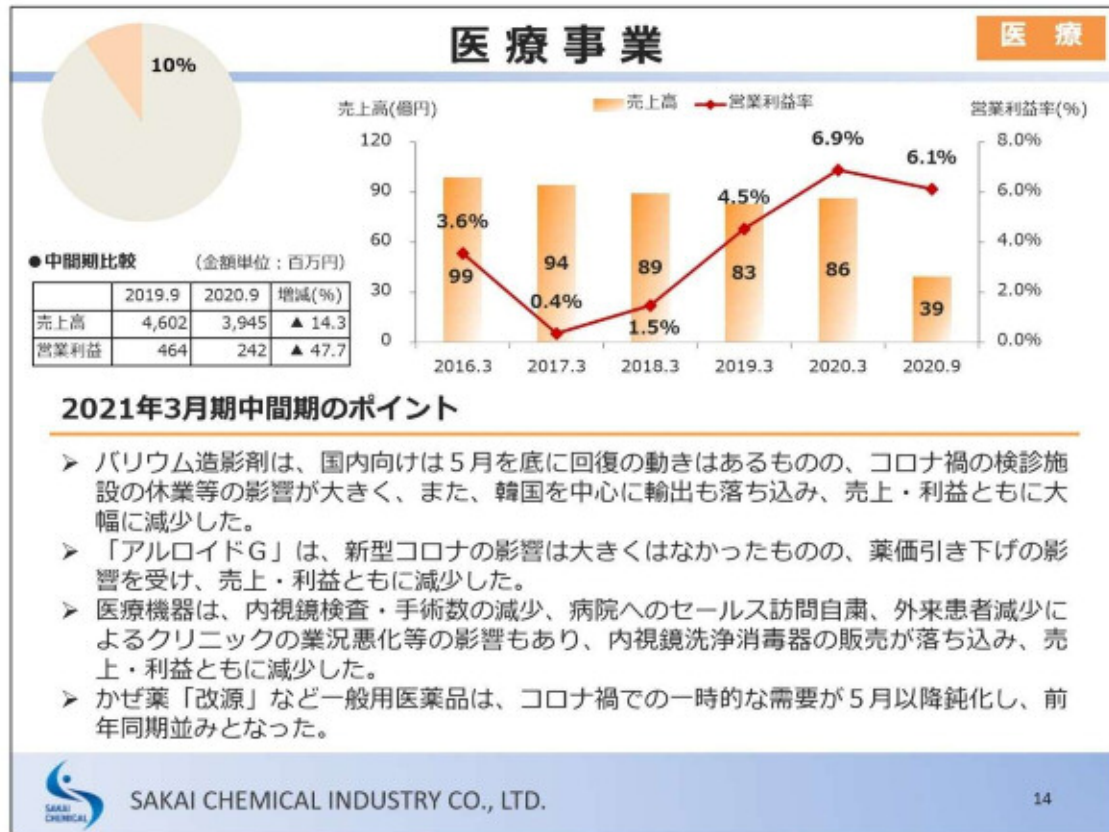
Let's look at contract manufacturing.

In processed pigments, sales and operating income decreased due to sluggish sales for automobiles and office automation equipment.

In the process of firing, mixing, drying, etc., both sales and operating income decreased due to a decreased in the number of highly profitable consigned products, as well as delays in the start-up of new projects caused by limitations on-site prototyping caused by COVID-19 crisis.

On a YoY basis, sales decreased by JPY542 million. Operating income also decreased by JPY203 million.

These are the results of the Chemicals Business.



Next, the Pharmaceuticals Business.

For barium contrast media, both sales and operating income decreased sharply due to the significant impact of the suspension of operations at medical examination facilities during the COVID-19 crisis, as well as a drop in exports, particularly to South Korea. Although, sales to the domestic market bottomed out in May.

For Alloid G, both sales and operating income declined due to the impact of drug price reductions, despite the fact that the impact of COVID-19 was not significant.

For medical equipment, both sales and operating income declined due to a decline in sales of endoscopy cleaning disintegrators, partly due to the effects of a decrease in the number of endoscopy testing and operations, self-restraint in sales visits to hospitals, and a deterioration in business conditions at clinics due to a decrease in outpatients.

Sales of over-the-counter drugs, including cold remedies such as Kaigen, remained unchanged from the same period of the previous fiscal year as the temporary demand caused by COVID-19 has slowed down from May.

On a YoY basis, sales decreased by JPY657 million. Operating income decreased by JPY221 million.

キャッシュ・フロー

金額単位：百万円

	2020.3 2Q	2021.3 2Q	増 減
期首の現金残高	11,175	9,148	▲ 2,026
税金等調整前当期純利益	1,853	1,286	▲ 567
減価償却費	1,783	2,024	240
その他	▲ 434	873	1,307
営業活動によるキャッシュ・フロー（営業CF）	3,202	4,183	980
設備の支払額	▲ 4,284	▲ 5,118	▲ 833
その他	73	236	163
投資活動によるキャッシュ・フロー（投資CF）	▲ 4,211	▲ 4,882	▲ 671
財務活動によるキャッシュ・フロー（財務CF）	600	1,836	1,235
期末の現金残高	10,741	10,248	▲ 492

◆ 営業CF

純利益は減少したものの、売掛金の減少、棚卸資産の圧縮により、増加した。

◆ 投資CF

電子材料および化粧品材料などの設備増強を行い、支出が増加した。



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Next, I will explain the cash flows.

Although Profit attributable to owners of parent decreased, cash flows from operating activities increased due to a decrease in accounts receivable and a reduction in inventories. The reduction in inventories is presented as the positive figure of JPY873 million of others.

Next, in terms of cash flows from investing activities, expenditures increased due to the expansion of facilities, such as electronic materials and cosmetics materials. The amount of expenditure for equipment was JPY5.118 billion, an increase of JPY833 million compared to the same period of the previous fiscal year.

This was compensated for by cash flow from financing activities of JPY1.836 billion, resulting in a negative cash balance of JPY492 million at the end of the fiscal year.

That is all from me.

Moderator: Thank you very much. Now, President Yabe, please.

2021年3月期業績予想

金額単位：百万円

	2020.3		2021.3					
	通期実績		上期実績		下期予想		通期予想	
		売上高比		売上高比		売上高比		売上高比
売上高	87,177	100.0%	40,244	100.0%	40,656	100.0%	80,900	100.0%
営業利益	4,015	4.6%	1,597	4.0%	▲ 197	▲ 0.5%	1,400	1.7%
経常利益	4,208	4.8%	1,219	3.0%	▲ 319	▲ 0.8%	900	1.1%
親会社株主に帰属する 当期純利益	2,535	2.9%	558	1.4%	842	2.1%	1,400	1.7%

- ◆ 化学事業は、有機化学品、衛生材料が堅調を維持し、自動車向けの製品で回復の兆しがあるものの、化粧品材料を中心に厳しい状況が続く。バリウム検診を中心に上期大きく落ち込んだ医療事業を含め、下期に全事業で2Qまでの落ち込みをカバーするのは難しい状況である。
- ◆ 下期は、棚卸資産圧縮に伴う減産により単位当たりの固定費が増加（約6億円）するとともに、減価償却費も増大（約2億円）する。
- ◆ 3Qに操業休止費用発生予定。
- ◆ 政策保有株式の売却を進める（2Qまでで11銘柄売却）。



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Yabe: I am Yabe, President.

I will explain the earnings forecast for the fiscal year ending March 2021. As Mr. Nakanishi just explained, in the first half of the year, demand for many of our products declined due to self-restraint on outings and stagnation of economic activities. As a result, in the 2Q of the fiscal year ending March 2021, sales decreased 8.5% YoY, and operating income decreased 13.6%.

As stated in the financial results summary disclosed on November 9, the forecasts for the current fiscal year are as follows. Net sales JPY80.9 billion, operating income JPY1.4 billion, ordinary income JPY900 million, and profit attributable to owners of parent JPY1.4 billion, representing substantial decreases in both sales and operating income.

In the second half of the year, in the Chemicals Business, organic chemicals and hygiene materials remained steady with virtually no impact from COVID-19 crisis, and signs of recovery in automotive-oriented products are appearing recently. However, conditions are expected to remain severe, particularly for cosmetics materials. In the Pharmaceuticals Business, which has fallen sharply in first half of the year, particularly barium examinations, we have been trying to turn around, but we believe that it will be difficult to offset the decline in the first half of the year.

We have been working to reduce inventories from the first half of the year, mainly at Sakai Chemical itself. In the second half of the year, we are working to further reduce inventories, and plan to reduce them by around JPY2 billion by the end of March compared to the previous year. Accordingly, we will reduce inventories by reducing operations, so we expect the cost to increase by about JPY600 million compared to the first half of the year based on the difference in capacity utilization. However, we intend to focus on restoring our lean constitution and prepare for a full-fledged turnaround in the future. In addition, as we have been making

strategic investments, depreciation is also expected to increase by about JPY200 million compared to the first half of the year.

Until the 2Q, we have recorded shutdown costs of JPY442 million, mainly for the titanium oxide business. Depending on sales conditions, we may suspend operations in the second half of the year as well. In addition to the reduction of inventories mentioned earlier, we have been reviewing our asset holdings as part of our efforts to ensure financial soundness, and we are proceeding with the sale of strategic stockholdings.

In this interim settlement, the amount of investment securities on the B/S has increased along with the recovery of the stock market, but we have already sold 11 issues until the 2Q. Ultimately, we will list the increase or decrease in the annual securities report, so please refer to it.



This page shows changes in the Chemicals and Pharmaceuticals Businesses. In comparison, the decline in the Chemical Business is large.

設備投資を行っている注力事業の見通し

2020年3月期中間決算説明会公表の 誘電体材料および化粧品材料の販売数量計画との差異

※数字は、2016年3月期の販売数量を
100とした場合の指数

■ 誘電体材料

青色：昨年の中間決算説明会公表時の数字
黒色：現時点の見込み数字



今期は前期より回復するものの、昨年公表
数値から約1年遅れ、5カ年計画策定時より
3年程度の遅れが生じる見込み。

■ 化粧品材料

赤色：昨年の中間決算説明会公表時の数字
黒色：現時点の見込み数字



国内外の新型コロナウイルスの感染状況によるが、
マスク着用の常態化などもあり、需要回復
に3年程度要すると予想。



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As for the dielectric materials, which are related to high-purity barium carbonate, and the cosmetics materials, we explained the enhancement of the facilities at the briefing about a year ago. Although the construction work is proceeding almost as planned, there has been a change in the sales forecast, so I will explain it.

Firstly, as for the dielectric materials on the left side, the bar graph shows the capacity of the equipment, and a line graph of the sales trend. The dotted line is the reviewed forecast. In the fiscal year ended March 2020, sales dropped due to the effects of US-China trade frictions and other factors. The index has fallen from 167 in the previous year to 152.

Sales for 5G and other applications were firm in the first half of the year, overall sales increased only slightly, we expect shipments to exceed those in the fiscal year ended March 31, 2019 in the most recent forecast. In terms of the index, last year was 152, and we expect it to recover to 179.

Based on past trends, the shipment performance of our electronic materials field was expected to lag behind by two to three quarters due to the performance of downstream companies. However, some product customers seem to be securing inventories, in November we received a forecast of a rapid recovery. Taking this into account, we now anticipate that the index will be around 179.

Nevertheless, compared to the original figure of 196, which we set out one year ago, this is still lower. Compared with the figure at the time of the formulation of the medium-term management plan, we currently forecast that the recovery will be delayed for about three years, or at least one year.

Next, in the cosmetics materials on the right side, again, the bar graph is the capacity of the equipment, and the line graph is the sales trend. As you know, sales have grown significantly in recent years for sunscreen and cosmetics. However, we believe that demand for inorganic materials will become tight due to restrictions on

organic absorbents and other factors. Accordingly, we have taken steps to expand facilities in response to requests from customers.

However, due to the spread of COVID-19, demand is currently declining due to the lockdowns abroad and self-restraint on outings, resulting in fewer occasions to use cosmetics and sunscreen products. While it depends on the impact of COVID-19 in Japan and abroad, we anticipate that it will take some time for demand to recover due to such factors, as the normalization of mask wearing, and the uncertainty of recovery in demand from inbound tourists in Japan.

設備投資・減価償却費の変更

中計5カ年の投資計画400億円のうち、戦略投資はほぼ計画どおり進めているが、一部設備の納期後ろ倒しや計画延期など、次のとおり見直す予定である。


■ 2020年5月 本決算説明会公表数値 金額単位：百万円

	2020.3	2021.3	2022.3	2023.3	2024.3
設備投資	▲8,403	▲11,700	▲6,000	▲5,000	▲4,000
減価償却	3,686	4,200	5,000	5,200	5,400

↓

■ 2020年11月 変更数値 金額単位：百万円

	2020.3	2021.3	2022.3	2023.3	2024.3
設備投資	▲8,403	▲10,000	▲5,000	▲4,000	▲3,500
減価償却	3,686	4,200	4,800	4,900	5,000



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At the financial results briefing held in May this year, we disclosed forecasts for capital investment and depreciation. However, we anticipate a change, as shown, due to the postponement of delivery dates for some facilities and revision of plans. The upper table is the last announcement. The total capital investment is expected to be lower by about JPY4 billion for five years compared with the initial forecast.

株主還元

■ 総還元性向推移



剰余金の配当につきまして当社は、株主の皆様への安定した利益還元を経営の最重要課題のひとつと位置づけたうえで、財務体質の強化と積極的な事業展開に必要な内部留保の充実を図るとともに利益動向や経営環境を勘案し、年2回の配当を実施することを基本方針としています。

中期経営計画『SAKAI INNOVATION 2023』では、総還元性向30%以上を目標として取り組んでいます。

2021年3月期については、中間15円、期末15円の年間30円で実施する予定です。



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Next, with regard to return to shareholders, our medium-term management plan targets a total return ratio of 30% or more. For the year ending March 2021, we're extremely sorry, but we will reduce the distribution. We plan to pay JPY30 per year, with interim dividend of JPY15 and year-end dividend of JPY15.

Finally, we see still no signs of the end of the COVID-19 pandemic and anticipate uncertainty over the future to continue for some time. However, in the era of with COVID-19, and after COVID-19, and when people are keenly aware of ESG, such as coexistence with the global environment, we are now working diligently to provide a number of highly functional materials that meet the needs of society. Although the scale of our sales is by no means large, we would like to make it the foundation for our next growth. We look forward to your continued support.

Thank you for your attention.

Question & Answer

Moderator: Thank you very much. Now, we will move on to the question and answer session.

Questioner 1: Thank you in advance. I would like to ask two questions.

First, I would like to ask about the performance outlook of the second half of the year on page 17.

I'd like to ask why you forecast a deficit of JPY200 million in the second half of the year. You said that you will reduce inventories in the second half of the year. Please tell us what kind of inventory will be reduced.

Furthermore, I think the shutdown costs will amount to about JPY400 million in the second half of the year.

Let's confirm whether this is already factored in the current earnings forecast.

Yabe: The adjustments of operations are mainly for the titanium oxide and the barium product at the Onahama Manufacturing Site.

Questioner 1: Can I understand that those are already included in the earnings forecast?

Yabe: Yes. Fixed costs due to operating adjustments will be about JPY600 million. This has already been included.

Questioner 1: JPY600 million in the second half of the year?

Yabe: Yes. In the first half of the year, those costs were JPY450 million.

Questioner 1: You will post those costs of JPY600 million in the second half of the year. Does it mean that those costs will be a factor in raising operating income?

Yabe: For the second half of the year, those costs are factored in operating income. In the first half of the year, those are included in non-operating expenses.

Questioner 1: Do you mean that for the second half of the year the JPY600 million is included in operating income?

Yabe: Yes.

Questioner 1: Understood. The reduction in inventory will be implemented for titanium oxide and barium products?

Yabe: Yes.

Questioner 1: Understood. Based on this, operating income in the first half of the year was JPY1.6 billion, and you forecast an operating loss of JPY200 million in the second half of the year, a decrease of JPY1.8 billion. Does it consist of an increase of JPY600 million in fixed costs, resulting from a reduction in inventories, the shutdown costs of JPY600 million, and an increase of depreciation expenses of JPY200 million?

Yabe: To reorganize again, in the first half of the year, shutdown costs of JPY450 million have incurred, which we included in non-operating expenses. In the second half of the year, the fixed costs are expected to rise by about JPY600 million because of the shutdown, which are included in operating income. So, there is already a difference of JPY1.05 billion. In addition, the amount of depreciation of JPY200 million is added for the first to second half.

In addition, the performance of KATAYAMA SEIYAKUSYO CO., LTD., an affiliated company that manufactures pharmaceutical intermediates, is biased toward the first half of the year, and there is a difference of about

JPY250 million. We also expect that in the second half of the year the result of KAIGEN PHARMA CO., LTD. will be worse than in first half of the year by more than JPY100 million.

Questioner 1: Understood. I think the shutdown costs will be probably JPY600 million. On the other hand, there may be products that grow, such as the high-purity barium carbonate. Even if you think about such benefits, do you think that the deficit in the second half of the year is realistic?

Yabe: Yes. Sales of high-purity barium carbonate is better compared with that when we disclosed the the financial results summary in November. However, sales of cosmetic materials are slightly below our expectations at the time. We currently think that those will be almost offset.

Questioner 1: So, is the deficit realistic?

Yabe: There are some products that have been recovered than our initial forecast. Depending on how far those products will recover, the suspension of operations will also be impacted, so it is difficult to say clearly now.

Questioner 1: Understood. The second question is about the dielectric materials on page 19. As just described here, the index was 152 last year and 179 this year. Other than this, regarding dielectric itself and other things, please let me know the results in the first half of the year and the forecast for the full year and the next year onwards.

Yabe: In the fiscal year ended March 2019, total sales were about JPY9.0 billion, and around JPY8.5 billion in the last fiscal year. This fiscal year, sales will be about JPY9.2 billion to JPY9.3 billion.

Questioner 1: I think they grow by about 7% to 8% YoY. If that happens, are sales of the dielectric itself and others expected to decrease YoY this year?

Yabe: We thought so, but as they are recovering a little, I think it will be about the same.

Questioner 1: I see. Also, how do you expect for the next fiscal year onwards?

Yabe: From the next fiscal year onwards, if the last fiscal year is set at 100, we expect it to be around 120 as a whole.

Questioner 1: If so, as I think the dielectric materials will probably grow by about 20%, do you mean the dielectric itself or others will also grow by about 20%?

Yabe: Yes.

Questioner 1: Understood. Finally, in regard to the dielectric materials, while you originally forecast it at 268 in the next fiscal year, you revised it to 217. The gap will be larger in the next fiscal year than in the current fiscal year. Is there any factor other than delays?

Yabe: We currently analyze that there were overlaps at our customers. Many companies are in the same market, and we make deals with many customers. We have been receiving forecasts from those companies. I think that there has been some overlaps.

Questioner 1: Can I understand that the figure of 217 for the next fiscal year includes forecasts from customers?

Yabe: Yes.

Questioner 1: Understood. Thank you very much.

Moderator: Thank you. Next, please tell us your questions.

Questioner 2: Just one question. You said that there is usually a delay from downstream recovery by about two to three quarters, however demand has been recovering suddenly since around November. Do you recognize that your business is recovering ahead of the downstream recovery this time? I assume that stock at customers is a factor. Could you tell us how you perceive the differences from the past?

Yabe: This is the first time we experience such a big shock, so it's quite difficult to guess, I imagine that customers might have reduced their inventory considerably. As the market recovered, we guess customers began to secure inventories, and the demand is recovering.

Questioner 2: Is it related to the fact that the productions at customers have stopped due to lockdowns?

Yabe: We haven't heard of such lockdowns from our direct customers, so I think this is not the case.

Questioner 2: Under similar circumstances, what is the case for dielectrics now?

Yabe: Dielectrics also have been considerably sluggish for automotive-related use, but they are slightly recovering.

Questioner 2: Is the movement not so sharp as that for the dielectric materials in the beginning of this autumn?

Yabe: No, not so much.

Questioner 2: When did the recovery of the dielectrics begin?

Yabe: It was really in these days for us.

Questioner 2: Around October and November?

Yabe: Yes.

Questioner 2: Yes. Understood. Thank you very much.

Moderator: Thank you very much. I will now read out the questions we received in the Q&A. If forecasts are correct regarding the production capacity of cosmetic materials, a large gap between supply and demand is likely to occur. I believe that this will lead to the fear of price collapse. What is your view on the future supply and demand? Don't you think that you should further adjust your capital investment plan?

Yabe: We process surface in a way that is suitable for a variety of customers. So, I think that even if there is a drop in demand and extra supply, it cannot be easily replaced. However, it is becoming increasingly difficult to determine whether the new and expanded facilities will move properly. Therefore, we are currently considering the best way to conduct operations in the future.

Moderator: Thank you very much. We responded to the questions written earlier. Do you have any questions?

Yabe: Regarding about the gap of the graph, I think that one thing is that customers had seen larger growth in automobiles. However, it has not grown so much so far. In the future, we expect demand for automobiles to increase considerably due to EV and automated driving.

Moderator: Now that there seems to be no other questions, we will close this question and answer session.

We will conclude the briefing on the interim financial results of Sakai Chemical Industry Co., Ltd.
Thank you very much for joining us today.

Yabe: Thank you very much.

Moderator: Thank you.

[END]

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