



堺化学工業株式会社

**Full Year Financial Results
Briefing for Fiscal Year Ending
March 2022**

May 24, 2022

Tokyo Stock Exchange, Prime Market Securities Code: 4078

Contents

- 1. Final Report on the Yumoto Factory Explosion
Accident and Future Response** **P. 3**
- 2. State of progress on the medium-term management plan** **P. 5**
- 3. FY 2022 financial results summary and details** **P. 14**
- 4. Forecast for FY 2023** **P. 27**
- 5. Shareholder returns** **P. 32**
- 6. Sustainability activities** **P. 34**

1. Final Report on the Yumoto Factory Explosion and Fire Accident and Future Response

Final Report on the Yumoto Factory Explosion and Fire Accident and Future Response

[Accident Overview]

1. Time and place of occurrence: May 11, 2021 / Yumoto Factory zinc dust manufacturing plant
2. Personal Injuries: One employee of a cooperating company was seriously injured and three were slightly injured (all have been discharged from the hospital)
3. Cause of accident: Lumps (deposits) of zinc dust adhering to the blades of the classification fan accidentally detached during fan startup, causing the shaft of the fan to become misaligned and eccentric, which in turn caused the shaft to come in contact with the motor, generating heat and sparks. This ignited the zinc powder in the process piping, causing a dust explosion.

(For details, please see the Accident Investigation Committee's investigation report released on January 7, 2022.)

[Impact on the Company's Business]

1. Withdrawal from the zinc powder business (Reference: Annual sales of zinc powder for FY 2021 were approximately 1.3 billion yen)
2. 294 million yen in expenses related to this accident will be recorded as an extraordinary loss for FY 2022

[Measures to Prevent Recurrence]

In addition to a thorough investigation of substances that could potentially cause similar dust explosions, we have had outside experts conduct plant inspections to identify dust explosion risks and other risks. In addition, a message from the president making a pledge for safety is delivered annually to all employees on May 11, along with a safety seminar held by outside experts. In the future, we will work to achieve safe operations not only through messages, but also through actions carried out by top management.

2. State of progress on the medium-term management plan

Progress on the Medium-term Management Plan "SAKAI INNOVATION 2023"

The Company's 5-year plan "SAKAI INNOVATION 2023" entered its third year in FY 2022.

Major progress, external environment, etc.

FY 2020
(First year)

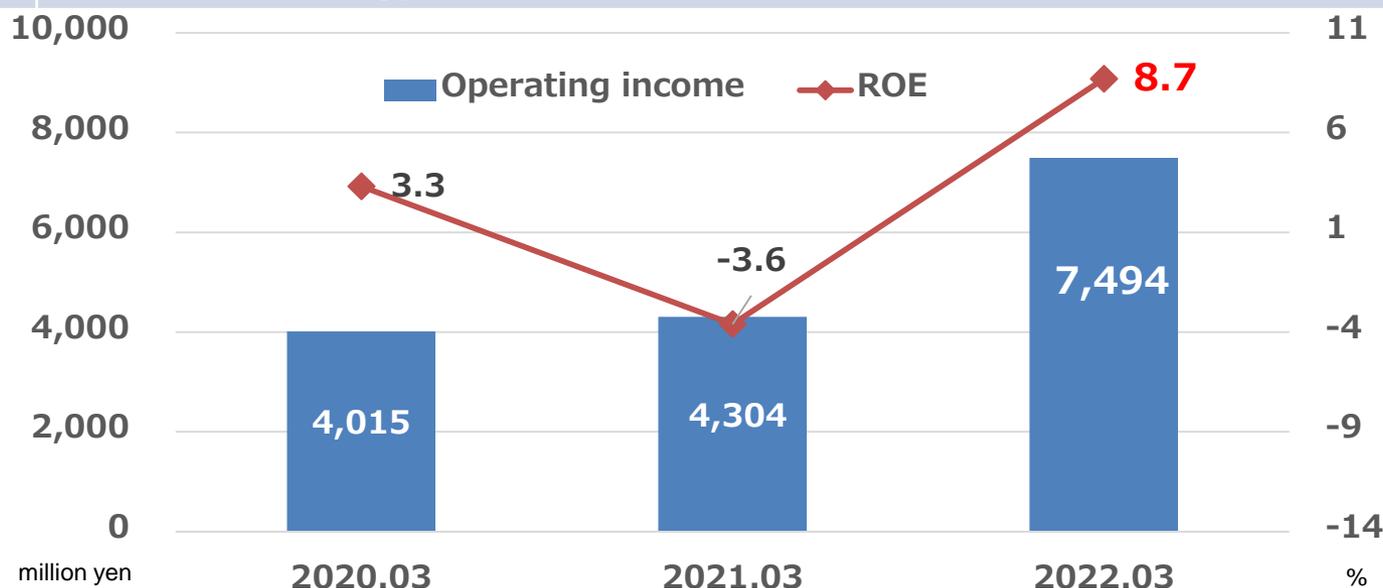
The profitability of electronic materials, an area of business we are focused on, deteriorated due to US-China trade friction.

FY 2021
(Second year)

The cosmetics materials business, an area of business we are focused on, deteriorated due to the spread of COVID-19.
At the end of the period under review, the Company wrote down approximately 7 billion yen of strategic investments made for electronic materials and cosmetic materials.

FY 2022
(Third year)

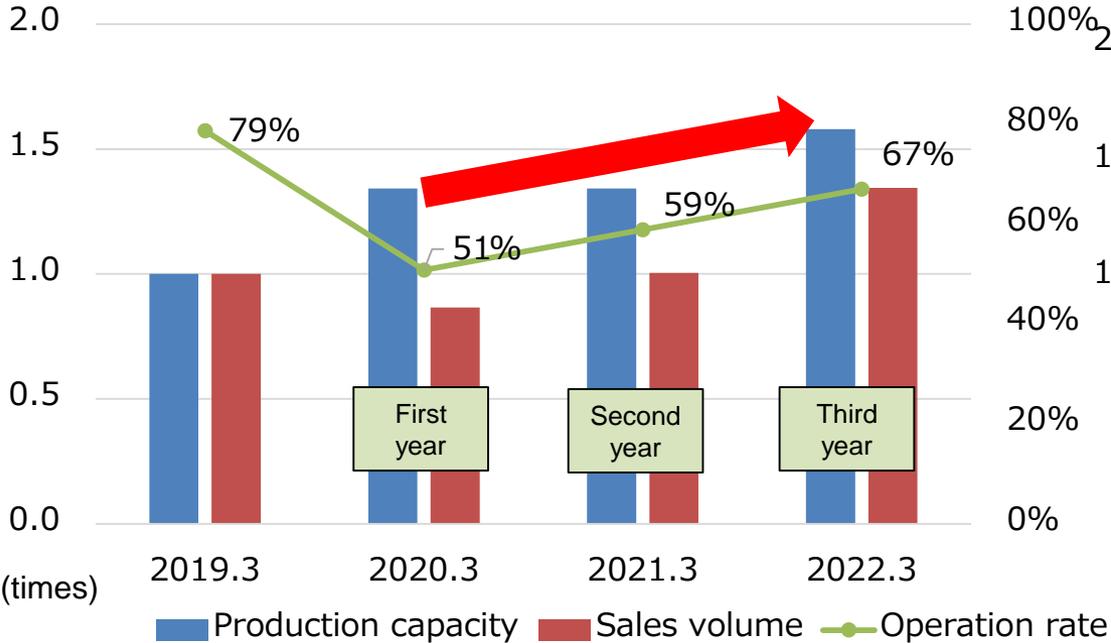
Along with the recovery of the economy, sales were strong, particularly in electronic materials, and cosmetic materials also showed a recovery starting in the second half of the fiscal year, mainly in overseas markets, which resulted in strong performance overall.



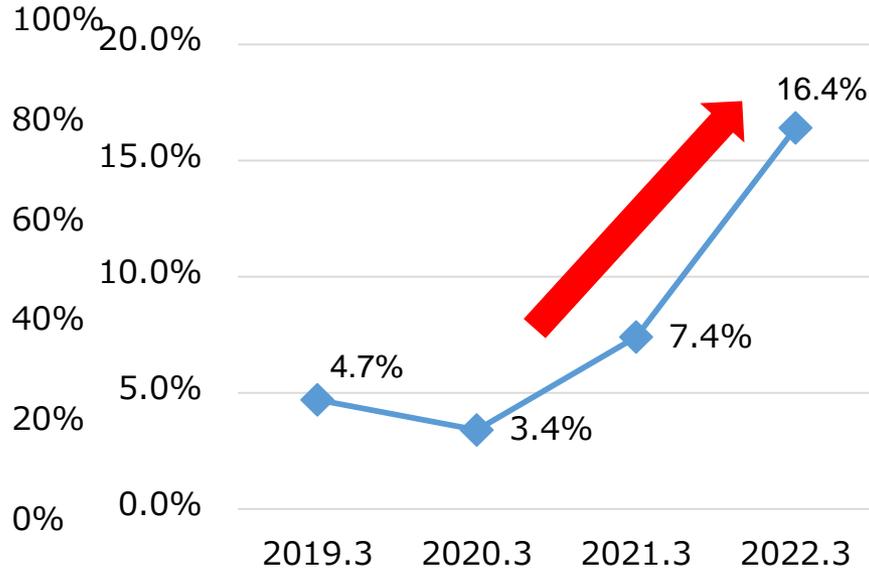
1. Electronic materials business

- During the first year, the MLCC market, which had been expected to grow, was sluggish due to US-China trade friction, but the MLCC market expanded from the second half of the second year due to the economic recovery, particularly in the automobile industry. From the third year, mass-production shipping of high-end dielectric products began, and sales and profits grew steadily.
- The expanded volume of dielectric materials have reserves of about 30% of the current production capacity.

[Changes in Dielectric Materials]



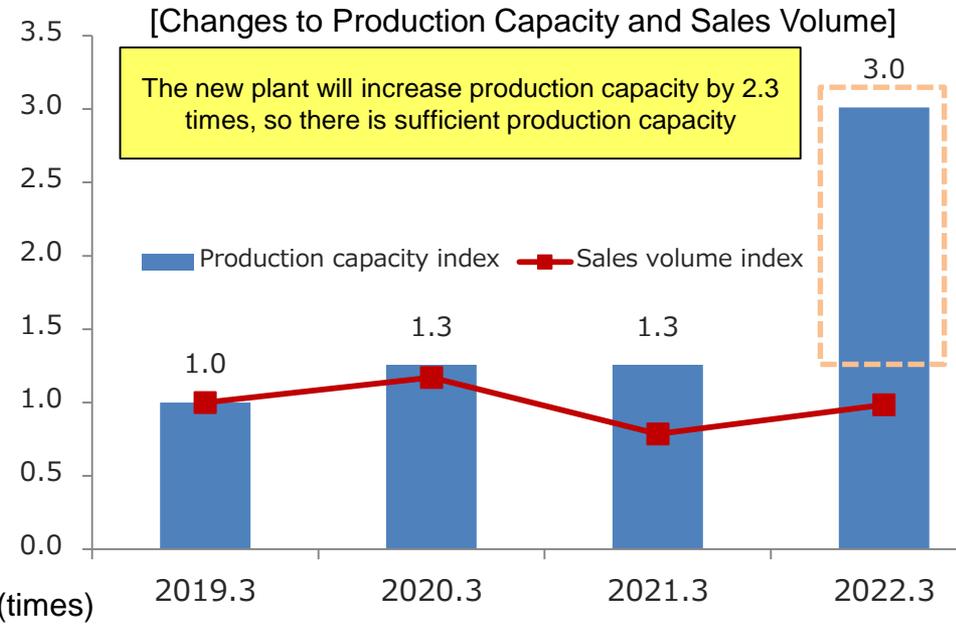
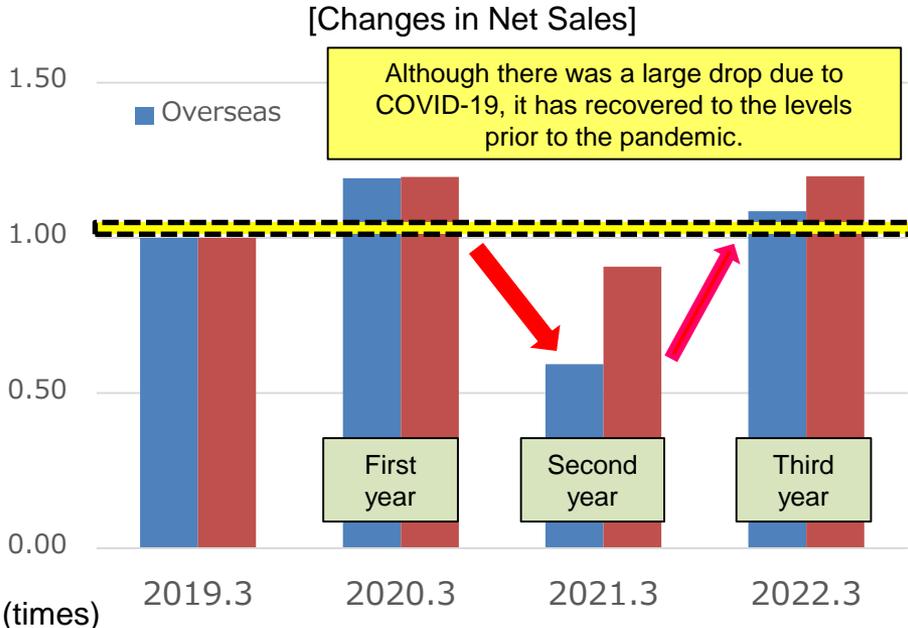
[Ratio of High-End Products Making Up Dielectric Sales]



* Sales volume and production capacity are expressed as indexes using FY 2019 as a reference.

2. Cosmetics materials (ultrafine zinc oxide, microfine titanium dioxide)

- Although the first year was strong due to increased inbound demand, the second year saw a significant drop in demand because of restrictions on movement due to the spread of COVID-19.
- In the second half of the third year, demand recovered, mainly from overseas. Sales recovered in the domestic market as well thanks to strong overseas e-commerce for cosmetics manufacturers and our sales promotions.
- We expect economic activity to recover as the situation returns to normal after the COVID-19 pandemic and an increase in demand for replacement of organic sunscreen agents, and we expect an improvement to the operating rate of our new line.



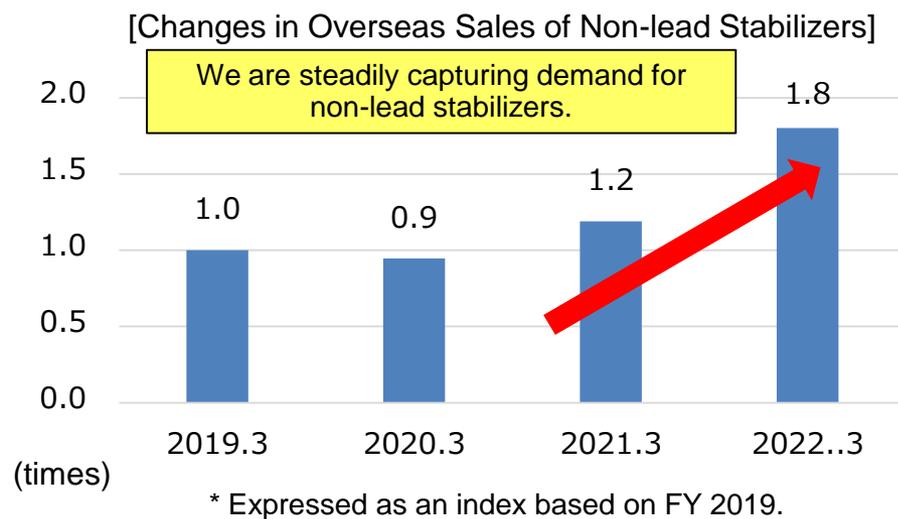
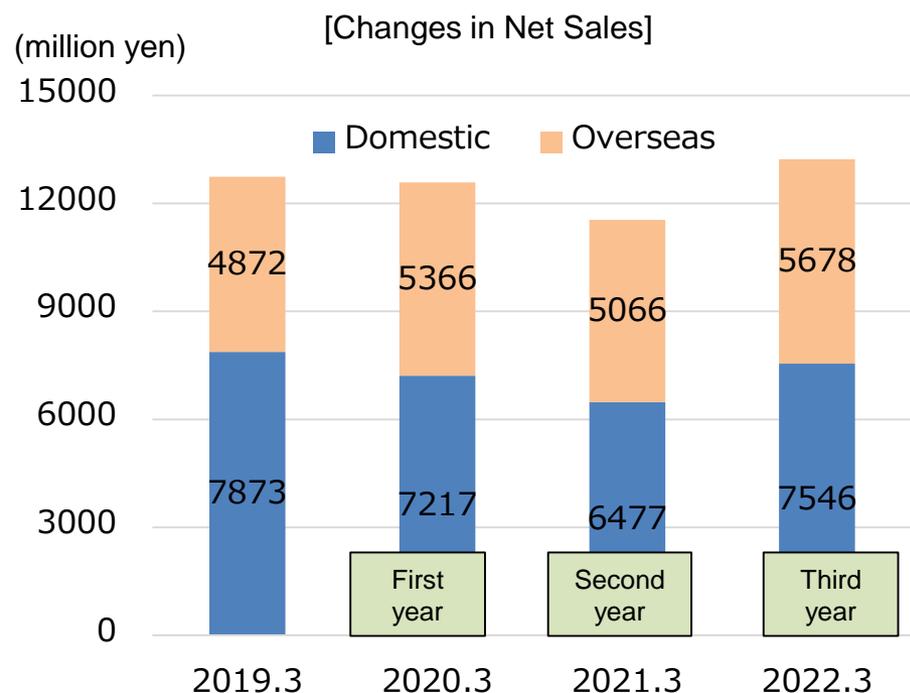
* Each of the above graphs is expressed as an index based on FY 2019.



3. Plastic additives

[Domestic] Sales dropped in the first and second years due to US-China trade friction and COVID-19, but demand recovered from the third year, FY 2022, mainly for PVC industrial plates for IT-related equipment. Measures were also taken to revise profitability, and the operating profit margin improved.

[Overseas] Sales grew steadily as the company focused on capturing demand for wire harnesses for automobiles, pipes and fittings required for maintaining irrigation facilities, and non-lead stabilizers to reduce environmental impact.



[Changes in Operating Margins]

Year	2019.3	2020.3	2021.3	2022.3
Operating Margin	1.9%	1.4%	3.4%	7.3%

The values for operating margins are from before the application of the new revenue recognition standard.

4. Catalysts (nickel catalysts, deNOx catalysts, PET polymerization catalysts, copper catalysts)

(1) Nickel catalysts

Although the start-up has been delayed due to a series of equipment troubles at some major customers, the company plans to increase both sales and profits in FY 2023 when these issues are resolved.

(2) Environmental catalysts (deNOx catalysts, PET polymerization catalysts, copper catalysts)

1) DeNOx catalysts: The domestic market is saturated, so the company is focusing on acquiring overseas projects.

2) PET polymerization catalysts: De-antimony is not widely used in the industry and is struggling.

=> We will continue to improve performance by improving polymerization speed and color.

3) Copper catalysts: Evaluation by overseas target customers has been delayed by the effects of the COVID-19 pandemic.

=> We expect to find out the evaluation results for submitted prototypes during FY 2023.

5. Highly refractive materials

- US-China trade friction caused delays in the mass production of refractive index adjustment materials for electronic material equipment.

- After that, a major mass production project that had been anticipated was abandoned, and our plans were revised.

=> We are currently conducting sample work in search of a target where we can gain a competitive edge in terms of product quality.

6. Medical business

[Existing businesses]: The situation is difficult due to the spread of COVID-19.

Summary	Adverse external factors	Countermeasures
(1) Barium contrast media	The number of group medical examinations decreased due to the COVID-19 pandemic	Maintain business scale by responding to the needs of institutions performing medical checkups and expanding sales to South Korea and Taiwan
(2) Alloid G	Devaluation of NHI drug prices	Maintaining sales due to strong demand
(3) Medical devices	Sales activities aimed at medical institutions were restricted due to COVID-19	Maintain and improve the number of new contracts through campaigns and expand sales of maintenance products
(4) Over-the-counter pharmaceuticals	Decrease in cold patients due to COVID-19	Reorganize sales channels and product lineups to improve revenue

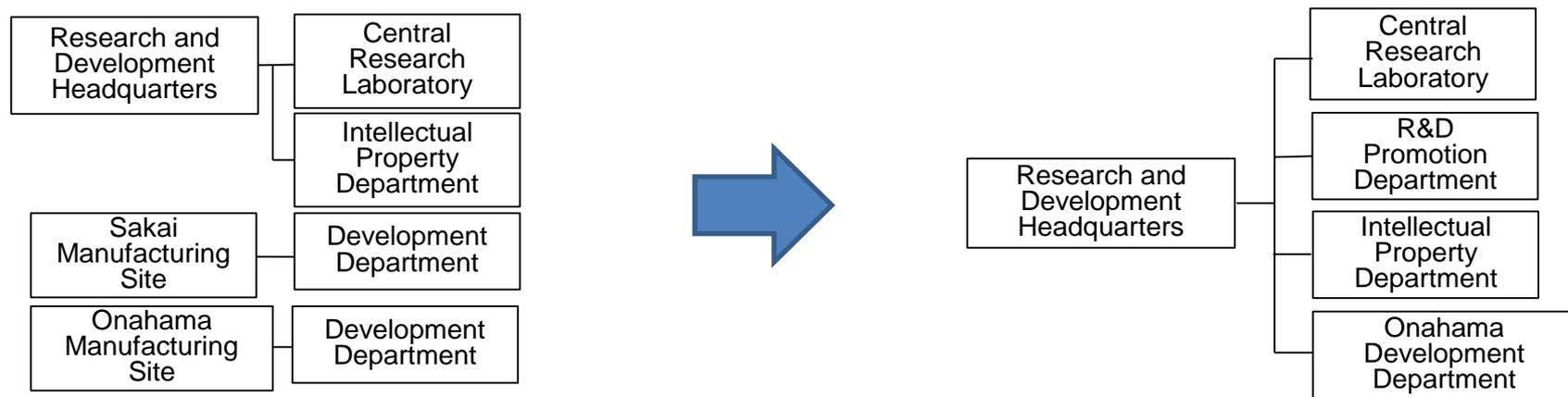
[New businesses]: Aim for recovery through the following initiatives.

Summary	Current focus
(1) New medical devices	Expand sales of new submucosal injection materials for endoscopic surgery and puncture needles for injection materials. Obtain approval and launch sales of submucosal injection materials in Thailand.
(2) Products for cosmetic medical institutions	Introduce "SolPro," a supplement for UV protection, and "Applaura," a body odor prevention supplement, to the market.
(3) Collaborations with start-up companies	Develop various cancer screenings using blood and saliva, and diagnostic support AI for medical images such as chest X-rays and digestive organ endoscopes, etc.

7. Review of R&D structure

We consolidated the development divisions, which had been dispersed throughout the Central Research Laboratory and each plant at each business site, into a single organization as the Research and Development Headquarters to enable the necessary resources to be allocated to each developed or improved product at the necessary time to bring it to market. This will allow us to **accelerate the development process and focus more on the launch of new products**. In addition, we will continue to focus on research themes (*) that align with the Sustainable Development Goals (SDGs) 7 "Affordable and Clean Energy" and 9 "Industry, innovation and infrastructure".

[Organization Chart and Visualization of Changes]



* In particular, we are focusing on the development of the following materials that will contribute to the realization of a carbon-free society

- (1) New catalysts for methanation and ammonia synthesis
- (2) Materials for secondary batteries

3. FY 2022 financial results summary and details

Summary of Results for FY 2022 (compared to the same period of the previous year)

(Monetary unit: million yen)

	2021.3		2022.3		Increase/decrease	
		Net Sales Ratio		Net Sales Ratio		
Net Sales	84,918	—	80,135	—	▲ 4,782	-5.6%
Operating Income	4,304	5.1%	7,494	9.4%	3,190	74.1%
Ordinary Income	4,012	4.7%	8,840	11.0%	4,827	120.3%
Profit (loss) attributable to owners of parent	▲ 2,803	-3.3%	6,747	8.4%	9,550	—

- ◆ **Net sales:** Although revenue decreased due to the application of the new revenue recognition standard, each of our businesses, particularly electronic materials, performed well.
(Reference: Net sales for the period, before application of the new revenue recognition standard: 96,451 million yen)
- ◆ **Operating income:** In addition to strong sales, profit corrections for general-purpose products in electronic materials and plastic additives contributed to an increase in profit.
- ◆ **Net income:** Despite posting an extraordinary loss of 249 million yen due to the explosion and fire accident at the Yumoto Plant, the Company recorded a gain from the sale of cross-shareholdings of 1,533 million yen, and there was significant improvement from the previous term's deficit due to impairment.

Net sales and operating income by business

(Units: million yen)

		2021.3	2022.3	Increase/decrease	
Chemical Business	Net Sales	76,821	72,243	▲ 4,578	-6.0%
	Operating Income	5,731	9,190	3,459	60.4%
Medical Business	Net Sales	8,096	7,892	▲ 204	-2.5%
	Operating Income	452	418	▲ 34	-7.5%
Company-wide Expenses	Net Sales	—	—	—	—
	Head Office Expens	▲ 1,880	▲ 2,114	—	—
Total	Net Sales	84,918	80,135	▲ 4,783	-5.6%
	Operating Income	4,304	7,494	3,190	74.1%

◆ Chemical business: Although revenue declined due to the application of the new revenue recognition standard, each business, particularly electronic materials, performed well.

(Reference: Net sales for the period, before application of the new revenue recognition standard: 88,497 million yen)

◆ Medical Business: Sales and income decreased due to the impact of COVID-19 and devaluation of NHI drug prices, etc.

(Reference: Net sales for the period, before application of the new revenue recognition standard: 7,954 million yen)

Changes to the Balance Sheet

	2018.3	2019.3	2020.3	2021.3	2022.3
Current assets	61,787	61,318	58,760	60,260	65,496
Cash and deposits	14,091	11,195	9,110	11,093	10,800
(1) Inventories	17,702	20,740	23,110	20,833	23,110
Non-current assets	56,166	58,763	62,888	62,746	58,423
Property plant and equipment	39,807	44,048	49,446	48,621	48,134
Intangible assets	2,205	2,075	1,901	1,706	1,519
(2) Investments and other assets	14,154	12,640	11,541	12,418	8,769
Total assets	117,954	120,082	121,648	123,007	123,919
Current liabilities	27,978	23,994	25,438	26,178	26,771
Non-current liabilities	9,212	15,796	14,717	17,564	14,439
Total liabilities	37,190	39,790	40,156	43,742	41,211
Net assets	80,763	80,291	81,492	79,264	82,708
Liabilities and net assets	117,954	120,082	121,648	123,007	123,919
Equity-to-asset ratio (%)	66.1	64.3	64.4	61.6	63.6
(3) Interest-bearing liabilities (total)	14,576	17,528	18,156	20,438	16,958

- (1) Although efforts were made to reduce inventories to an appropriate level in FY 2021 in line with the decline in net sales, in FY 2022, sales are expected to recover in FY 2022. Along with the increase in volume, the price of raw materials rose sharply, resulting in a substantial increase.
- (2) We have been reducing our cross-shareholdings .
- (3) In addition to the recovery in business performance, there was a lull in large strategic investment, which has allowed the Company to make progress in repaying borrowings in FY 2022.

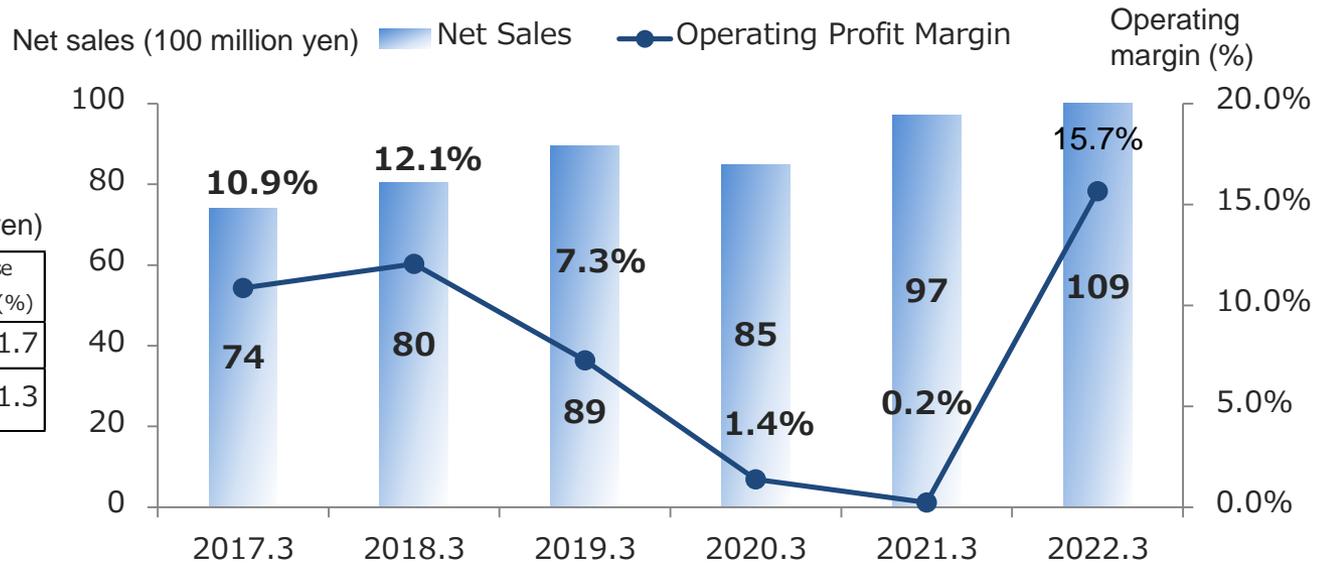
Cash Flow

	2018.3	2019.3	2020.3	2021.3	2022.3
Cash balance at start of period	14,598	13,848	11,175	9,148	11,153
Profits before tax	3,578	5,239	3,999	▲ 2,037	9,223
Depreciation	3,005	3,189	3,686	4,243	4,333
Other	▲ 2,642	▲ 5,673	▲ 1,231	5,620	▲ 6,989
Operating CF	3,941	2,755	6,454	7,826	6,567
(1) Capital investment	▲ 3,771	▲ 6,891	▲ 8,403	▲ 9,567	▲ 5,064
(2) Sale of stocks	2,101	681	411	2,412	3,591
Other	1,183	752	▲ 432	▲ 267	359
Investment CF	▲ 487	▲ 5,458	▲ 8,424	▲ 7,422	▲ 1,654
FCF (3)	3,454	▲ 2,703	▲ 1,970	404	4,913
Financial CF	▲ 4,209	64	▲ 68	1,667	▲ 5,654
Cash balance at end of period	13,848	11,175	9,148	11,153	10,549

(1) Strategic investments for growth are almost completed.

(2) We will continue to reduce our cross-shareholdings policy.

(3) FCF improved significantly due to the recovery in business performance and the completion of major investments.



● Compared with the previous year
(Amount units: million yen)

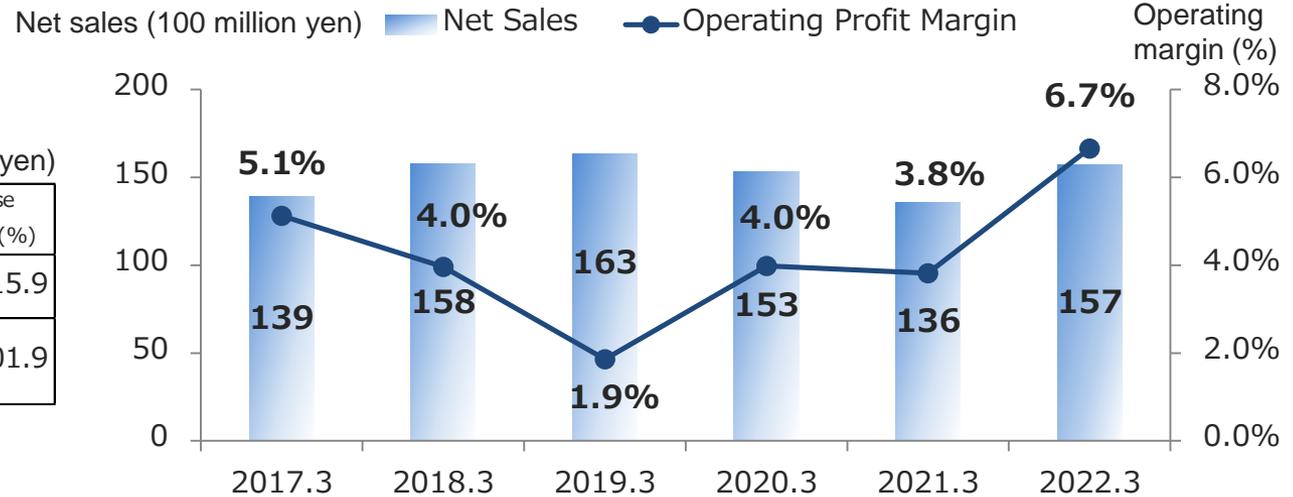
	2021.3	2022.3	Increase Decrease(%)
Net Sales	9,723	10,857	11.7
Operating Income	23	1,700	7291.3

Key Points for FY 2022 * Decrease in sales of 2,199 million yen due to the application of new revenue recognition standards

- Both dielectrics (barium titanate) and dielectric materials (high-purity barium carbonate) for laminated ceramic capacitors for use in vehicles, 5G base stations, and telecommunications equipment performed well in general, and both sales and operating profit increased.
- In dielectrics, mass-production shipments of high-end products started this term.
- In dielectric materials, profit correction was implemented for general-purpose products.
- YoY net sales +1,134 million yen (+11.7%), operating income +1,677 million yen (+73.9 times)

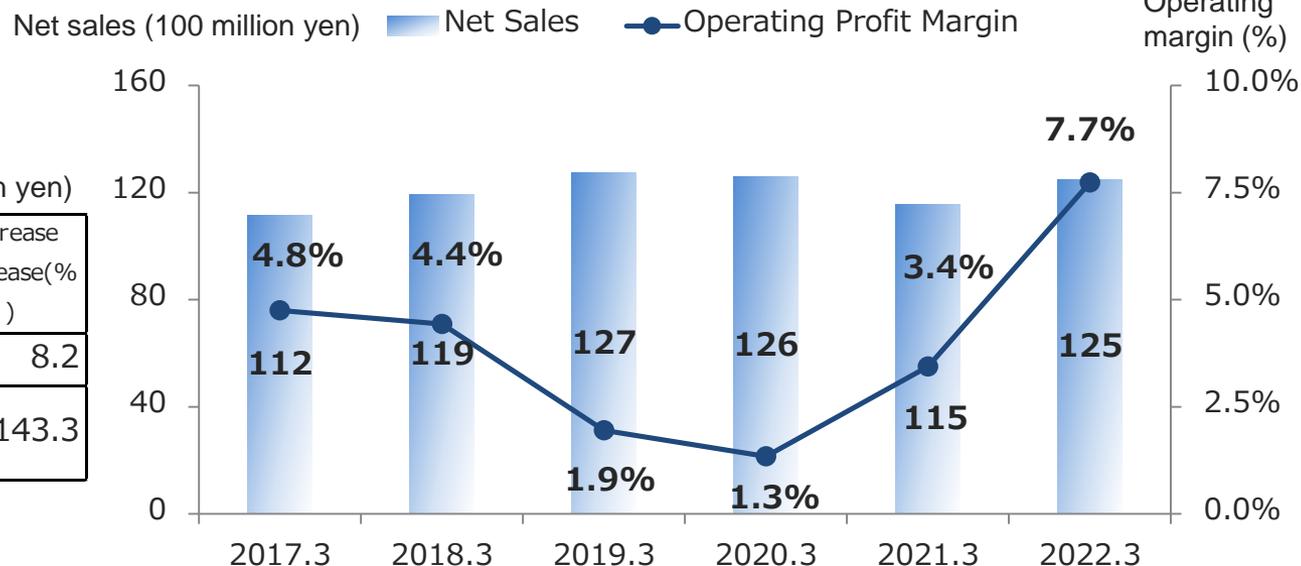
● Compared with the previous year
(Amount units: million yen)

	2021.3	2022.3	Increase Decrease(%)
Net Sales	13,563	15,718	15.9
Operating Income	518	1,046	101.9



Key Points for FY 2022 * Decrease in sales of 179 million yen due to the application of new revenue recognition standards

- In titanium dioxide, sales and income increased due to steady sales for all applications and the penetration of price revisions.
- Zinc products posted higher income due to steady sales of zinc oxide for tires and higher zinc prices. The decrease in sales due to the withdrawal from the zinc dust business was limited.
- Microfine titanium dioxide and zinc oxide for cosmetics materials recovered from the second half of the fiscal year, mainly in overseas markets, leading to an increase in both sales and income.
 - * An extraordinary loss of 249 million yen was recorded for expenses related to the explosion at the zinc dust manufacturing plant.
- YoY sales +2,155 million yen (+15.9%), operating income +528 million yen (+101.9%)



● Compared with the previous year
(Amount units: million yen)

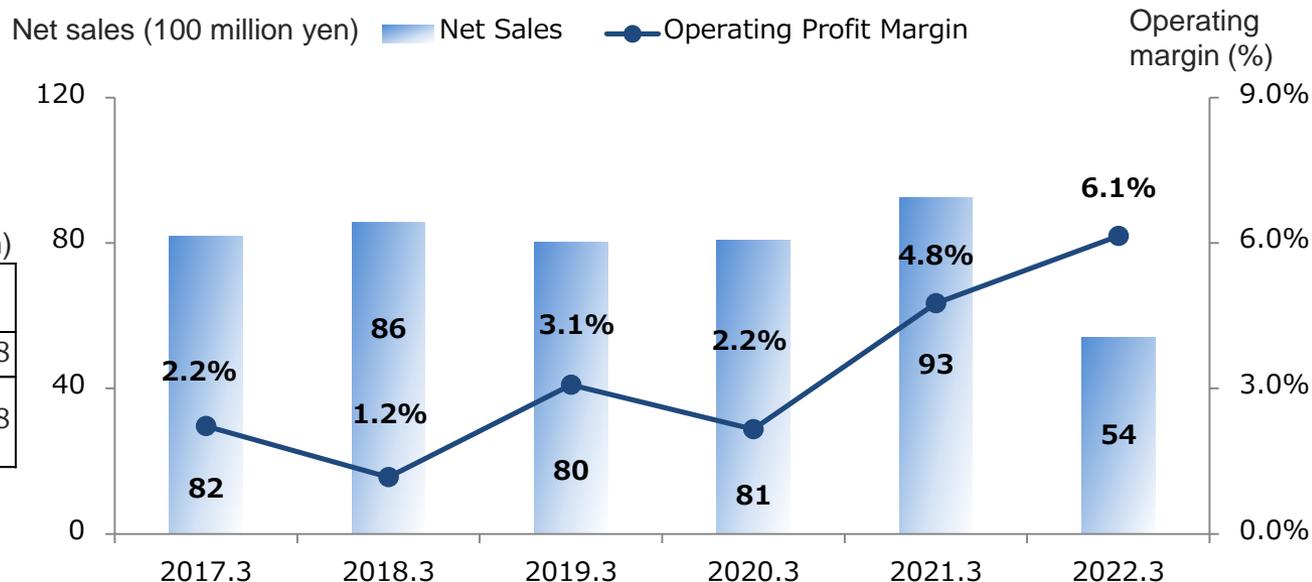
	2021.3	2022.3	Increase Decrease(%))
Net Sales	11,543	12,489	8.2
Operating Income	397	966	143.3

Key Points for FY 2022 * Decrease in sales of 735 million yen due to the application of new revenue recognition standards

- Domestic sales were generally strong for housing, automobile, IT-related equipment and industrial panels, etc., and price revisions also penetrated, resulting in higher sales and profit.
- For overseas markets, sales of PVC stabilizers for automotive applications and hydrotalcite for agricultural sheets remained strong, and with the inclusion of demand for non-lead stabilizers the result was an increase in both sales and profit.
- YoY sales +946 million yen (+8.2%), operating income +569 million yen (+143.3%)

● Compared with the previous year
(Amount units: million yen)

	2021.3	2022.3	Increase Decrease(%)
Net Sales	9,254	5,388	▲ 41.8
Operating Income	440	331	▲ 24.8

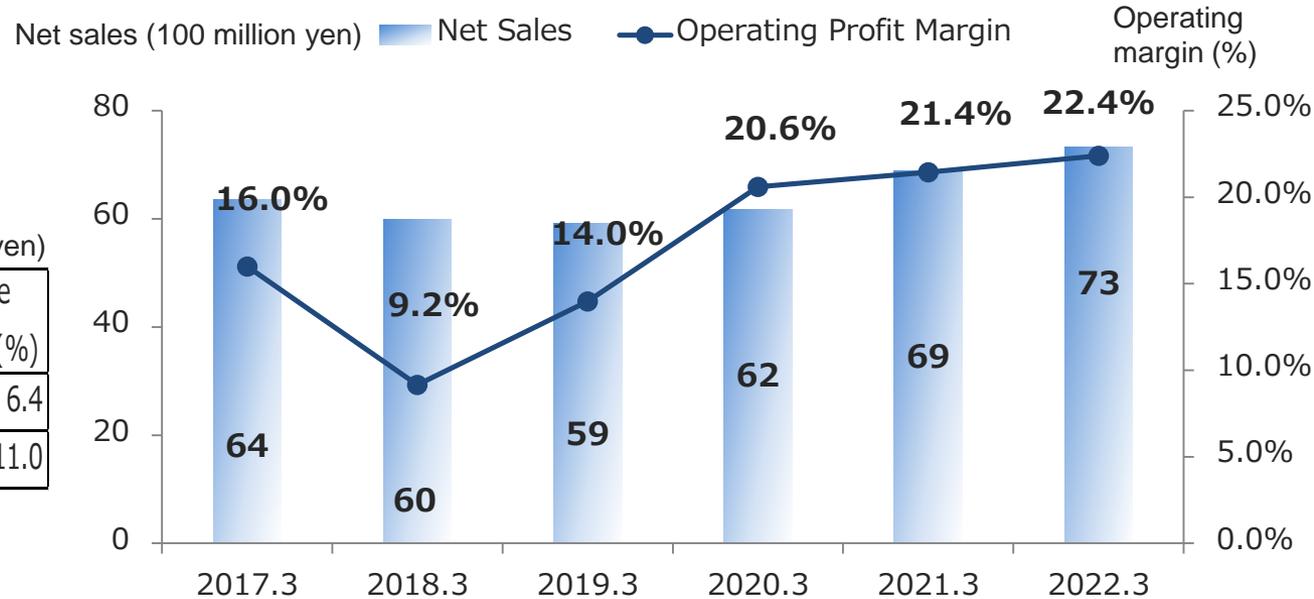


Key Points for FY 2022 * Decrease in sales of 4,361 million yen due to the application of new revenue recognition standards

- Sales decreased significantly due to the application of new revenue recognition standards.
- Although the manufacturing and sales business at the local subsidiary in Indonesia remained strong, profits decreased because there was no special demand for non-woven fabric related to the coronavirus pandemic in the current fiscal year, which there was in the same period of the previous fiscal year.
- YoY sales -3,866 million yen (-41.8%), operating income -109 million yen (-24.8%)

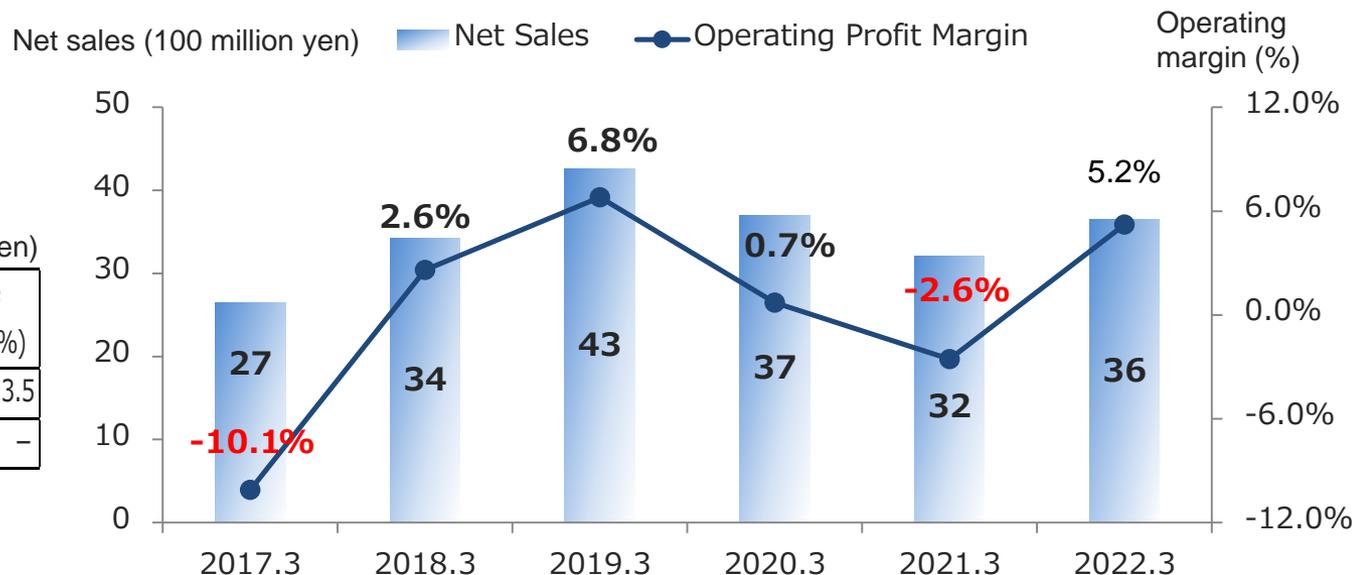
● Compared with the previous year
(Amount units: million yen)

	2021.3	2022.3	Increase decrease (%)
Net Sales	6,882	7,321	6.4
Operating Income	1,476	1,639	11.0



Key Points for FY 2022 * Decrease in sales of 93 million yen due to the application of new revenue recognition standards

- Sales and profits of thio products increased as a result of strong sales of products used in plastic lenses and phosphorus products for use as lubricant additives in the manufacture of automobiles and various parts.
- Regarding contract production of active pharmaceutical ingredients and intermediates, shipment volumes of the main intermediates increased, but in the second half of the fiscal year, sales increased while profits decreased due mainly to shipments of high-cost developed products.
- YoY sales +439 million yen (+6.4%), operating income +163 million yen (+11.0%)



● Compared with the previous year
(Amount units: million yen)

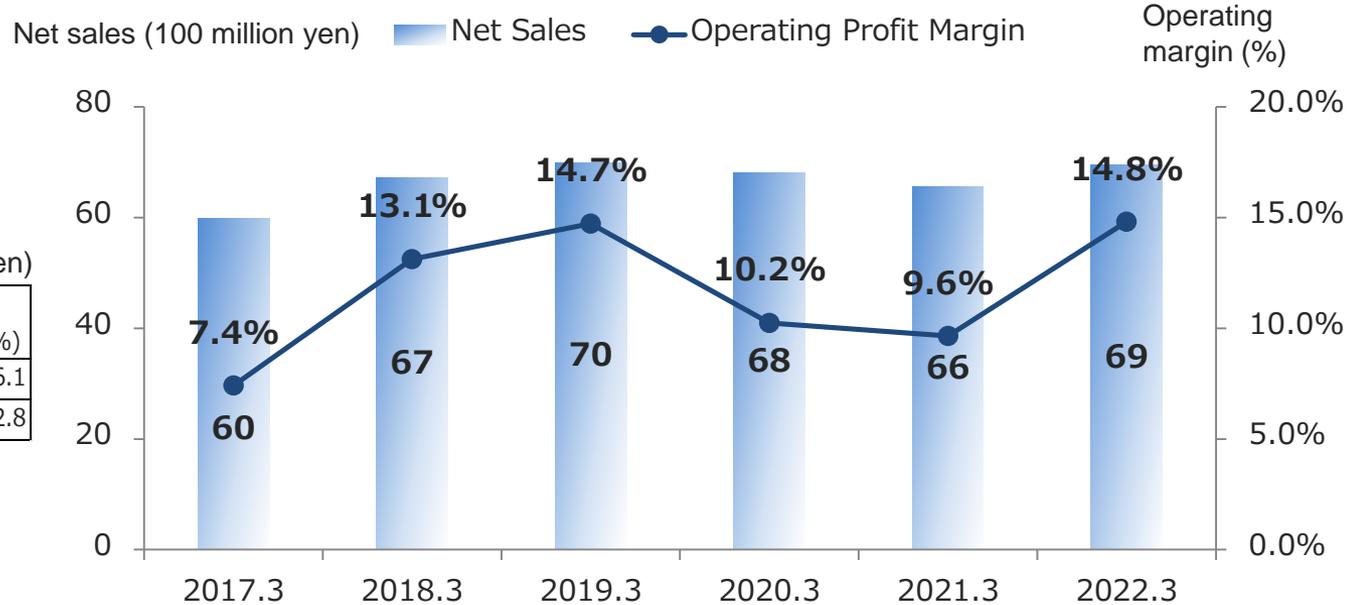
	2021.3	2022.3	Increase decrease (%)
Net Sales	3,210	3,644	13.5
Operating Income	▲ 82	190	-

Key Points for FY 2022 * Decrease in sales of 365 million yen due to the application of new revenue recognition standards

- Sales of nickel catalysts used in the hydrogenation process of resins, etc., were affected by delays in the start-up of mass production by users, but sales increased due to a sharp rise in the price of raw nickel.
- Sales and profits of deNOx catalysts used in thermal power plants and waste incineration facilities increased due to large shipments to overseas markets.
- YoY sales +434 million yen (+13.5%), operating income +272 million yen

Contract processing

Chemicals

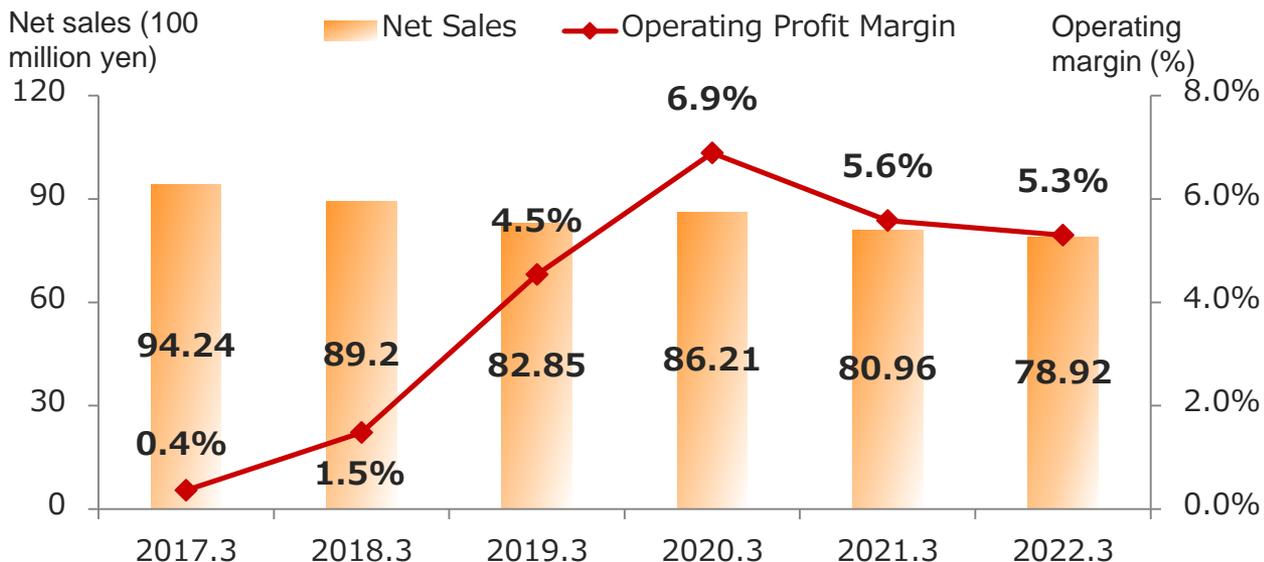


● Compared with the previous year
(Amount units: million yen)

	2021.3	2022.3	Increase decrease (%)
Net Sales	6,550	6,947	6.1
Operating Income	632	1,029	62.8

Key Points for FY 2022 * Decrease in sales of 510 million yen due to the application of new revenue recognition standards

- Sales and profits of processed pigments increased due to strong sales for use in automobiles and daily supplies.
- Sales and profits of contracted processes such as calcination, mixing, and drying increased due to an increase in highly profitable contracted products.
- YoY sales +397 million yen (+6.1%), operating income +397 million yen (62.8%)



● Compared with the previous year
(Amount units: million yen)

	2021.3	2022.3	increase/ decrease(%)
Net Sales	8096	7892	▲ 2.5
Operating Income	452	418	▲ 7.5

Key Points for FY 2022 * Decrease in sales of 38 million yen due to the application of new revenue recognition standards

- Sales of barium contrast media increased due to growth in exports, mainly to South Korea, despite the impact of the decline in medical examinations due to the COVID-19 pandemic that has been ongoing since last year.
- Although net sales and profits of Alloid G declined due to the significant impact of NHI price reductions, sales volume was maintained due to steady demand.
- Sales of medical equipment were strong as sales volume recovered thanks to successful sales promotion activities.
- Sales and profits of over-the-counter drugs, such as the cold remedy Kaigen, decreased due to weak sales as colds did not spread due to thorough measures to prevent COVID-19 infection.
- **YoY sales -204 million yen (-2.5%), operating income -34 million yen (-7.5%)**



4. Forecast for FY 2023

Forecast for FY 2023

(Monetary unit: million yen)

	2022.3		2023.3			
	Full-year Results		First-half Forecast		Full-year Forecast	
		Change From the Previous Year		Year-on-year Comparison		Change From the Previous Year
Net Sales	80,135	-5.6%	42,500	6.5%	85,000	6.1%
Operating Income	7,494	74.1%	3,700	-15.1%	7,000	-6.6%
Ordinary Income	8,840	120.3%	3,700	-19.5%	7,100	-19.7%
Profit (loss) attributable to owners of parent	6,747	—	2,600	-18.3%	5,000	-25.9%

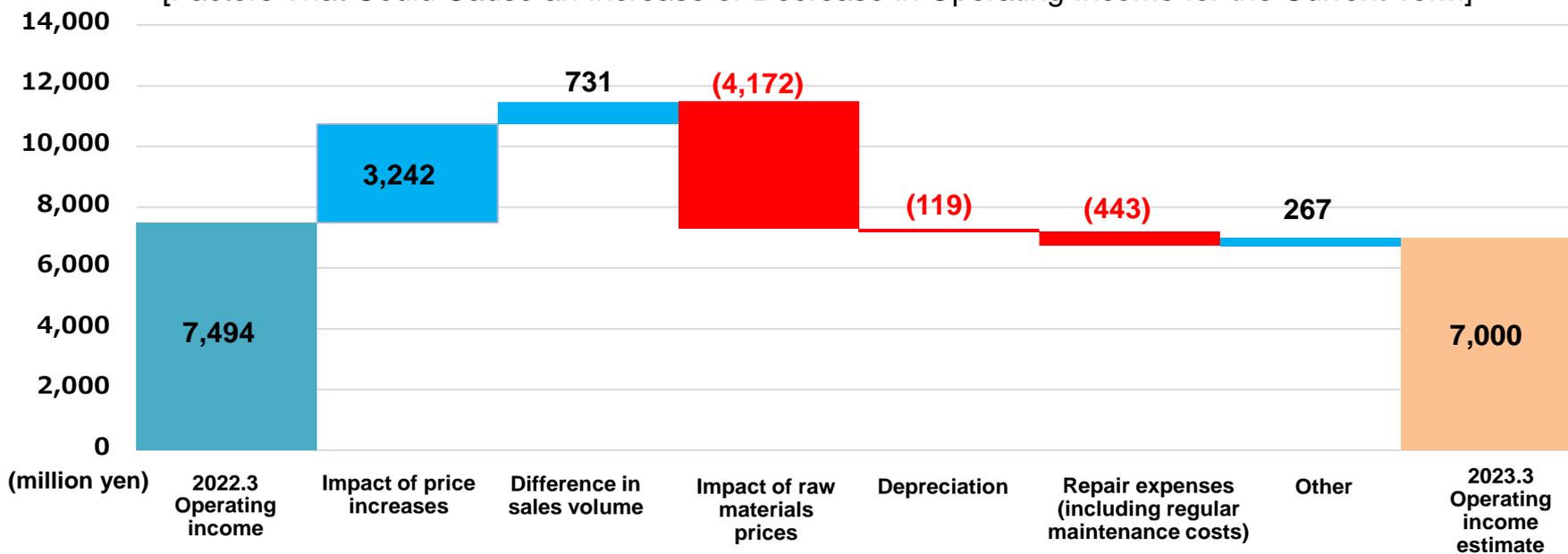
Although price revisions will be implemented, the impact of high prices for raw materials and fuel is unavoidable, and sales are expected to increase while profits decrease.

Toward the second half of the medium-term management plan

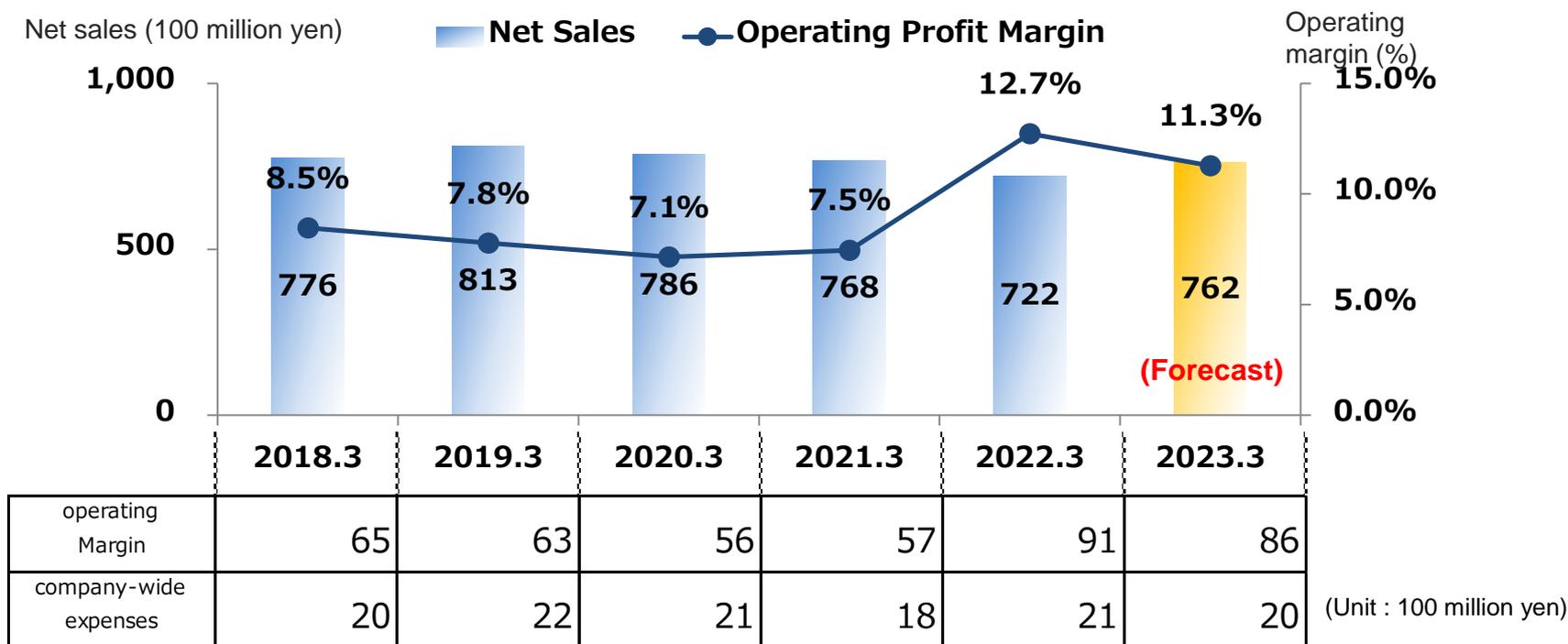
[Measures]: Use the following measures to strive to maintain business performance

- (1) **Sales: Secure revenues by implementing price revisions as necessary**
Effect of increasing sales unit prices: approximately 3,242 million yen/year
- (2) **Operations: Benefits of increasing the production of electronic materials and cosmetic materials, which are our focus areas**
Expected effect on revenue: Approximately 350 million yen/year

[Factors That Could Cause an Increase or Decrease in Operating Income for the Current Term]



- [Risks]:
- (1) Further increases in procurement costs due to high prices for raw material and fuel, caused by a worsening of the situation in Ukraine
 - (2) An overall cooling down of the economy, including electronic materials, due to a major slowdown in the Chinese economy caused by the prolonged lock-down in Shanghai, China



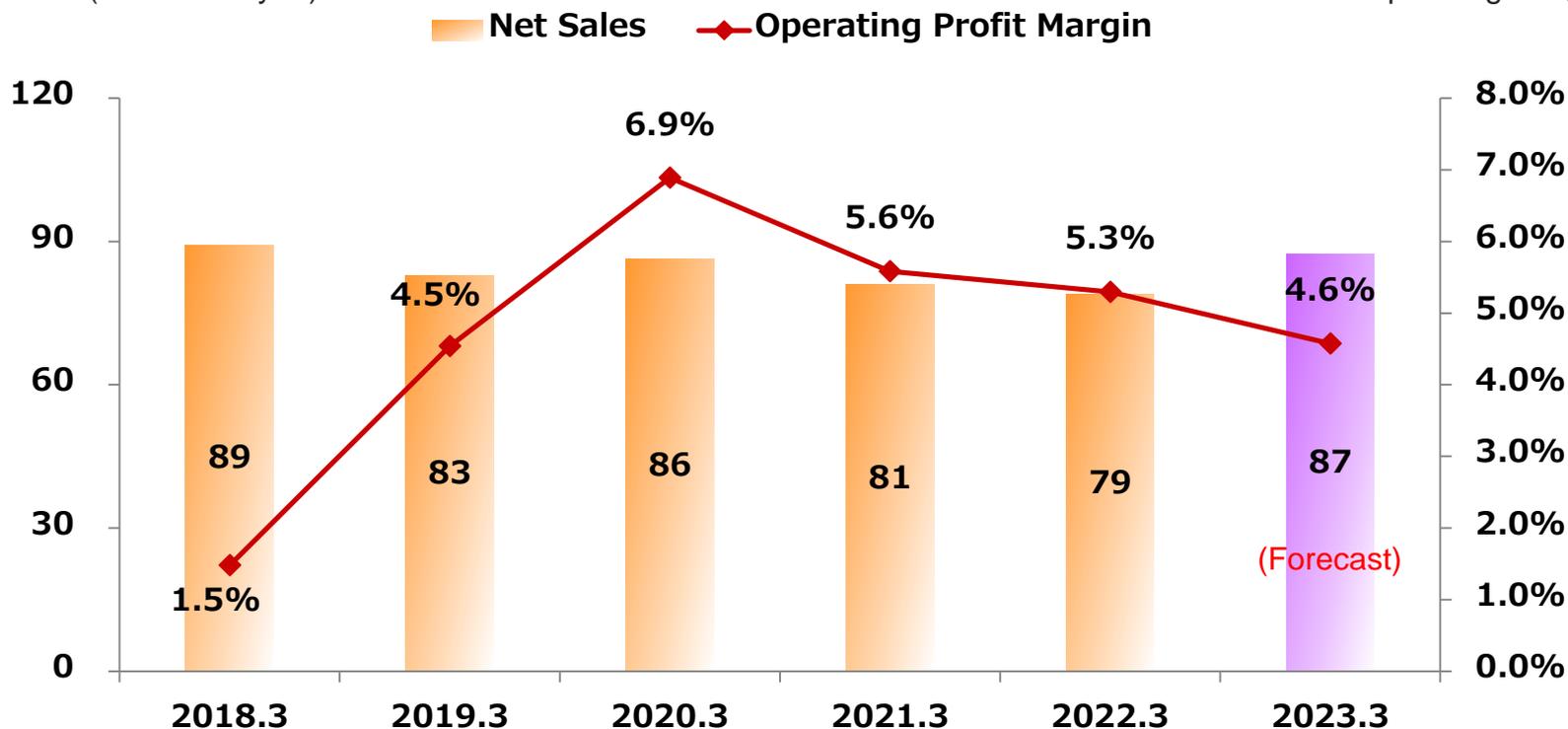
* The operating margin is the amount before removal company-wide expenses

Strong performance is expected in all businesses, including electronic materials and the cosmetics business, which has been recovering mainly in overseas markets.

Sales are expected to increase due to the effect of price revisions, but profits are expected to decrease due to the unavoidable impact of high prices for fuel and raw materials.

Net sales (100 million yen)

Operating margin (%)



We are focusing on promising new businesses, such as the medical equipment business, which is not affected by the NHI price devaluation, but it will require time, and difficult conditions are expected to continue during the current period.

Trends and forecast for capital expenditures, depreciation, and research and development expenses

	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3	2023.3
Capital Investment	4,636	3,771	6,891	8,403	9,567	5,967	4,000
Depreciation	2,877	3,005	3,189	3,686	4,243	4,331	4,500
Research and Development Expenses	2,909	3,217	2,951	2,898	2,487	2,376	2,500

Forecast

- Capital investment

In FY 2019 and FY 2020, strategic investments were made, mainly in the fields of electronic materials and cosmetics materials, resulting in a large increase.

Because the payback period begins from this fiscal year, no major investments are currently planned during FY 2023.

- Depreciation

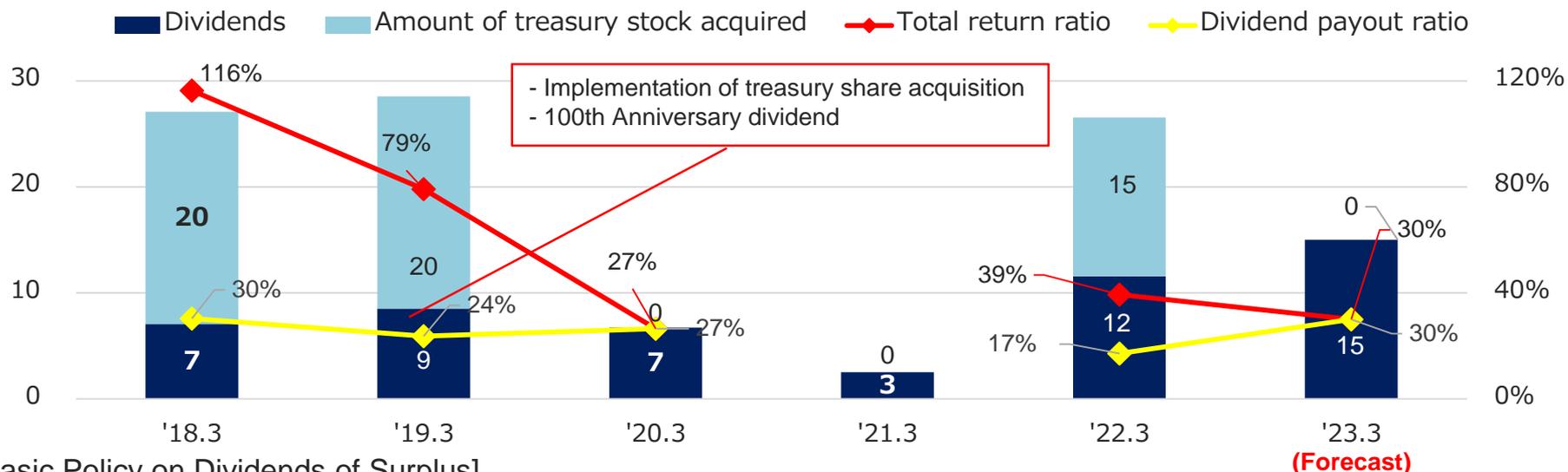
Although the company has made strategic investments as mentioned above, because of the 7,041 million yen impairment loss recorded at the end of FY 2020, the depreciation burden is not expected to increase.

5. Shareholder returns

Shareholder Return

Dividends, treasury share acquisition amounts (100 million yen)

Total return ratio (%)



[Basic Policy on Dividends of Surplus]

The Company considers the stable return of profits to shareholders to be one of our highest management priorities, and we will pay dividends twice yearly, taking into consideration profit trends and the business environment, as well as the need to strengthen our financial position and increase internal reserves for proactive business development.

About the Fiscal Year Ending March 2022

In consideration of the recovery of business performance, we will pay dividends of **35 yen per share for the interim period and 35 yen per share for the year-end period.**

Taking into account the acquisition of treasury shares associated with the sale, **the total return ratio was 39%.**

About the Fiscal Year Ending March 2023

The Company will revise its total return ratio, aiming for a dividend payout ratio of 30% or higher.

Based on the earnings forecast, the Company currently plans to pay **an interim dividend of 45 yen per share and a year-end dividend of 45 yen per share.**

6. Sustainability Activities

- Received a Gold rating for two consecutive years following FY 2021

Evaluation subjects: Sakai Manufacturing Site & Onahama Manufacturing Site



- What is EcoVadis?

With the goal of improving corporate environmental and social practices, EcoVadis conducts surveys and evaluations covering four aspects: environment, labor and human rights, ethics, and sustainable procurement of materials, and is currently evaluating more than 90,000 companies around the world.

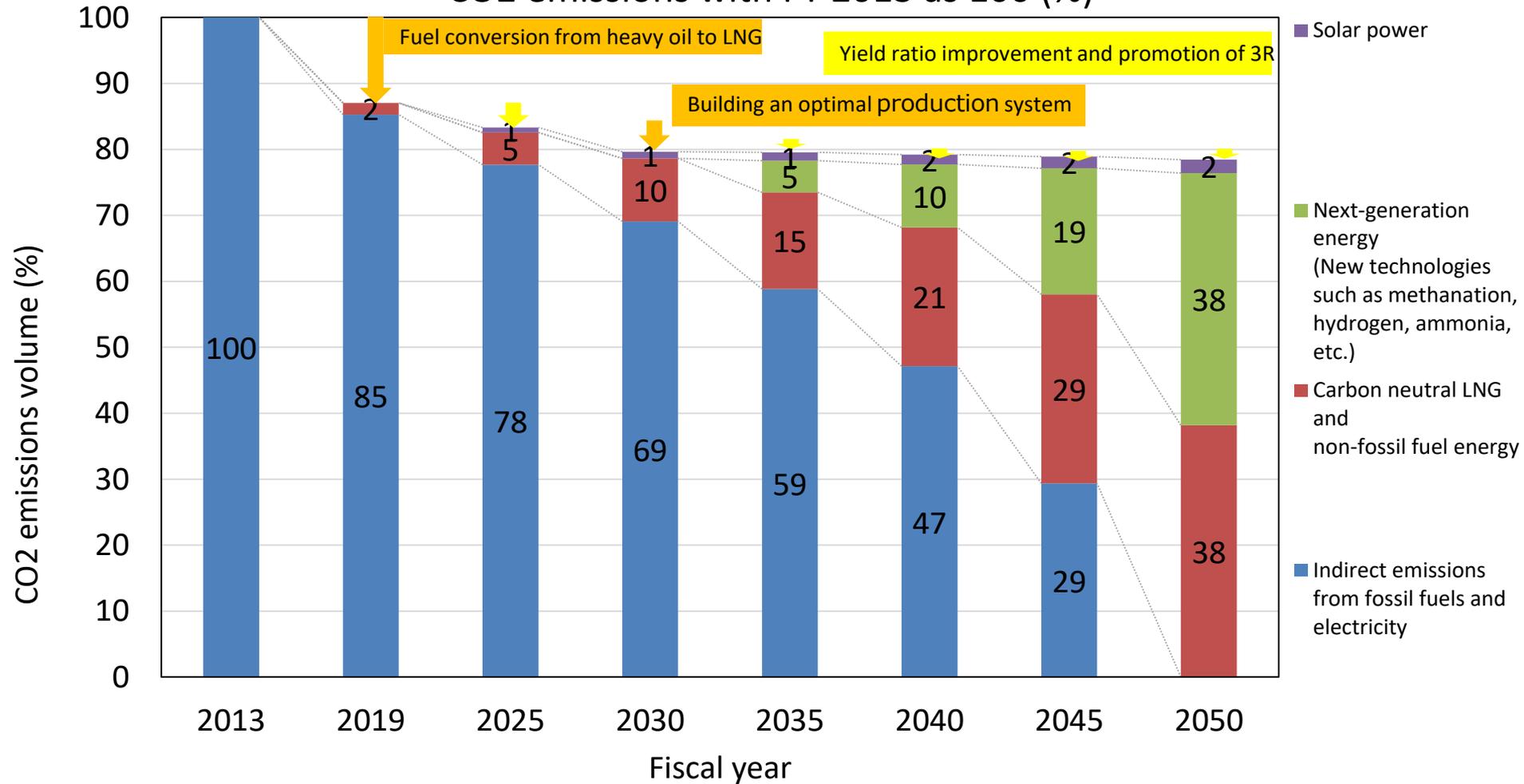
→ There is a growing trend to refer to the results of the EcoVadis's sustainability survey as one of the selection criteria from an ESG perspective when selecting suppliers. In response to requests from our customers, **we will continue to request evaluations by EcoVadis to maintain and improve our sustainability activities.**

We will endeavor to achieve the KPI targets for materiality identified based on our mission, organizational vision, and social issues.

Materiality		KPI
Theme: Making people happy		
1	Foster an environment that enables the development and growth of human resources	Stress check implementation results Matters that deviate in consideration of careers Above average for the chemical industry
2	Creating a comfortable working environment	Frequency and intensity rate (occupational accidents) Below average for the chemical industry DX promotion to make work easier
3	Contributing to local communities	Community dialog through Responsible Care, etc. Participation in social contribution activities by supporting member organizations
Theme: Protect the global environment		
4	Manage chemical substances appropriately, reduce environmental impact, and implement measures to improve product safety	CO2 emission reduction rate: 30% reduction by FY 2030 (compared to FY 2013) Number of serious environmental accidents: 0
5	Reducing industrial waste emissions	Industrial waste reduction rate: 25% reduction by FY 2025 (compared to FY 2021)
6	Giving consideration to biodiversity	Conduct an ecological survey in conjunction with construction of an industrial waste disposal site
Theme: Solving social issues through manufacturing		
7	Create products and services that help solve environmental and social issues	Development of "Smart Material ® certified products" 5 products on the market by FY 2030
8	Promote responsible procurement	Customer satisfaction survey for business partners 100% of requests
Theme: Build a strong, transparent management system		
9	Increasing the effectiveness of the Board of Directors	Identify issues based on effectiveness survey results and implement improvements
10	Understanding risks and taking countermeasures	Number of serious compliance violations: 0 Maintain the company-wide risk management system
11	Timely and appropriate information disclosure	Provide an integrated report or equivalent content starting from FY 2022

We will promote decarbonization as innovations are realized, and take on the challenge of becoming carbon neutral by 2050.

CO2 emissions with FY 2013 as 100 (%)



Reference Materials

- **Company Profile**
- **Business Description**
- **Performance Trends, Etc.**



Sakai Chemical Industry Co., Ltd. Company Profile

Head Office	5-2, Ebisujima-cho, Sakai-ku, Sakai-shi
Representative	President and Representative Director, Masaaki Yabe
Established	June 1918
Business Description	Development, manufacture, and sales of inorganic chemical products, organic chemicals, and pharmaceuticals
Total Assets	JPY123,919 million
Net Assets	JPY82,708 million
Affiliated Companies	16 consolidated subsidiaries (8 in Japan, 8 overseas)
Number of Employees	Consolidated: 2,024, non-consolidated: 773 (as of March 31, 2022)

About Our Group

Chemicals - Manufacturing and Sales

Sakai Chemical Industry Co., Ltd.

Osaki Industry Co., Ltd.

Resino Color Industry Co., Ltd.

Kyodo Chemical Co., Ltd.

SC Organic Chemical Co., Ltd.

Nippon Color Industry Co., Ltd.

Katayama Seiyakusho Co., Ltd.

Sakai Chemical (Vietnam) Co., Ltd.

Siam Stabilizers and Chemicals Co., Ltd.

PT. S&S Hygiene Solution

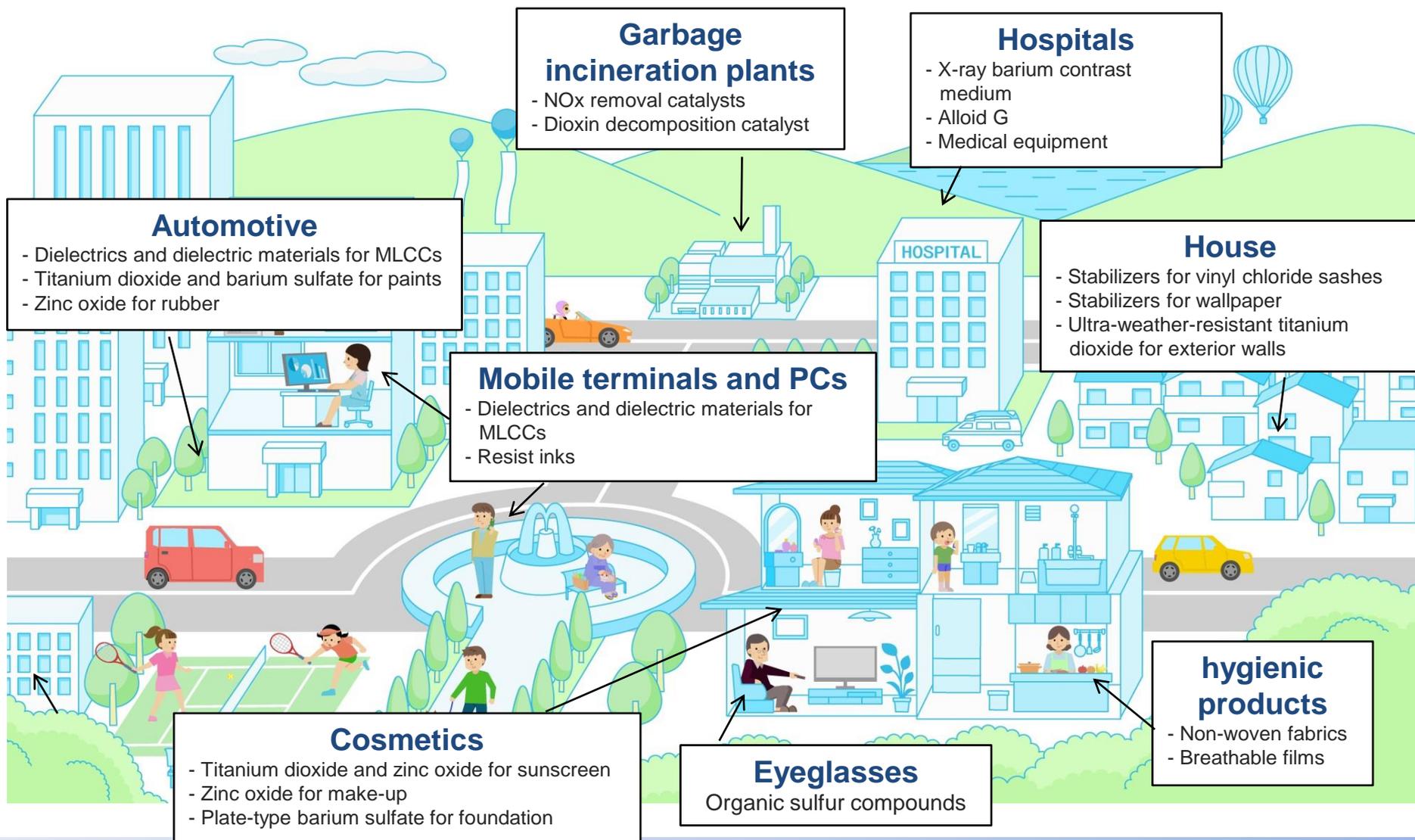
Chemicals - Sales

Sakai Trading Co. Ltd.

Medical - Manufacturing and Sales

Kaigen Pharma Co., Ltd.

Products from our Group that play a part in people's daily lives



Business Description and Sales Composition

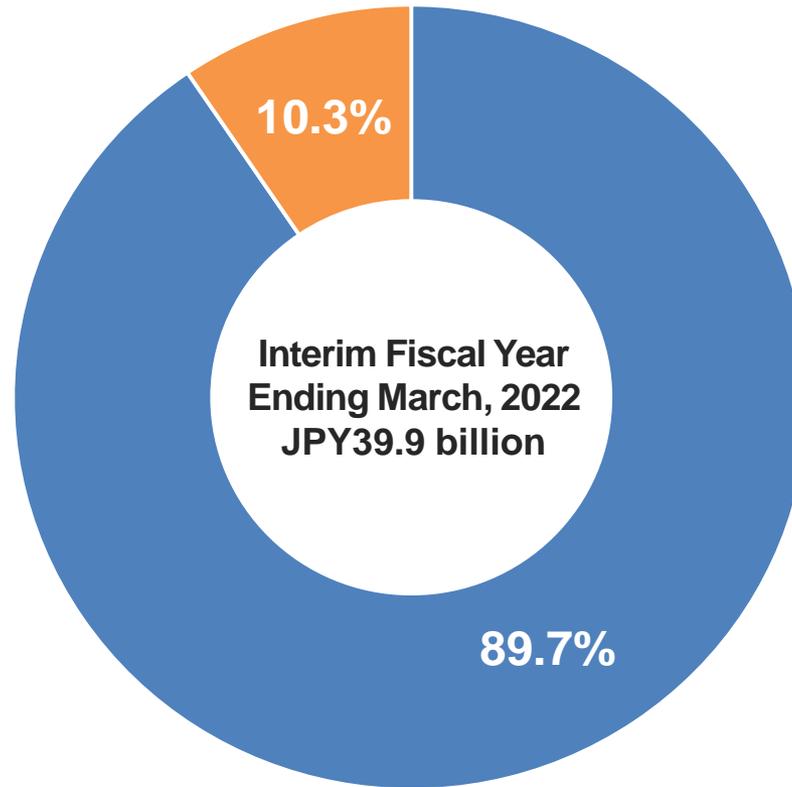
Medical

We provide a wide range of products and services that contribute to medical care and health, from products for medical use to products for the general public, with our main products being barium preparations, sodium alginate preparations, medical equipment, and Kaigen brand products.



Chemicals

Our main business is the development of materials for a variety of fields using technologies for processing natural ores and controlling powders.

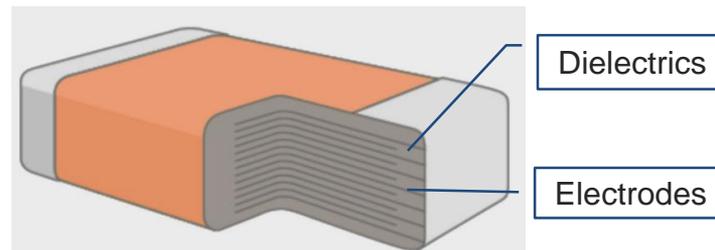


Business description: Chemicals

Electronic materials

Multilayer ceramic capacitors

- Dielectric (barium titanate)
- Dielectric materials (high-purity barium carbonate)



This is the main material for multilayer ceramic capacitors, which are indispensable for electronic devices.

Dielectrics have the property of storing a lot of electricity.

We will continue to contribute to the improvement of capacitor performance by developing spherical dielectrics that are fine and uniform in shape.

Used in places such as these



Business description: Chemicals

Titanium dioxide and zinc products

- Titanium dioxide: A white pigment with excellent tinting power, hiding power, weather resistance, and chemical stability
- Zinc oxide: A vulcanization accelerator for rubber products
- Zinc powder: Used in anti-rust paint for buildings, bridges, etc.
- Cosmetic materials: Achieves high UV shielding and smooth texture

Titanium dioxide is a material that is needed in every field, including paints, inks, paper, plastics, and chemical fibers.

The UV shielding rate of both titanium dioxide and zinc oxide increases when they are made finer, so they are also used in sunscreens and foundations.

**Used in places
such as these**



Business description: Chemicals

Plastic additives

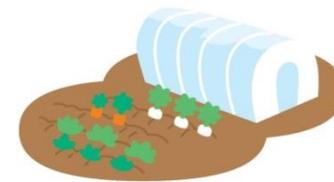
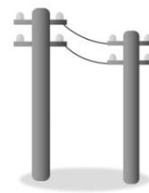
Pipes, fittings, window frames, wallpaper, and wire harnesses

- PVC stabilizers and non-PVC stabilizers

- Hydrotalcite: It is used in lead-free PVC stabilizer and agricultural films because it is high heat retention and transparency

PVC stabilizers are added to resins to improve processability and prevent deterioration. Currently, the de-leading of PVC stabilizers is progressing worldwide, and the switch to lead-free types is accelerating. Our subsidiary in Vietnam manufactures lead-free stabilizers and hydrotalcite, which is the raw material for such stabilizers, and our subsidiary in Thailand manufactures both lead-based and lead-free stabilizers, both of which are growing sales, mainly in Southeast Asia.

Used in places
such as these



Business description: Chemicals

Hygienic products

Diapers, sanitary napkins

- Breathable film: Retains moisture and allows only air to pass through

With demand increasing overseas, our subsidiary in Indonesia is manufacturing breathable films.

Used in places such as these



Organic chemicals

Plastic lenses, concrete, lubricating oils, and pharmaceuticals

- Organic sulfur compounds: It is also used to improve the refractive index of eyeglass lenses and as a concrete admixture.
- Organophosphorus compounds: Used as a lubricating oil additive
- Pharmaceutical ingredients and intermediates

We are the only manufacturer of the organic sulfur compound, BMPA, in Japan.

Used in places such as these



Business description: Chemicals

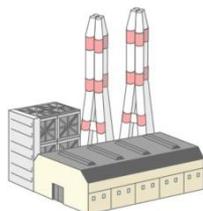
Catalysts

Garbage incinerators, thermal power plants, margarine, adhesives, and optical films

- DeNOx catalyst: Removes nitrogen oxides
- Nickel catalyst: Used in the hydrogenation of petroleum resin, etc.

We are aiming to expand our nickel catalyst business in response to increasing demand for optical films and disposable diaper adhesives.

Used in places
such as these



Contract processing

Contract processing of inorganic and organic chemical industrial products
... Pigments, colorants, functional inks, catalysts, plastic additives, etc.

We handle a wide variety of machines to support a broad range of fields.

Business Description: Medical

Kaigen Pharma Co., Ltd.

X-ray barium contrast medium

... Gastrointestinal imaging

In 1931, the Company began manufacturing barium sulfate as a raw material for medicinal use.

This is a familiar product for use in routine medical checkups, but we also export it overseas.



Medical equipment

- Cleaning and disinfection equipment for endoscopes

Responses the transition from barium to gastrocamera examinations.

We are focusing on development, positioning it as a business that will not be affected by drug price revisions.



Alloid G

... An agent for peptic ulcers

Hemostasis of stomach and duodenal ulcers and protection of mucous membranes.



OTC pharmaceuticals

- Kaigen series
- Kaigen Granules
- Kaigen Pack IB Granules

Launched sales in Taiwan with "Made in Japan" quality.



Net Sales and Operating Income Trends in the Chemical Business

Monetary units: million yen

		2017.3	2018.3	2019.3	2020.3	2021.3	2022.3
Electronic materials	Net Sales	7,398	8,033	8,948	8,499	9,723	10,857
	Operating Income	803	969	651	117	23	1,700
Titanium dioxide and zinc products	Net Sales	13,914	15,758	16,341	15,305	13,563	15,718
	Operating Income	713	624	304	610	518	1,046
Plastic additives	Net Sales	11,151	11,934	12,745	12,583	11,543	12,489
	Operating Income	530	529	248	169	397	966
Hygienic products	Net Sales	8,177	8,558	8,006	8,070	9,254	5,388
	Operating Income	182	100	246	174	440	331
Organic chemicals	Net Sales	6,353	5,979	5,919	6,172	6,882	7,321
	Operating Income	1,016	548	828	1,271	1,476	1,639
Catalysts	Net Sales	2,650	3,427	4,257	3,703	3,210	3,644
	Operating Income	▲ 268	89	289	26	▲ 82	190
Contract processing	Net Sales	5,988	6,721	7,000	6,811	6,550	6,947
	Operating Income	444	882	1,031	698	632	1,029
Other	Net Sales	17,053	17,218	18,040	17,412	16,079	9,875
	Operating Income	1,015	800	432	356	447	170
Total	Net Sales	72,683	77,628	81,256	78,555	76,821	72,243
	Operating Income	4,435	4,541	4,029	3,421	3,851	7,076

Note: Headquarters division expenses are subtracted from operating income.

Quarterly Trends in the Chemical Business

Monetary units: million yen

	2021.3				2022.3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net Sales	18,880	17,419	19,904	20,618	17,695	18,113	17,544	18,890
Electronic materials	2,261	2,264	2,542	2,655	2,660	2,426	3,144	2,627
Titanium dioxide and zinc	3,332	2,897	3,517	3,817	3,928	3,563	3,920	4,307
Plastic additives	2,765	2,551	3,066	3,162	3,090	3,118	3,148	3,132
Hygienic products	2,337	2,411	2,200	2,306	1,283	1,223	1,503	1,379
Organic chemicals	2,162	1,300	1,584	1,837	2,250	2,171	1,089	1,810
Catalysts	645	837	1,033	695	661	824	961	1,197
Contract processing	1,403	1,539	1,780	1,828	1,849	1,739	1,618	1,740
Other	3,975	3,621	4,182	4,318	1,974	3,046	2,160	2,698
Operating Income	967	387	1,267	1,230	2,111	2,012	1,452	1,501

Note: Headquarters division expenses are subtracted from operating income.

Kaigen Pharma Sales Trends by Product

Monetary units: million yen

	2017.3	2018.3	2019.3	2020.3	2021.3	2022.3
Barium contrast medium	2,315	2,327	2,265	2,291	2,043	2,173
Alloid G	880	860	990	1,221	1,193	1,167
Medical equipment	2,309	2,290	2,373	2,445	2,453	2,611
OTC pharmaceuticals	1,580	1,463	1,190	1,144	1,026	812
Other	1,591	1,645	1,608	1,722	1,557	1,420
Total	8,675	8,585	8,426	8,823	8,272	8,185

Thank you for your attention.

This material is for informational purposes only and does not constitute a solicitation to take any action based on it. This material (including performance plans) has been prepared by the Company based on information available at this time, and contains risks and uncertainties that may cause actual results to differ from those contained herein.

Please note that the figures for the sub-segments of our Chemical Business for the fiscal year ended March 2021 and earlier are published on a voluntary basis and have not been audited, and should be regarded as reference figures.

Please exercise your own judgment when using this information. The Company assumes no liability for any losses that may occur as a result of investment decisions made that rely on the forecasts and target figures contained in these materials.