



Sakai Chemical Industry Co., Ltd.

**Interim Financial Results
Briefing for Fiscal Year Ending
March 2023**

November 29, 2022

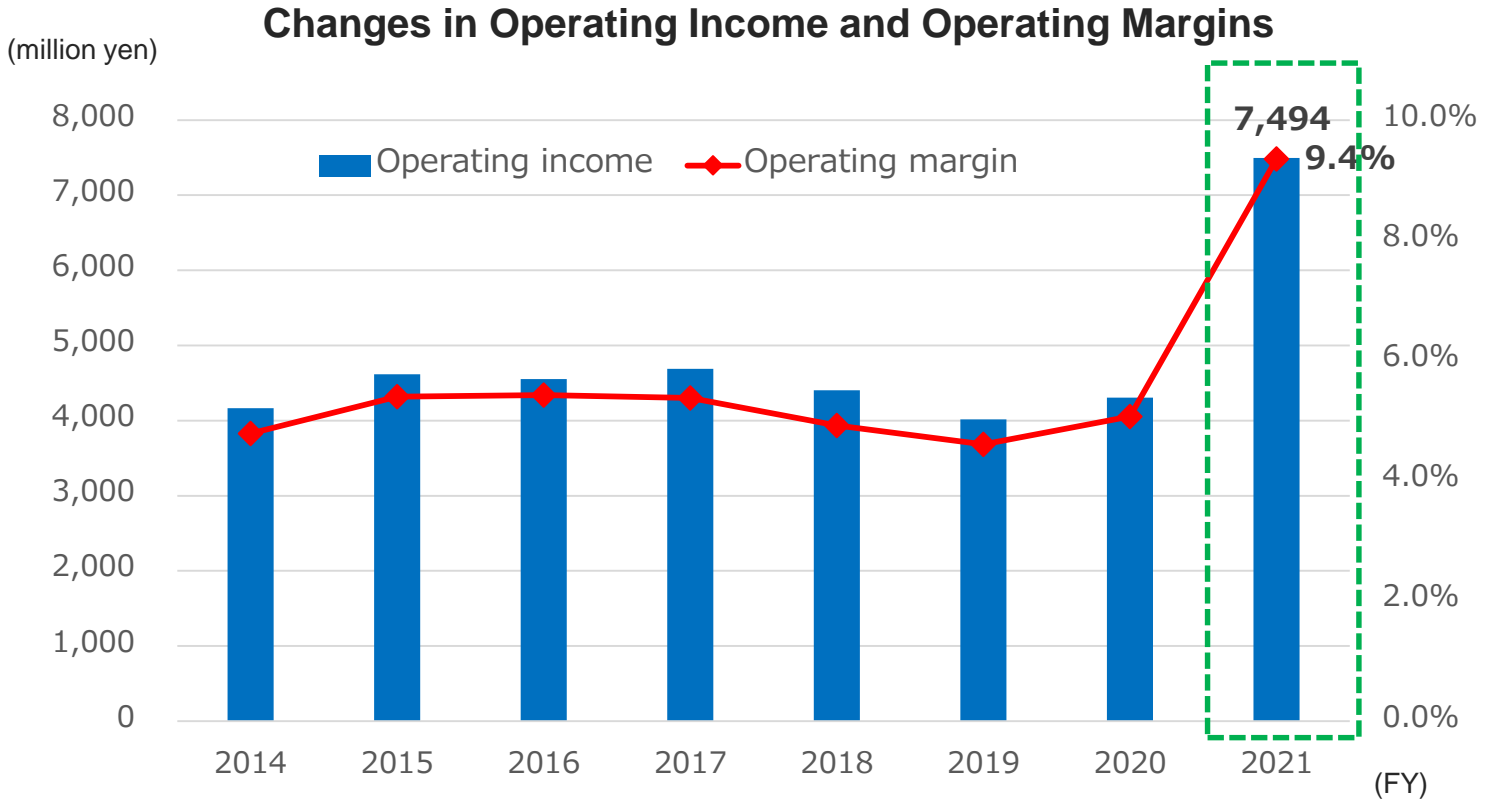
[Tokyo Stock Exchange, Prime Market Securities Code: 4078]

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1. Review of Business Results and Challenges Ahead (Topics)

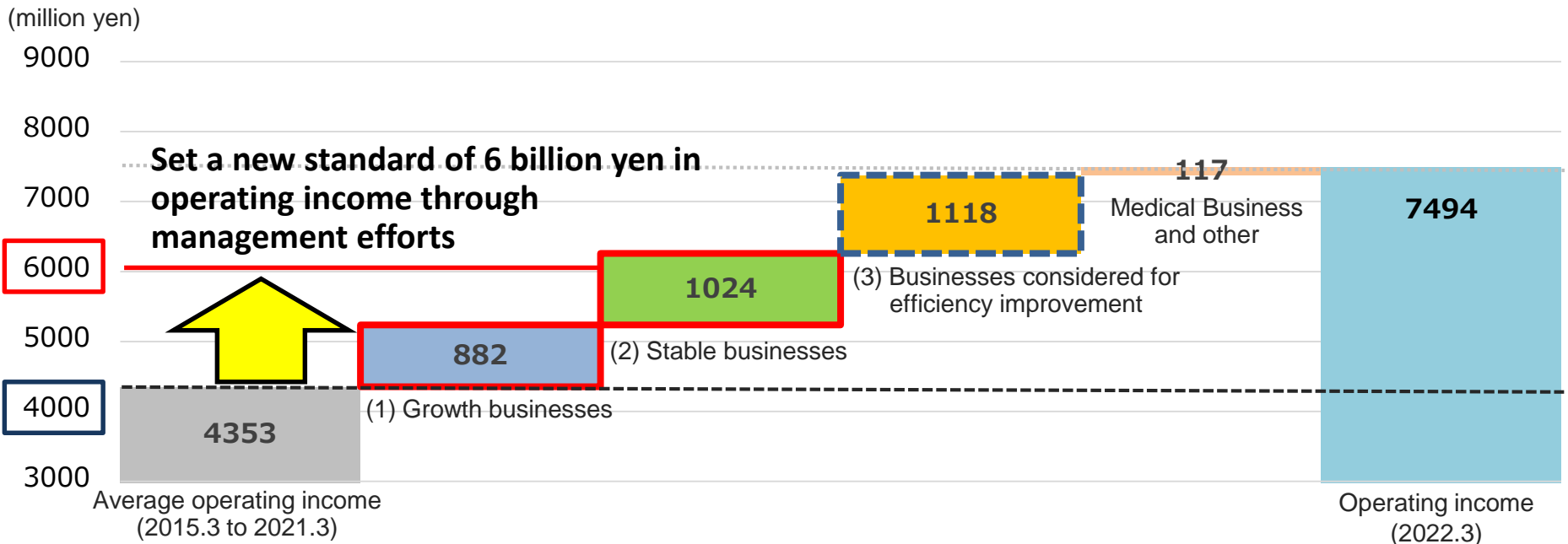
Operating income for FY2021 exceeded the 4 billion yen mark



Operating income 4 billion yen range -> 7 billion yen range
Operating margin of about 5% jumped to the 9% range



Breakdown of Growth in Operating Income for FY2021



* (1) Electronic materials and cosmetics materials (2) Organic chemicals, contract processing, hygienic products
 (3) Titanium dioxide and zinc products, plastic additives, catalysts

(1) Growth businesses getting back on track + (2) Stable businesses raising their bottom line resulted in an increase of about 2 billion yen

Toward Further Growth

- (3) Businesses considered for efficiency improvement are susceptible to market conditions. Proceed with review to ensure stable earnings
- Further expand growth businesses
- Support businesses considered for efficiency improvement

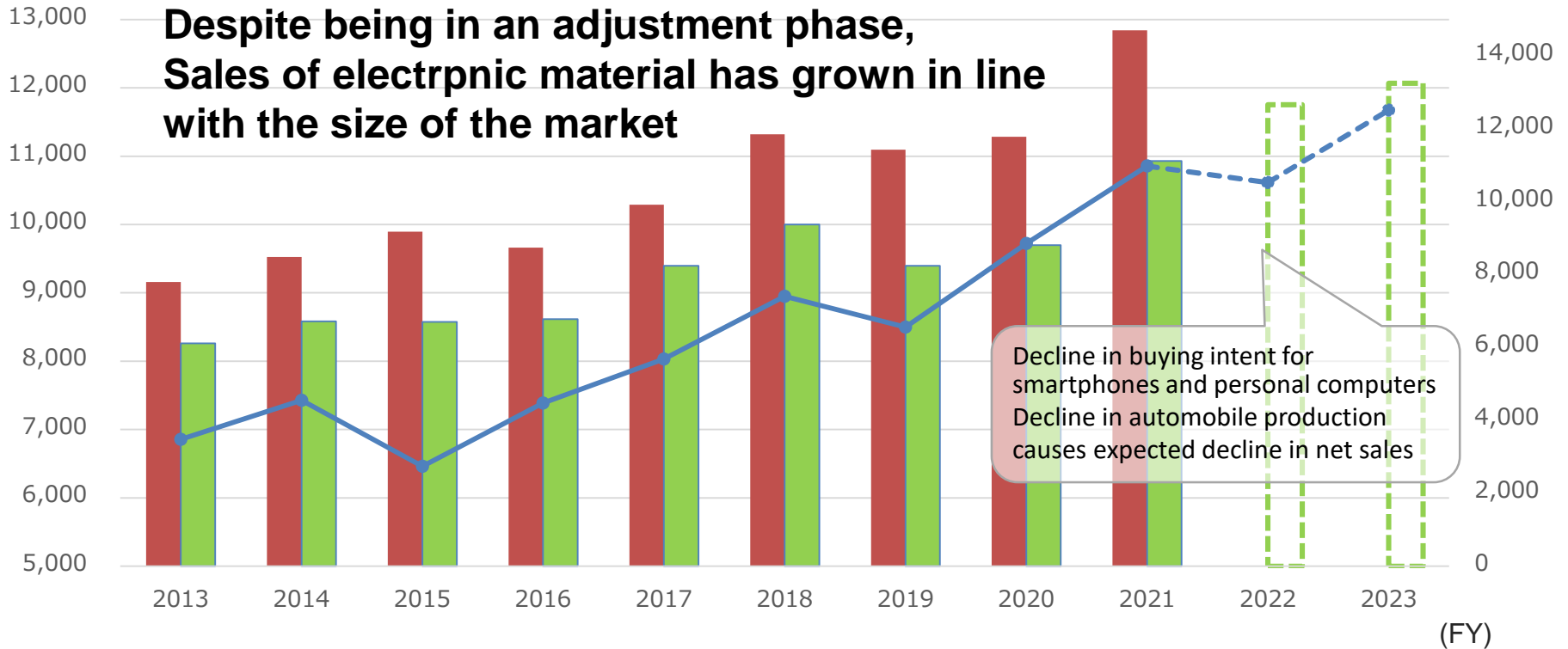
Sales of electronic materials grew in line with the growth of the semiconductor and capacitor markets

Growth businesses

[Source] Global semiconductor market: WSTS (World Semiconductor Trade Statistics)
Capacitor Global Shipment Value: JEITA (Japan Electronics and Information Technology Industries Association) statistics

(unit: 100 million yen)
(50 million dollars)

Despite being in an adjustment phase, Sales of electronic material has grown in line with the size of the market



Decline in buying intent for smartphones and personal computers
Decline in automobile production causes expected decline in net sales

■ Global capacitor shipments (hundred million yen)
[Fiscal year: January-December]

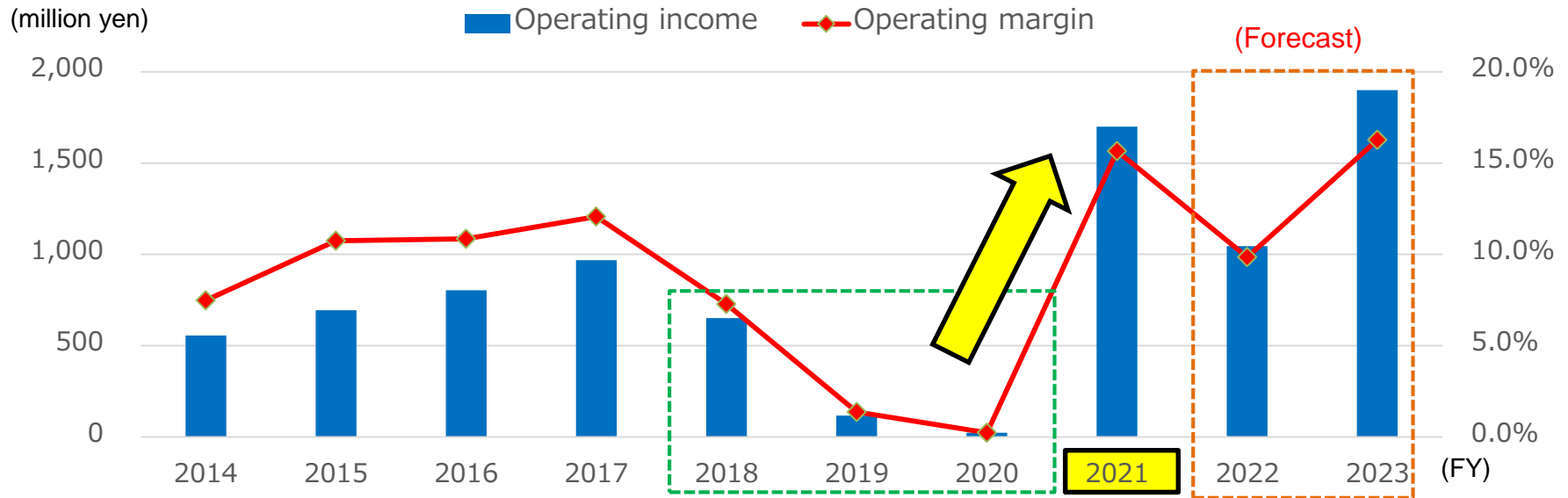
—●— Company's sales of electronic materials (million yen)
[Fiscal year: April-march]

■ Global semiconductor market (x 50 million dollars)
[Fiscal year: January-December, forecast updated in August 2022]



Weak elements in electronic materials will be eliminated in FY2021

Growth businesses



FY2018: In dielectrics, past high-end products have become obsolete, and competitiveness declined due to delays in the development of new products

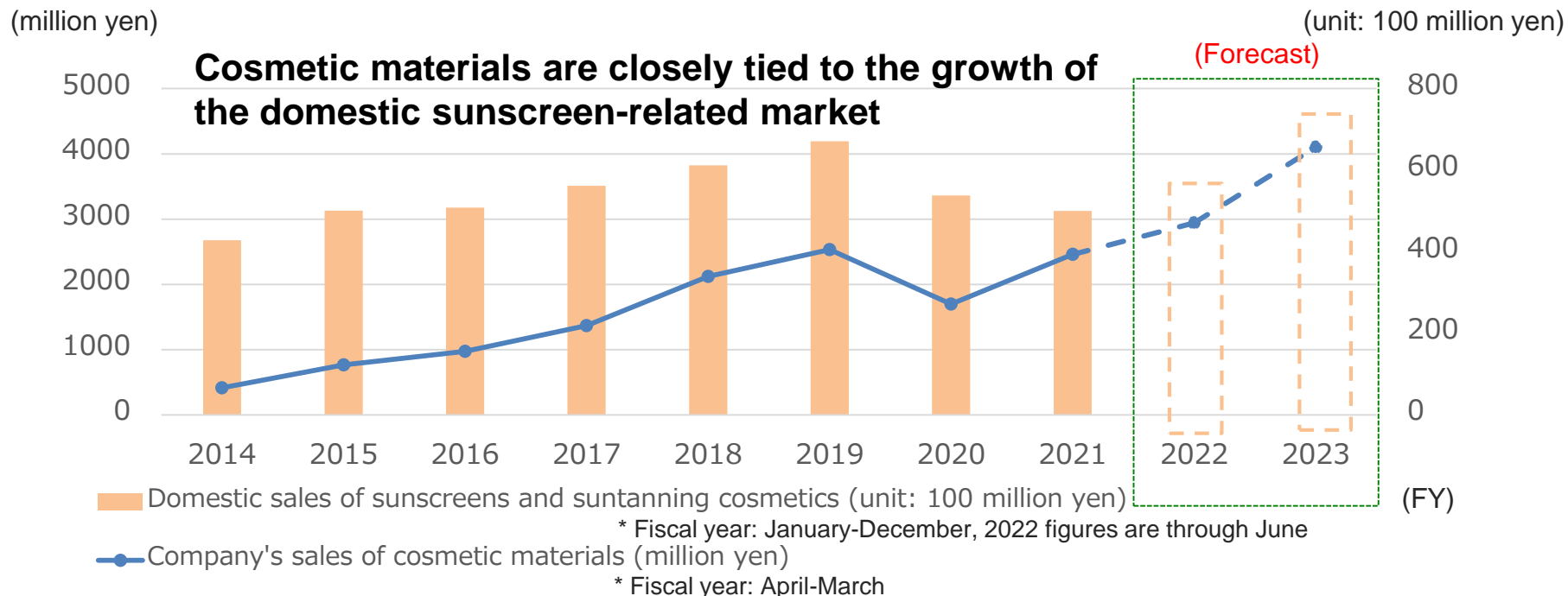
FY2019: In dielectric materials, upfront investment in anticipation of increased demand caused an increase in the depreciation burden and a decrease in profit margin

FY2020: Due to the spread of remote work, the shipment ratio of general-purpose products increased, and the product mix worsened (became less profitable)

FY2021: (1) Mass-production and sales of high-end dielectric products began
 (2) Dielectric materials, for which we expanded facilities, received user certification and the utilization rate increased
 (3) Improved product mix through price corrections and increased the sales volume of high-margin products

From FY2022 onward: A decline in demand will cause a temporary drop, but growth is expected in the mid- to long-term

Cosmetics materials sales grew along with the domestic sunscreen market



Source: Ministry of Economy, Trade and Industry Chronology of Production Dynamics (domestic sales of sunscreens and suntanning cosmetics)

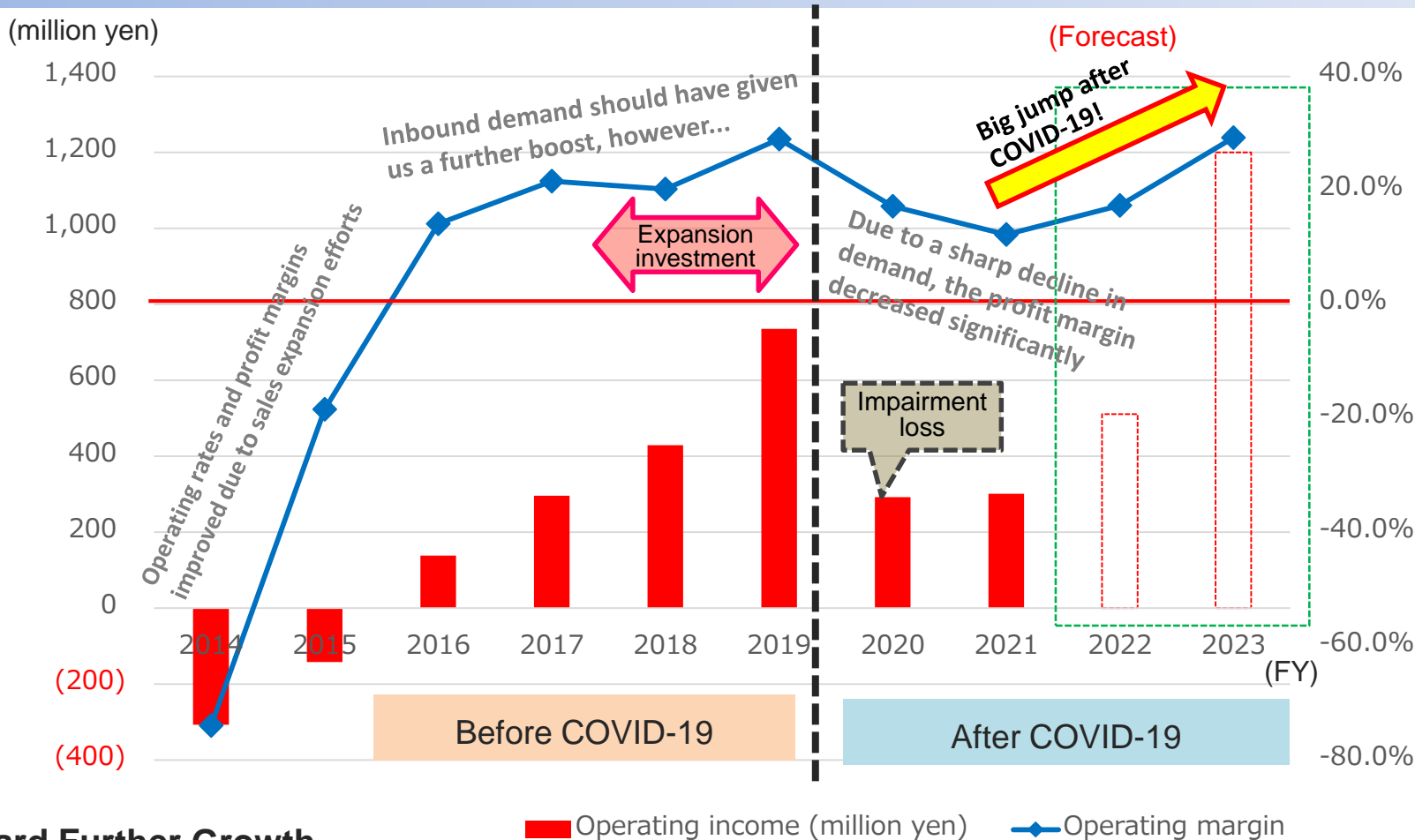
- Sales were growing steadily, driven by inbound demand
- > Significant delay in growth due to the disappearance of inbound demand caused by COVID-19

Toward Further Growth

From FY2022 onward, the following trends are considered opportunities to boost business performance

- (1) Further easing of restrictions on going out
- (2) Recovery of inbound demand
- (3) Expansion of replacement of organic UV absorbers with inorganic UV absorbers (growing environmental awareness)

Operating margins for cosmetic materials are high despite a drop due to COVID-19



Toward Further Growth

System for increased production already established

Taking advantage of expected demand recovery after COVID-19 and other opportunities, strive to develop markets and expand sales from a medium- to long-term perspective



Organic chemicals

Applications: Plastic lenses, concrete, lubricants, pharmaceuticals

- Organic sulfur compounds... Examples of applications include the improvement of the refractive index of eyeglass lenses and as a concrete admixture
- Organic phosphorus compounds ... For lubricating oil additives
- Active pharmaceutical ingredients and intermediates

Application
example



We are **the only domestic producer** of BMPA, an organic sulfur compound.

Contract Processing business

Contract manufacturing of inorganic and organic chemical products

... **We have a wide variety of machinery** for pigments, colorants, functional inks, catalysts, plastic additives, etc., **to cover a wide range of fields.**



Hygienic products

Applications: Diapers, sanitary products

- Breathable film ... holds moisture and allows only air to pass through

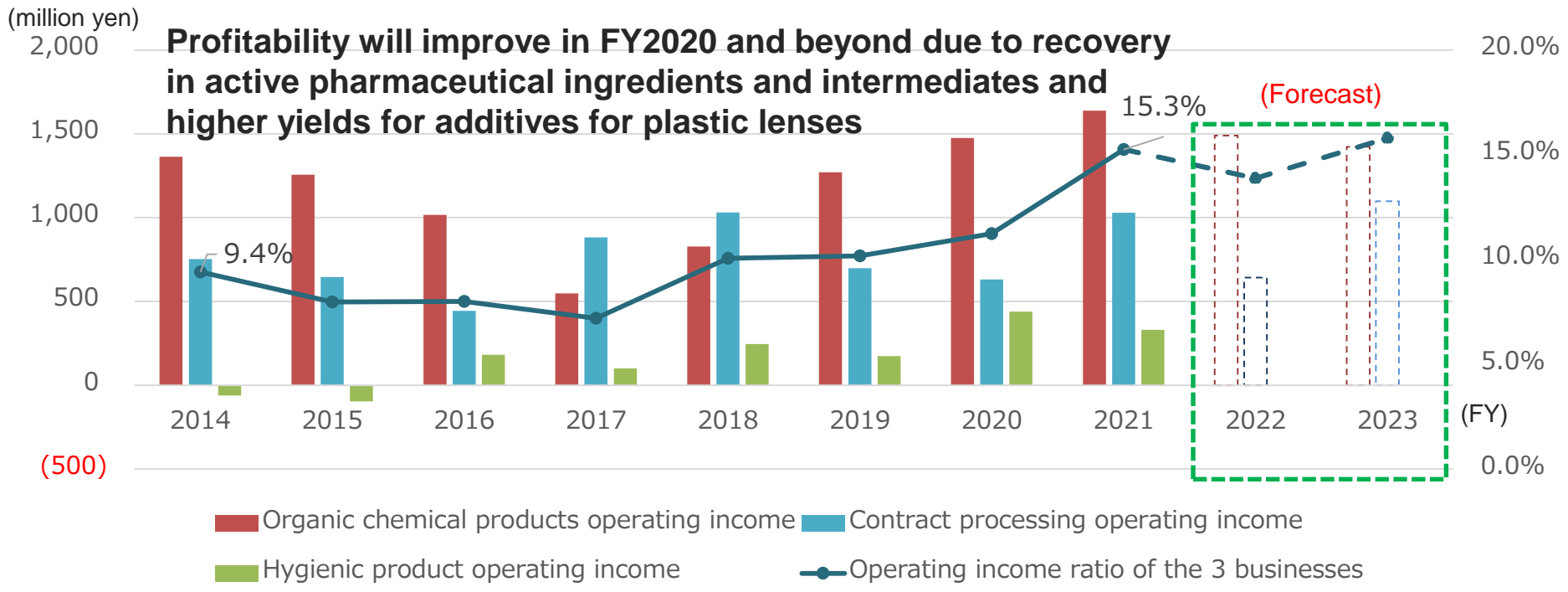
Application
example



With demand increasing overseas, our Indonesian subsidiary is manufacturing breathable film.

Operating income for organic chemicals, contract processing, hygienic products to stable levels

Stable businesses



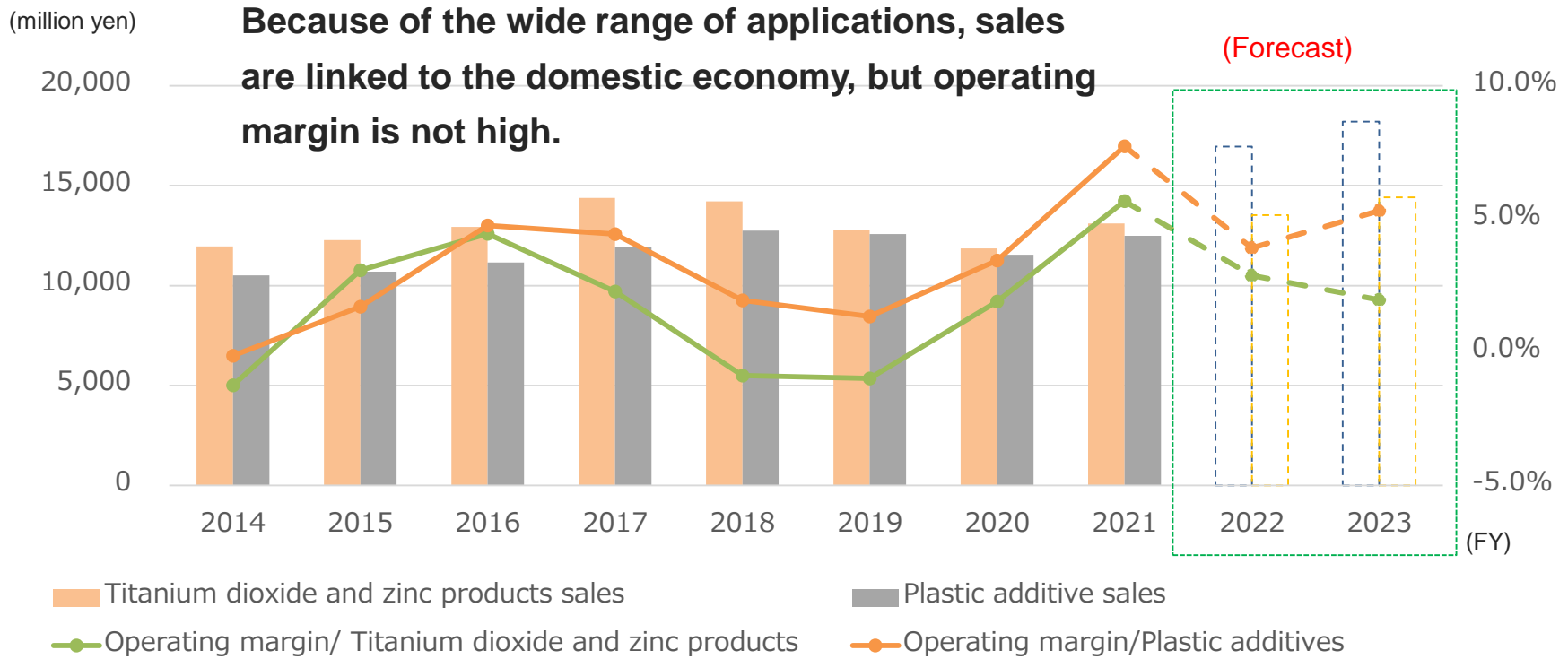
- Active pharmaceutical ingredients and intermediates have high profit margins and orders are confirmed for several years to come
- Profit margins for plastic lens additives (organic chemicals) will improve due to better yields

Toward Further Growth

- Expand active pharmaceutical ingredients and intermediates business into CDMO (contract manufacturing and development)
- Expand plastic lens additives production capacity



Cost reduction and production efficiency are the keys for titanium dioxide, zinc products, and plastic additives

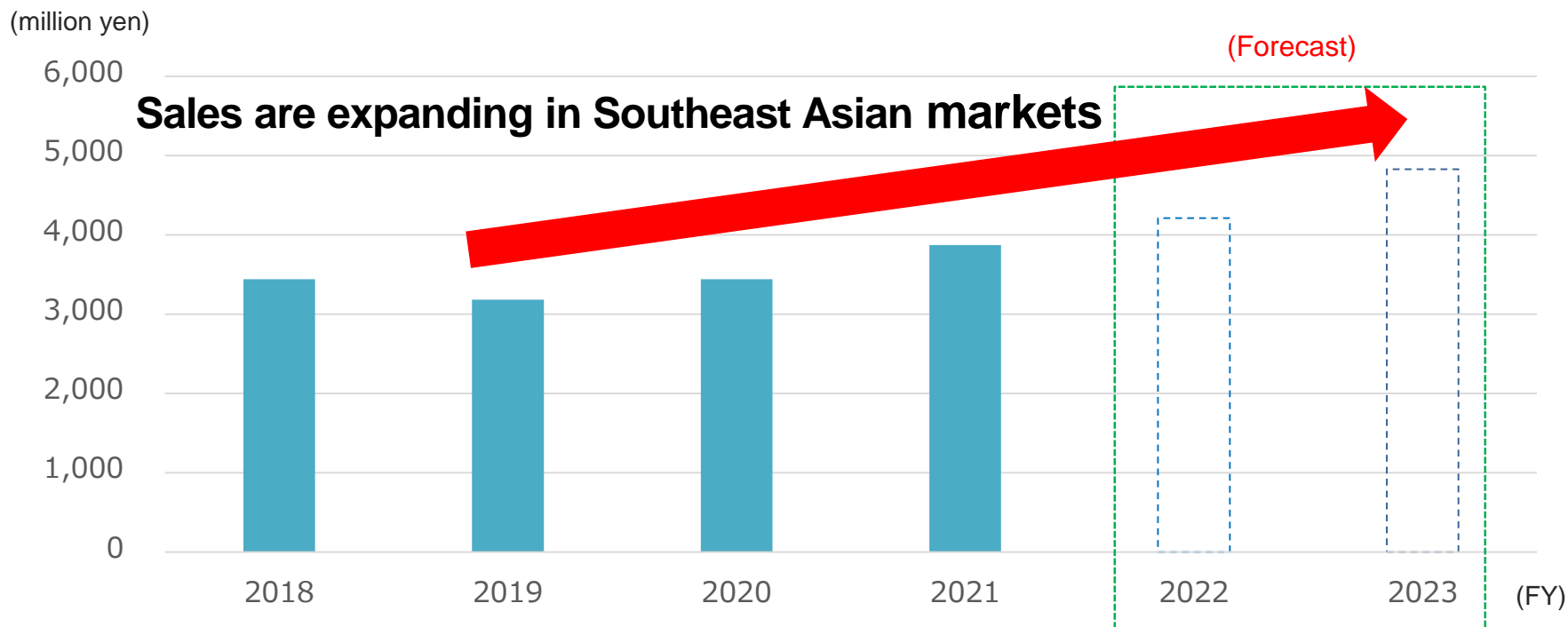


Toward Further Growth

- Current high raw material and fuel prices will be overcome by price correction
- Increase high-value-added products and liquidate low-profit products
- To reduce the downward swing in operating income and increase profit stability even during a domestic economic downturn

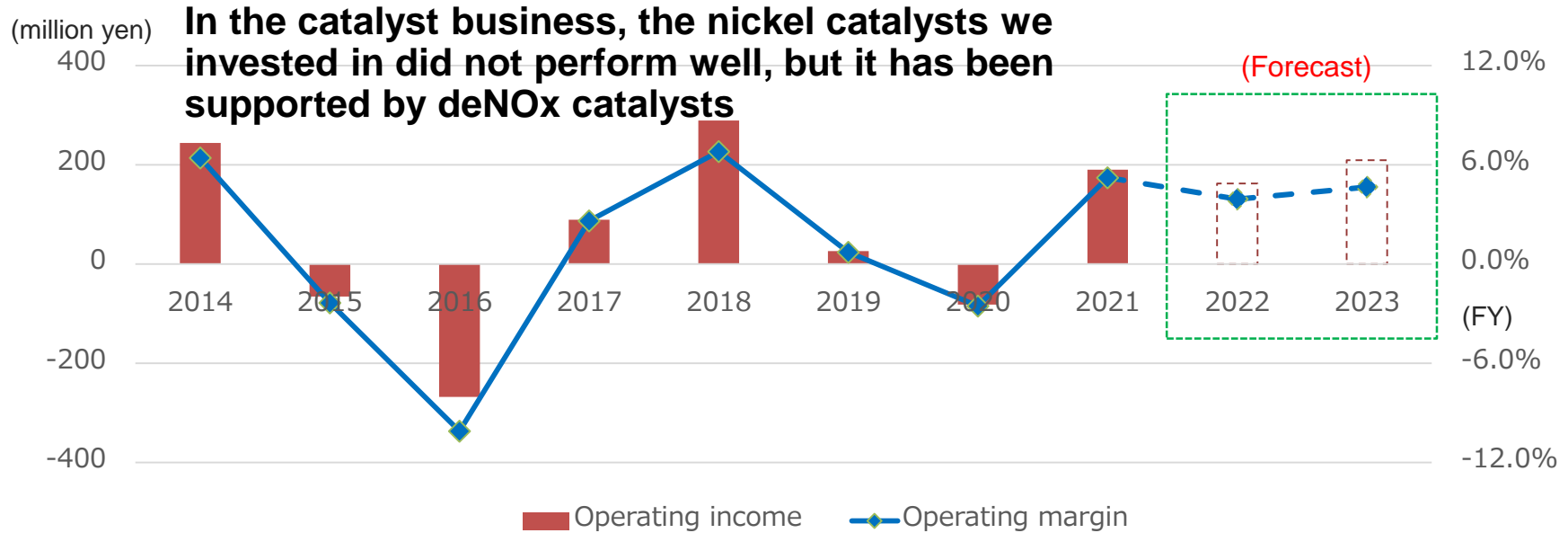
Expand sales of plastic additives by targeting the Southeast Asian market

Sales Trends at Local Subsidiaries in Thailand and Vietnam



- The Southeast Asian market is expected to grow over the medium to long term, and demand for infrastructure-related products (construction materials, pipe materials, etc.) is expected to remain strong
- Progress in environmental regulations, such as Thailand's legalization of non-lead stabilizers, will be a boost for the Company.

There is an urgent need to rebuild the ability of the catalyst business to generate profits



- Nickel catalysts for hydrogenated resins have not been profitable because operating rates have not increased
- DeNOx catalysts, which have been supporting profits, are not always stable in terms of capacity utilization because the catalyst business is completely built to order

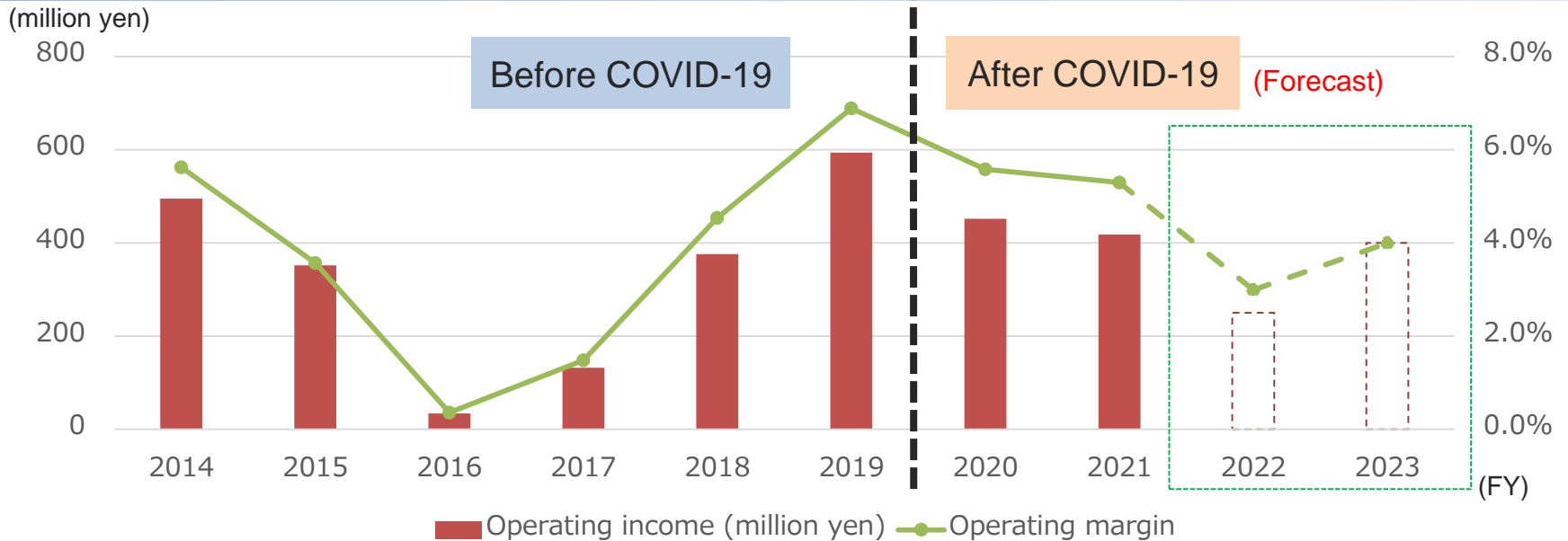
Toward Further Growth

(1) We will consider withdrawing from low-profit products and streamlining the production system to improve efficiency

- > Withdrawal from nickel catalysts for food products (expected completion by the end of FY03/2023)
- > Consider the consolidation of production bases for nickel catalysts for hydrogenated resins

(2) Focus on catalyst materials that contribute to carbon neutrality and make them a new pillar of growth

The medical business has been greatly affected by continuous NHI price reductions and COVID-19



Before COVID-19 (2016.3-2019.3)
 In addition to NHI price reductions, ulcer treatment Alloid G lost significant market share due to the spread of generics. After that, profits recovered due to the withdrawal of competition.

After COVID-19 (2020.3-2022.3)
 In addition to drug price reductions, sales decreased sharply due to the postponement of health checkups due to COVID-19 and voluntary restrictions on sales activities aimed at hospitals. Furthermore, household medicine sales continued to be weak due to the thorough prevention of colds.

Focus on new businesses less vulnerable to NHI price cuts and generics

- (1) Supplement business (for affluent customers)
- (2) Expand the area of application for medical devices (enter the field of otolaryngology)
- (3) Establish new medical device systems (endoscope voice recognition input system)



Issues often raised by investors

- ① **Toward a Revision of the Business Portfolio**
- ② **Positioning of Medical Business**

2. Key Points Of This Business Results Briefing

Key Points Of This Business Results Briefing

1, About the Interim Results for the Fiscal Year Ending March 31, 2023

[Chemical Business]

- (1) In addition to the penetration of price revisions, the chemical business benefited from inventories from the previous period and responded to recent high raw material and fuel prices.
- (2) The electronic material business showed a decrease in shipment volume due to the impact of the lockdowns in China and other factors, resulting in lower profits.
- (3) Cosmetics materials recovered from the lows of the same period of the previous year and posted an increase in profit.
- (4) The organic chemical business posted a large decrease in profit compared with the previous year, when orders were concentrated in the first half of the year.

[Medical Business]

- (1) Manufacturing and sales of mainstay medical equipment (endoscope cleaners and disinfecting devices) were slow due to the shortage of semiconductors.
- (2) The supplement business remained steady.

2. Forecast for FY2023.3

We expect further sharp increases in raw material and fuel prices, higher costs for imported raw materials due to the weak yen, and a delay in the recovery of the semiconductor market, so earnings will be revised downward.

3. Overview and Details of Interim Financial Results For The Year Ending March 31, 2023

Summary of Interim Results for FY 2023 (compared to the same period of the previous year)

(million yen)

	2021.9		2022.9		Increase/decrease	
		Net sales comparison		Net sales comparison		
Net sales	39,905	—	42,694	—	2,788	7.0%
Operating income	4,356	10.9%	3,267	7.7%	▲ 1,089	▲ 25.0%
Ordinary income	4,599	11.5%	3,830	9.0%	▲ 769	▲ 16.7%
Net income attributable to owners of parent	3,180	8.0%	2,871	6.7%	▲ 309	▲ 9.7%

- Factors for increased revenue

Increase in revenue due to the penetration of price revisions. (mainly titanium dioxide and plastic additives products)

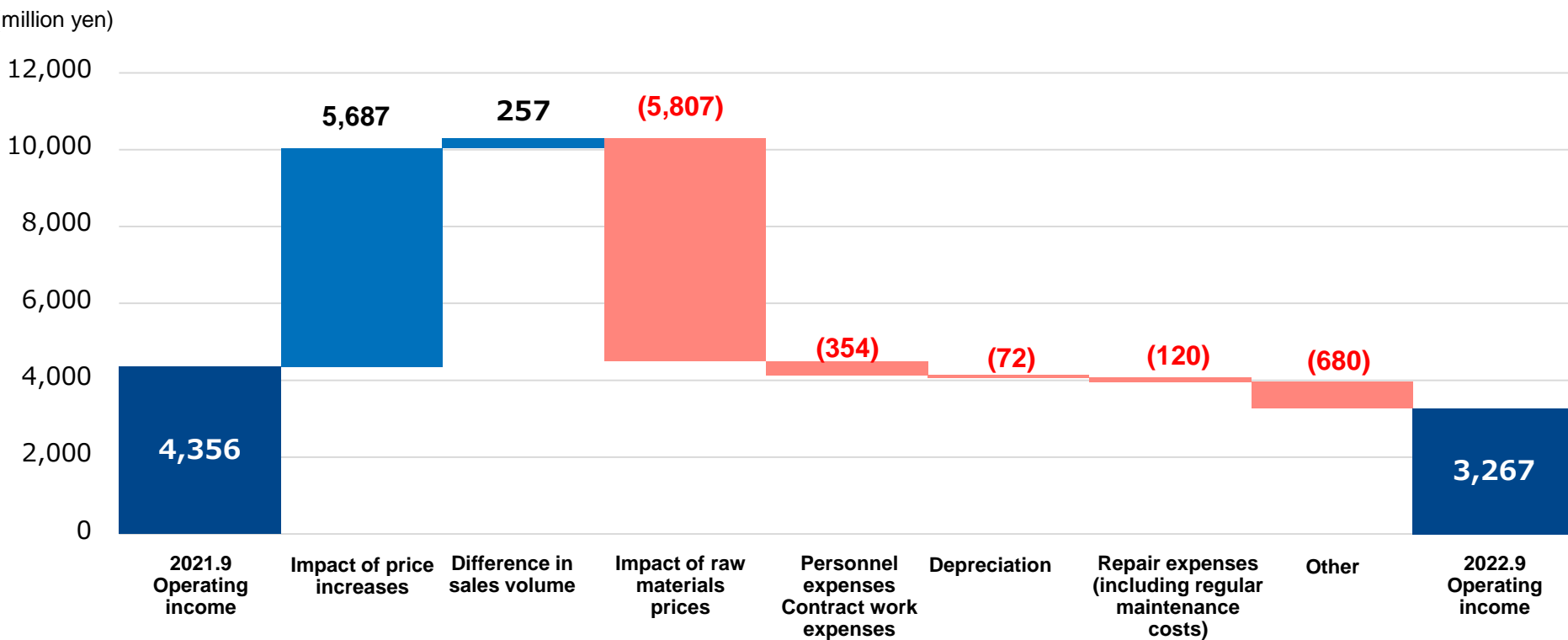
- Factors for reduced revenue

Details can be found on the following page.

- Supplemental information

Foreign exchange gains (497 million yen) on dollar-denominated overseas investments

Factors causing an increase or decrease in operating income



- The sharp increase in raw materials and fuel prices was offset by price revision efforts, along with the benefit of inventories from the previous fiscal year.
- Labor costs/contract work expenses increased
 - > Due to employee wage increases and bonus payments to directors.
- "Others" includes ▲352 million yen in organic chemical products.
 - > Particularly for bulk pharmaceutical intermediates, there was a large decrease in profit compared with the previous year, when orders were concentrated in the first half of the year.

Net sales and operating income by business (compared with the same period of the previous year)

		2021.9	2022.9	Increase/decrease	
Chemical Business	Net sales	35,809	38,572	2,763	7.7%
	Operating income	5,101	4,163	▲ 938	▲ 18.4
Medical Business	Net sales	4,096	4,122	25	0.6%
	Operating income	233	240	7	3.3%
Expenses for the entire company	Net sales	—	—	—	—
	Head office department expenses	▲ 977	▲ 1,136	▲ 158	—
Total	Net sales	39,905	42,694	2,788	7.0%
	Operating income	4,356	3,267	▲ 1,089	▲ 25.0%

(million yen)

- Chemical business operating revenue

Despite higher revenue due to the penetration of price revisions, income decreased due to a reversal from the previous year's results in organic chemicals (bulk pharmaceutical intermediates) and a slowdown in electronic materials, which had driven the previous year's results

- Medical business operating revenue

Existing businesses are in a difficult situation.

However, both revenues and income increased due to strong performance in the dietary supplement business and some advance shipments of medical equipment.

Balance sheet: Inventories increased substantially

Consolidated balance sheet	2022.3	2022.9	Increase/decrease
Current assets	65,496	70,520	5,023
Cash and deposits	10,800	11,893	1,093
Inventories	23,110	28,218	5,106
Non-current assets	58,423	57,842	▲ 580
Property plant and equipment	48,134	47,648	▲ 485
Intangible assets	1,519	1,406	▲ 112
Investments and other assets	8,769	8,787	17
Total assets	123,919	128,362	4,443
Current liabilities	26,771	29,130	2,358
Non-current liabilities	14,439	13,429	▲ 1,010
Total liabilities	41,211	42,559	1,347
Net assets	82,708	85,803	3,095
Liabilities and net assets	123,919	128,362	4,443
Equity-to-asset ratio (%)	63.6	63.6	—
Interest-bearing liabilities (total)	16,958	18,620	1,662

- Background: (1) Increased product inventory due to the slowing economy
(2) Advance purchase of important raw materials such as those for electronic materials (to avoid risk of supply chain disruption)
(3) Increase in unit prices of products and raw materials

Cash Flow: Operating CF decreased significantly

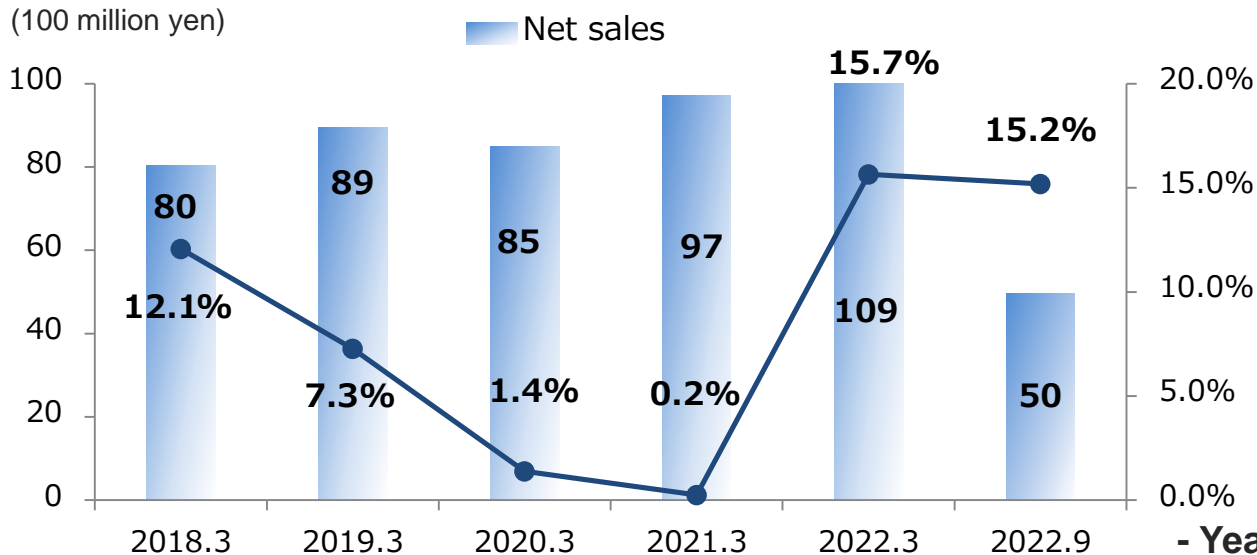
	2021.9	2022.9	Increase/decrease
Cash balance at start of period	11,153	10,549	▲ 603
Profits before tax	4,537	4,218	▲ 318
Depreciation	2,107	2,191	83
Inventories	▲ 509	▲ 4,860	▲ 4,351
Other	▲ 752	▲ 427	325
Operating CF	5,383	1,122	▲ 4,261
Capital investment	▲ 3,837	▲ 1,319	2,518
Sale of shares	128	181	52
Other	▲ 109	▲ 147	▲ 38
Investment CF	▲ 3,818	▲ 1,285	2,533
FCF	1,565	▲ 163	▲ 1,728
Financial CF	▲ 1,025	1,006	2,032
Cash balance at end of period	11,774	11,667	▲ 107

(FCF = CF from operations + CF from investments)

Due to the increase in inventories, operating CF decreased significantly and FCF became negative.

Electronic materials

(100 million yen)



- Year-on-year Comparison (million yen)

	2021.9	2022.9	Increase/decrease	
Net sales	5,087	4,956	▲ 131	▲ 2.6%
Operating income	892	753	▲ 139	▲ 15.6%

Key points for the second quarter of the fiscal year ending March 31, 2023

- Shipment volume decreased. (▲16.0%)

Shipment volume decreased due to lockdowns in China and a slowdown in the market for consumer devices such as personal computers and mobile phones.

Sales were slow for both dielectrics (barium titanate) and dielectric materials (high-purity barium carbonate).

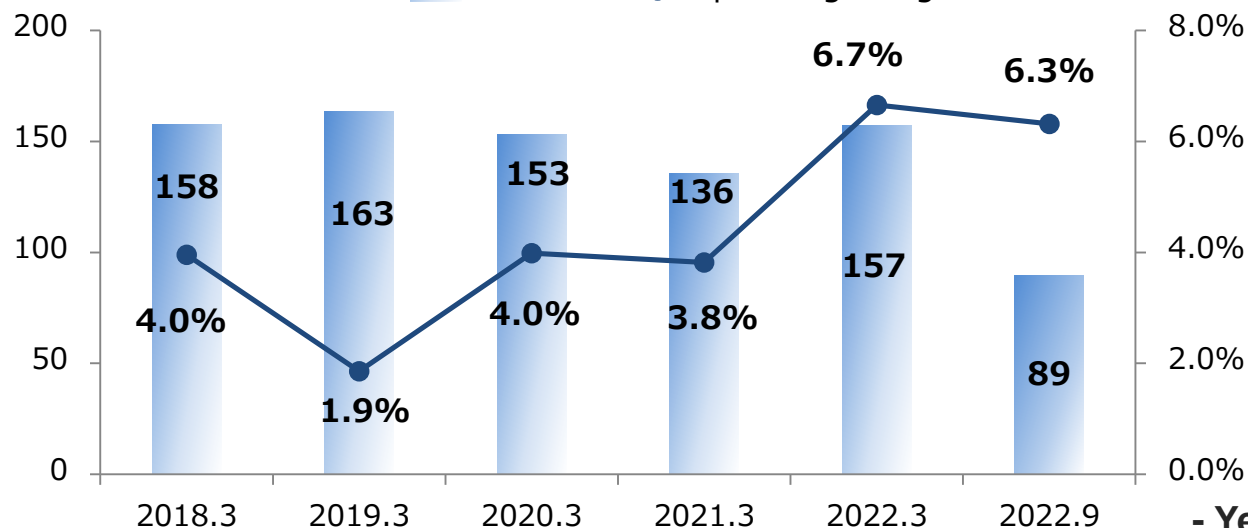
- Sales of high-end dielectric products were generally steady.

Titanium dioxide and zinc products

Chemicals

(100 million yen)

Net sales Operating margin



- Year-on-year Comparison (million yen)

	2021.9	2022.9	Increase/decrease	
Net sales	7,491	8,945	1,454	19.4%
Operating income	461	565	104	22.5%

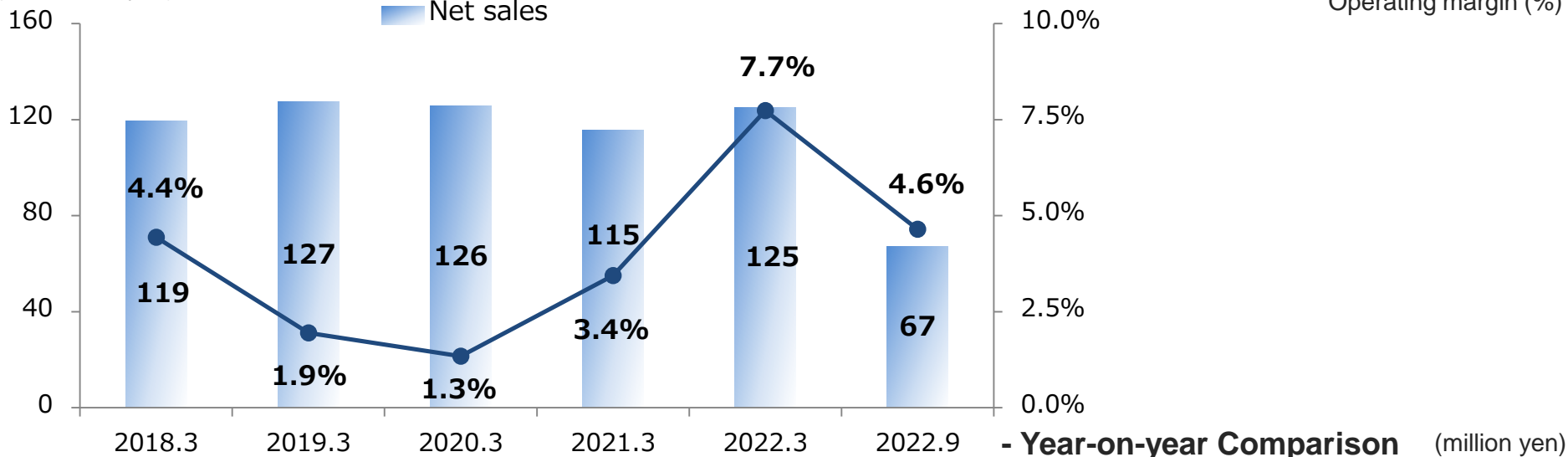
Key points for the second quarter of the fiscal year ending March 31, 2023

- **Cosmetic materials:** Both domestic and overseas demand recovered, and revenue and profits increased. In particular, operating income increased by 107.1% year-on-year.
- **Titanium dioxide:** Revenue increased due to the penetration of price revisions, but income decreased due to further increases in raw material and fuel costs.
- **Zinc products:** Both sales and profits increased due to a sharp rise in zinc prices (+44.9% year-on-year) and steady demand.



Plastic additives

(100 million yen)



- Year-on-year Comparison (million yen)

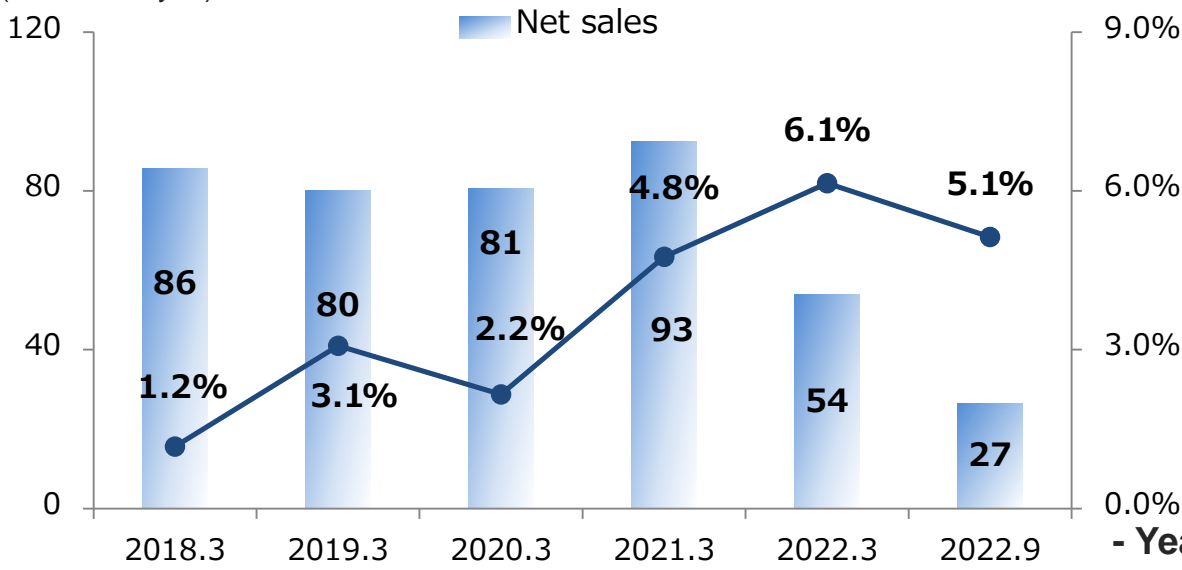
	2021.9	2022.9	Increase/decrease	
Net sales	6,209	6,712	503	8.1%
Operating income	562	312	▲250	▲44.5%

Key points for the second quarter of the fiscal year ending March 31, 2023

- Domestic sales remained slow for housing and automobile-related applications, with the exception of industrial sheets for semiconductor facilities. Although price revisions were implemented, further increases in raw material and fuel costs resulted in higher revenue and lower income.
- In overseas markets, sales of hydrotalcite for wire harnesses remained slow due to lower automobile production. Sales of non-lead stabilizers remained slow due to a decline in public works projects as a result of budget cuts for irrigation equipment. As in Japan, price revisions penetrated the market, but further increases in the cost of raw materials and fuel led to higher revenue and lower income.

Hygienic products

(100 million yen)



- Year-on-year Comparison (million yen)

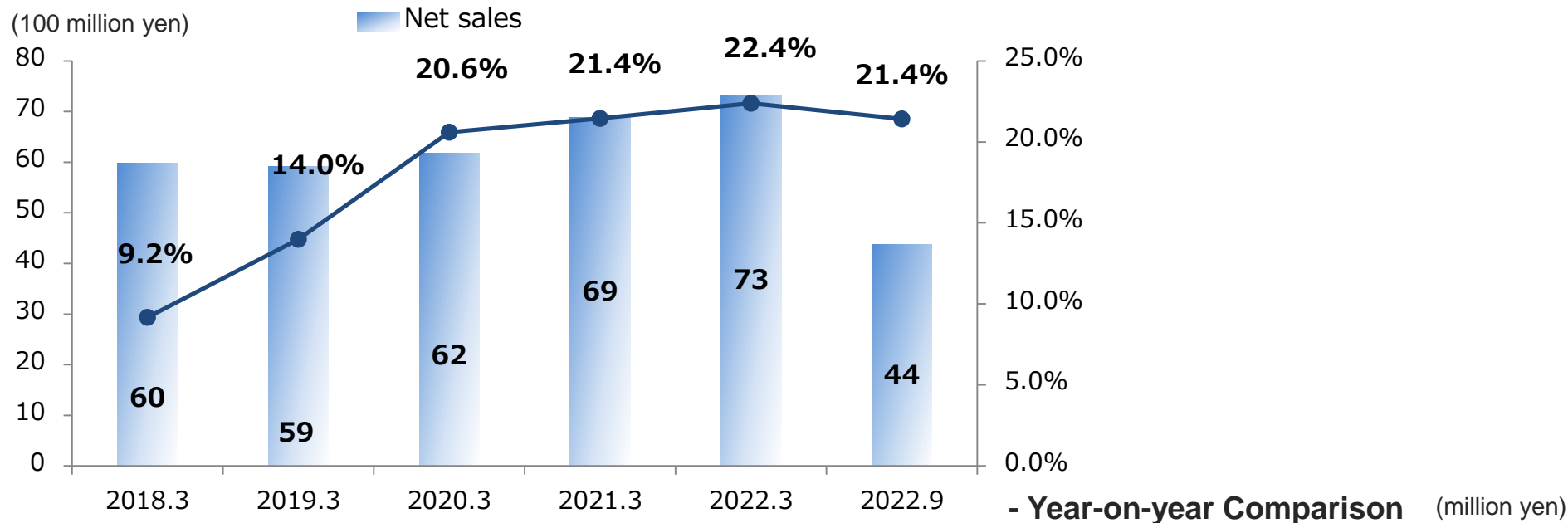
	2021.9	2022.9	Increase/decrease	
Net sales	2,507	2,652	145	5.8%
Operating income	152	136	▲16	▲10.5%

Key points for the second quarter of the fiscal year ending March 31, 2023

- Regarding sales, the market remained strong and sales increased.
- On the other hand, regarding income, operating profit margins declined due to high raw material and fuel costs and higher export freight costs for our Indonesian subsidiary, resulting in lower operating profit margin and lower income.



Organic chemicals

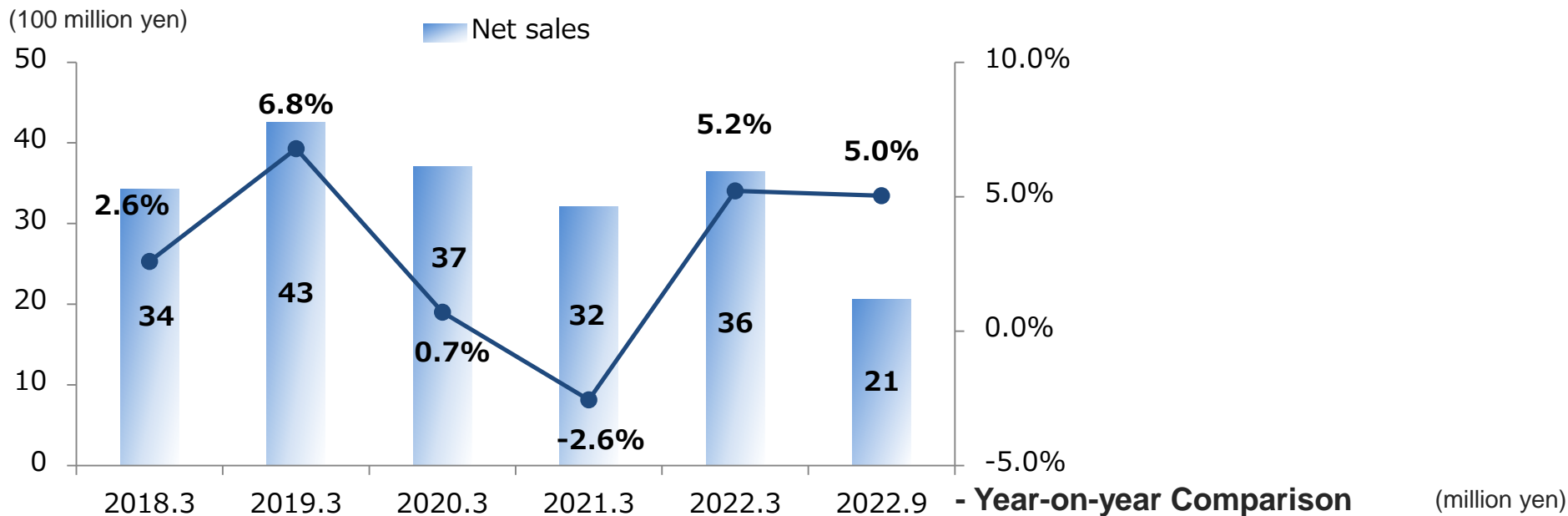


Key points for the second quarter of the fiscal year ending March 31, 2023

	2021.9	2022.9	Increase/decrease	
Net sales	4,422	4,383	▲39	▲0.9%
Operating income	1,291	939	▲352	▲27.3%

- Although shipments of pharmaceutical intermediates increased, there were no shipments of bulk pharmaceuticals, which had been strong in the previous year. This had a negative impact on the segment as a whole, resulting in lower revenue and profits.
- Regarding this products, both revenue and income increased due to strong sales for plastic lenses and the success of price revisions.

Catalysts



- Year-on-year Comparison (million yen)

	2021.9	2022.9	Increase/decrease	
Net sales	1,486	2,062	576	38.8%
Operating income	92	104	12	13.0%

Key points for the second quarter of the fiscal year ending March 31, 2023

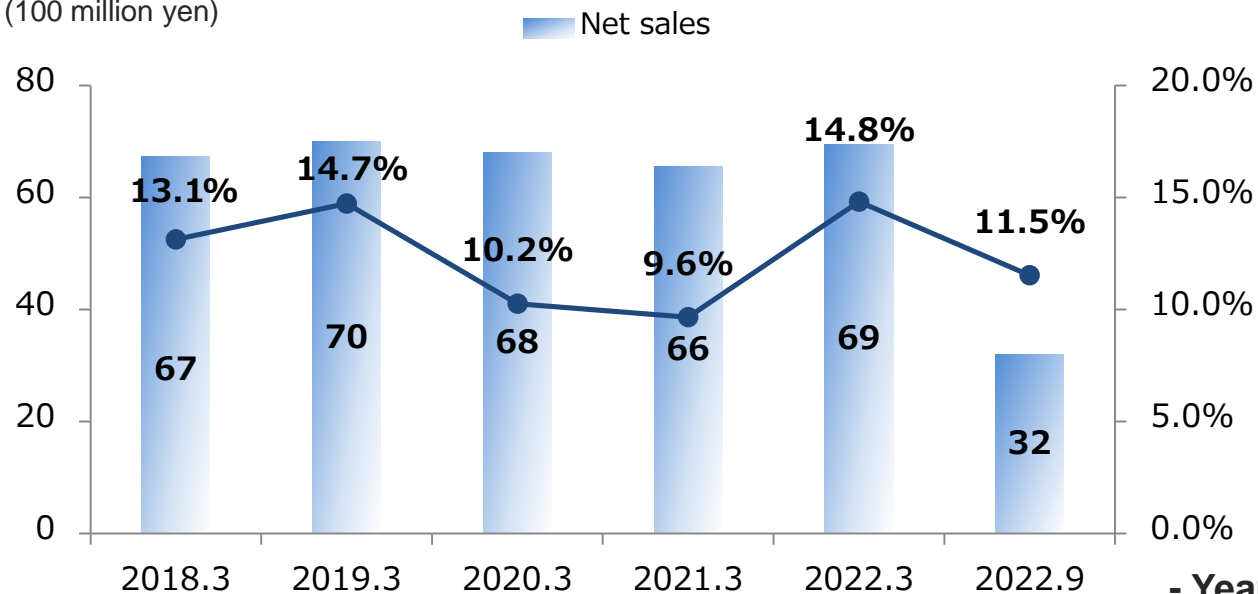
- Sales of nickel catalysts used in the hydrogenation process of plastics increased due to a sharp rise in raw material nickel prices and price revisions.
- Sales and earnings of deNOx catalysts used in thermal power plants and waste incineration facilities increased due to the large overseas shipments that continued from the previous fiscal year.



Contract processing

Chemicals

(100 million yen)

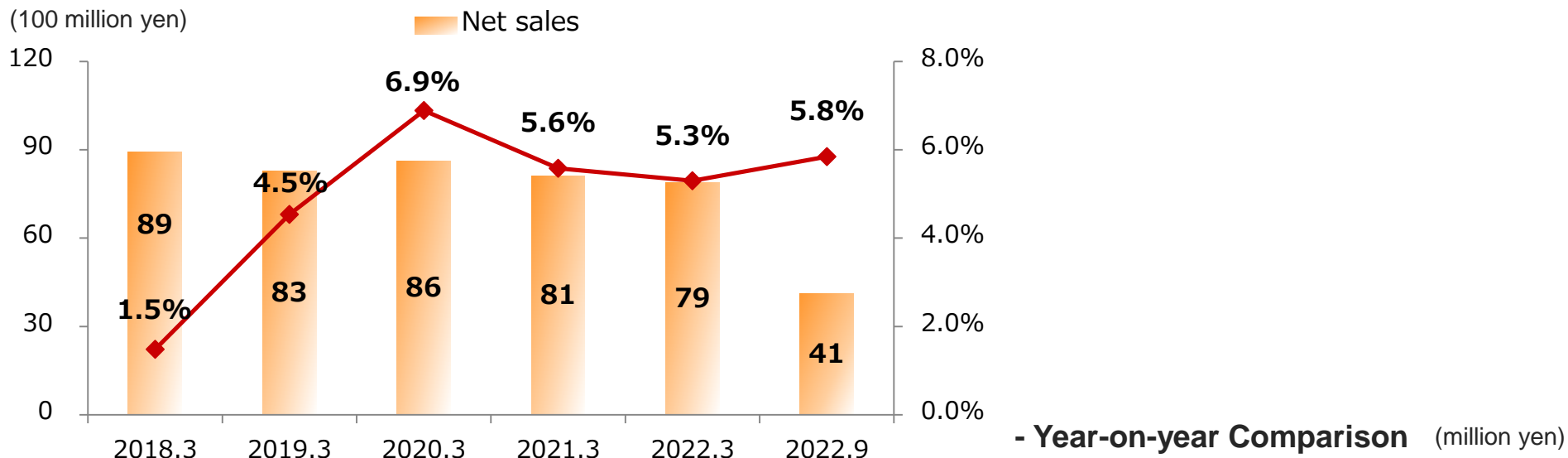


- Year-on-year Comparison (million yen)

	2021.9	2022.9	Increase/decrease	
Net sales	3,589	3,129	▲397	▲11.1%
Operating income	615	368	▲247	▲40.2%

Key points for the second quarter of the fiscal year ending March 31, 2023

- Regarding processed pigments, both revenue and income decreased due to the impact of the lockdowns in China and weak sales, particularly in the automotive industry, compared to the previous fiscal year.
- Revenue and income from contracted processes such as calcination, mixing, and drying decreased due to weak sales of highly profitable contract products and lower operating profit margins.



- Year-on-year Comparison (million yen)

Key points for the second quarter of the fiscal year ending March 31, 2023

	2021.9	2022.9	Increase/decrease	
Net sales	4,097	4,122	25	0.6%
Operating income	233	240	7	3.0%

- 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.
- Regarding “Aluloid G”, both revenue and income declined due to the impact of NHI price reductions.
- Regarding medical equipment, sales of endoscope cleaning and disinfection equipment decreased due to the shortage of semiconductors, but revenue increased due in part to anticipatory demand for electrolysis accelerators and other related products before the price revisions.
- Revenue and income from over-the-counter (OTC) pharmaceuticals, such as the cold remedy “Kaigen”, decreased due to measures to combat morbidity that have been ongoing since the COVID-19 pandemic.
- Revenue and income increased due to strong sales of products for beauty salons (ultraviolet light supplements), which are a new business focus.

4. Forecast for FY 2023

Forecast for FY 2023

Amount units: million yen

	2022.3		2023.3					
	Full year results		First half results		Second half forecast		Full year forecast	
		Net sales comparison		Net sales comparison		Net sales comparison		Compared to previous period
Net sales	80,135	—	42,694	—	42,306	—	85,000	6.1%
Operating income	7,494	9.4%	3,267	7.7%	2,233	5.3%	5,500	▲ 26.6%
Ordinary income	8,840	11.0%	3,830	9.0%	1,970	4.7%	5,800	▲ 34.4%
Net income attributable to owners of parent	6,747	8.9%	2,871	6.7%	1,329	3.1%	4,200	▲ 37.8%

In the second half of the year, we plan to increase prices further, as we did in the first half, but income is still expected to be slower than in the first half for the following reasons.

[Operating income]

- (1) Further increase in raw material and fuel prices
- (2) Decrease in revenue from electronic materials, which were strong in the previous year, due to the slowdown in the semiconductor market.
- (3) Lower than expected sales volume due to the economic slowdown in Japan and overseas.

[Ordinary income]

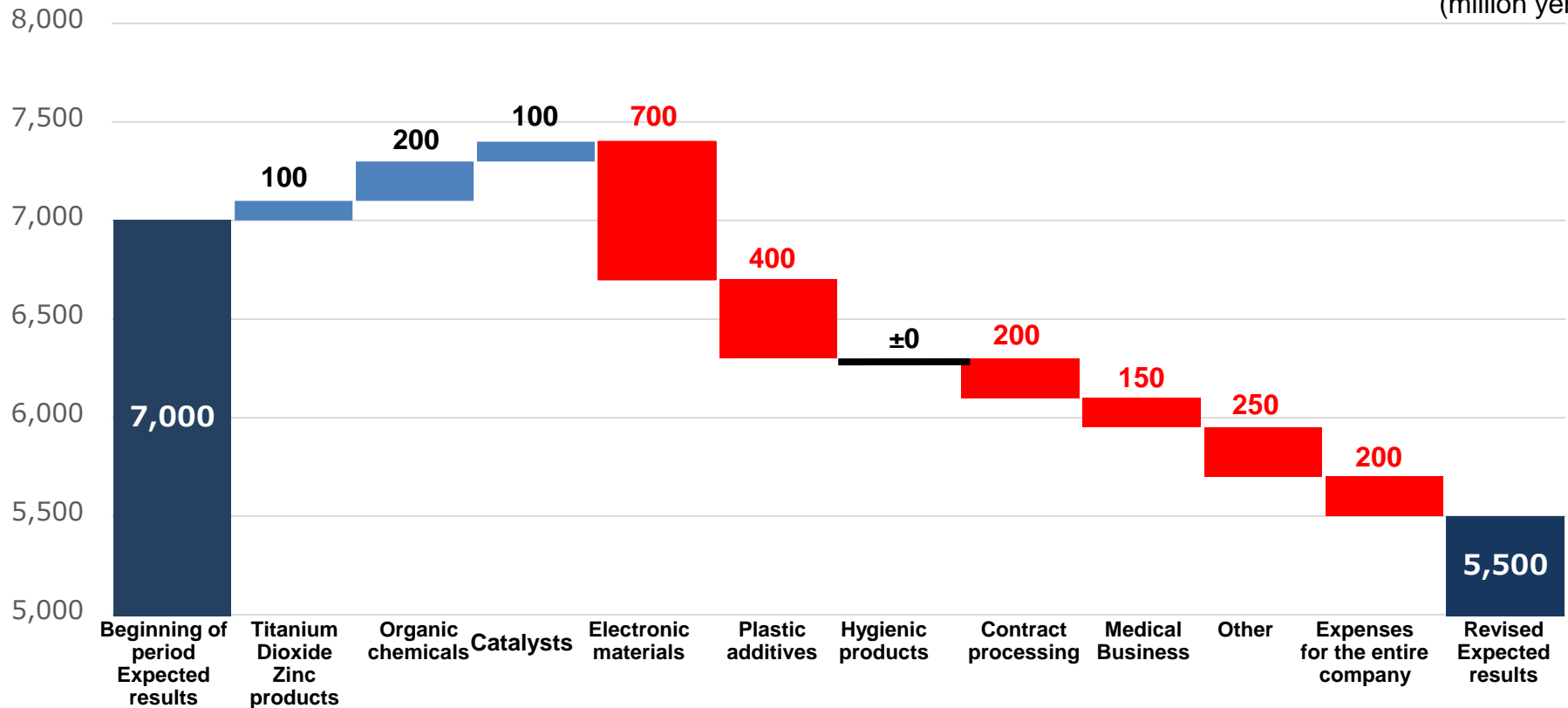
As part of non-operating income, there was a decrease in net foreign exchange gains (497 million yen in the first half of the current fiscal year)

[Net income for the period]

As part of extraordinary operating income, there was a decrease in insurance claim income (379 million yen in the first half of the current fiscal year)

Forecast increase/decrease in operating income by subsegment (approximate figures)

(million yen)



[Positive side]

- Cosmetics materials: Entering a period of demand
- Organic chemicals: Supported by firm demand

[Negative side]

- Electronic materials: Slowdown in market conditions, especially for consumer products
- Loss of benefit from inventories at the end of the previous fiscal year
- Further increase in raw material and fuel prices
- Slowdown in sales of endoscope cleaning equipment due to a shortage of semiconductors

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

Amount units: million yen

	2018.3	2019.3	2020.3	2021.3	2022.3	2022.9	2023.3
Capital investment	3,771	6,891	8,403	9,567	5,967	1,319	3,000
Depreciation	3,005	3,189	3,686	4,243	4,331	2,193	4,500
Research and development	3,217	2,951	2,898	2,487	2,376	1,366	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.

Currently, we have no plans for major investments beyond this fiscal year.

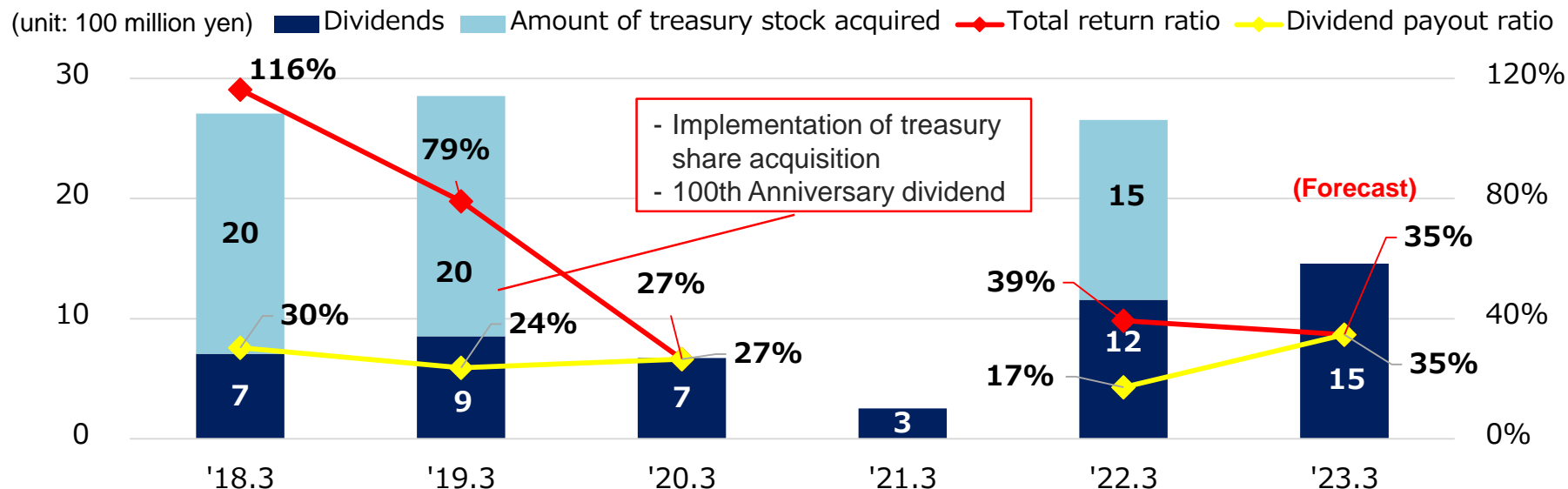
However, we expect to invest 3,000 million yen, 1,000 million yen less than the initial plan, because of lower expected investment in maintenance and renewal than originally planned.

- Depreciation

There will be no increase in depreciation and amortization, due to the 7,041 million yen impairment loss on the above-mentioned strategic investment recorded at the end of FY2020.

5. Shareholder Return

Shareholder Return



Basic Policy on Dividends of Surplus

We will implement the distribution of profits with **a target payout ratio of 30% or more** (2 times/year).

About the Fiscal Year Ending March 2023

Annual dividend of 90 yen per share (interim 45 yen, year-end 45 yen) implemented (estimated)

(*Annual dividend increased of 20 yen from the previous year)

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, Toshiyuki Yagura
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: 2,031, non-consolidated: 776 (as of September 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

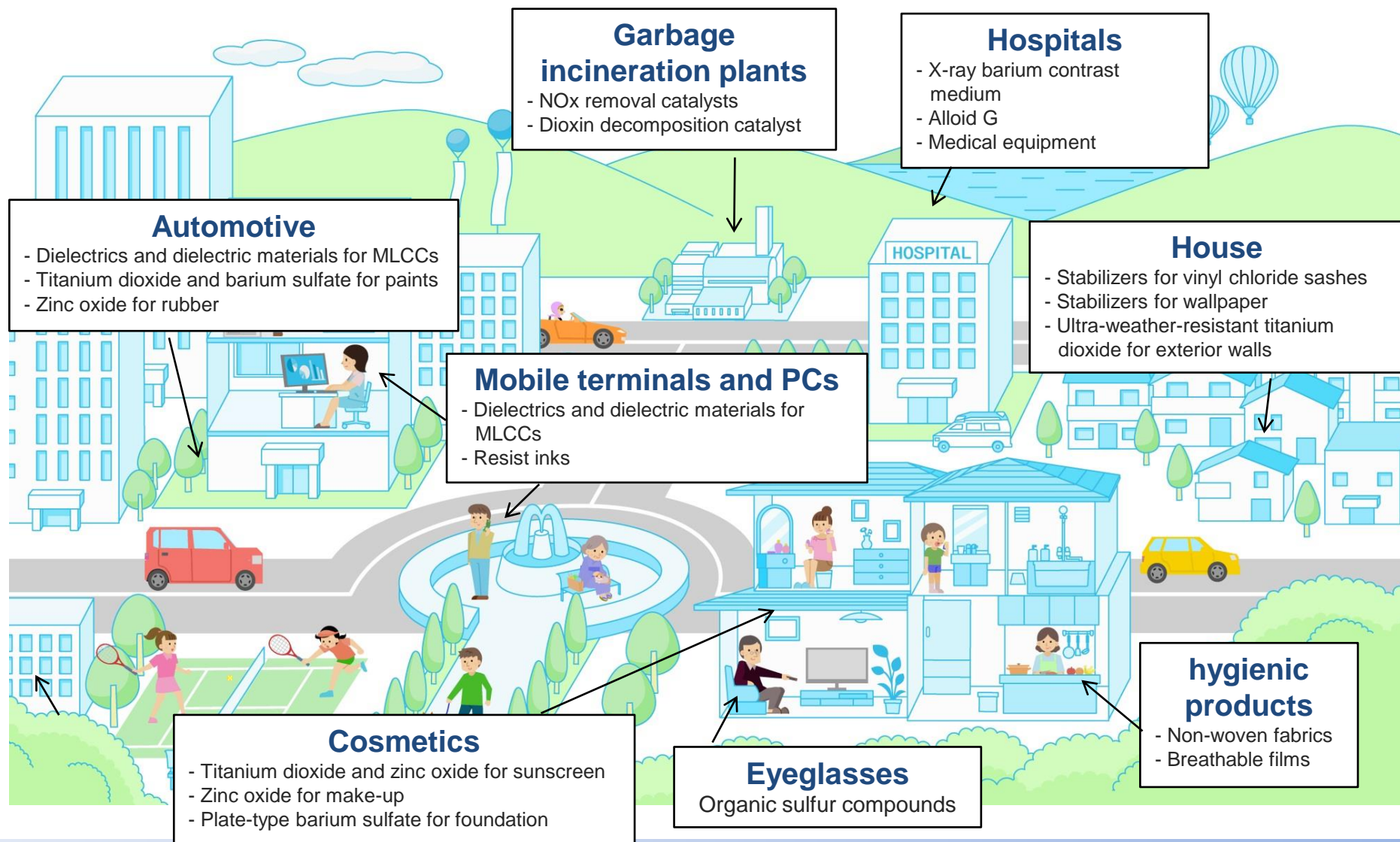
Chemicals - Sales

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

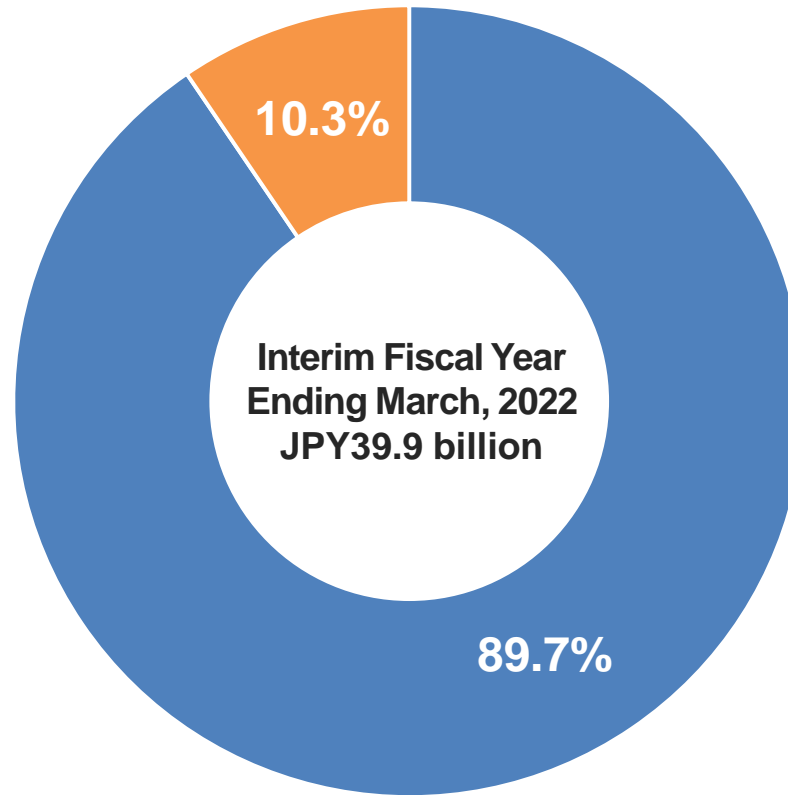
Medical

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.

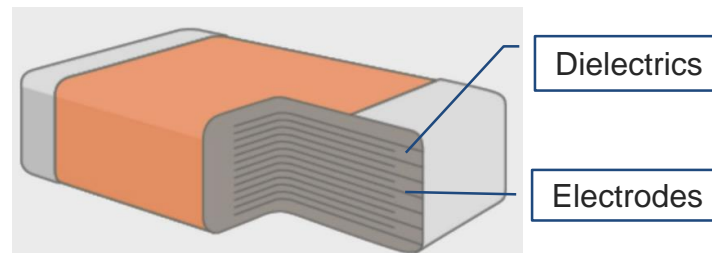


Business description: Chemicals

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

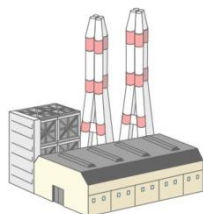
Catalysts

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

		2018.3	2019.3	2020.3	2021.3	2022.3	2022.9
Electronic materials	Net Sales	8,033	8,948	8,499	9,723	10,857	4,956
	Operating Income	969	651	117	23	1,700	753
Titanium dioxide and zinc products	Net Sales	15,758	16,341	15,305	13,563	15,718	8,945
	Operating Income	624	304	610	518	1,046	565
Plastic additives	Net Sales	11,934	12,745	12,583	11,543	12,489	6,712
	Operating Income	529	248	169	397	966	312
Hygienic products	Net Sales	8,558	8,006	8,070	9,254	5,388	2,652
	Operating Income	100	246	174	440	331	136
Organic chemicals	Net Sales	5,979	5,919	6,172	6,882	7,321	4,383
	Operating Income	548	828	1,271	1,476	1,639	939
Catalysts	Net Sales	3,427	4,257	3,703	3,210	3,644	2,062
	Operating Income	89	289	26	▲ 82	190	104
Contract processing	Net Sales	6,721	7,000	6,811	6,550	6,947	3,192
	Operating Income	882	1,031	698	632	1,029	368
Other	Net Sales	17,218	18,040	17,412	16,079	9,875	5,666
	Operating Income	800	432	356	447	170	▲ 153
Total	Net Sales	77,628	81,256	78,555	76,821	72,243	38,572
	Operating Income	4,541	4,029	3,421	3,851	7,076	3,026

Note: Headquarters division expenses are subtracted from operating income.

Quarterly Trends in the Chemical Business

Monetary units: million yen

	2021.3				2022.3				2023.3	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net Sales	18,880	17,419	19,904	20,618	17,695	18,113	17,544	18,890	19,455	19,116
Electronic materials	2,261	2,264	2,542	2,655	2,660	2,426	3,144	2,627	2,685	2,271
Titanium dioxide and zinc	3,332	2,897	3,517	3,817	3,928	3,563	3,920	4,307	4,555	4,390
Plastic additives	2,765	2,551	3,066	3,162	3,090	3,118	3,148	3,132	3,281	3,430
Hygienic products	2,337	2,411	2,200	2,306	1,283	1,223	1,503	1,379	1,225	1,426
Organic chemicals	2,162	1,300	1,584	1,837	2,250	2,171	1,089	1,810	2,172	2,211
Catalysts	645	837	1,033	695	661	824	961	1,197	910	1,151
Contract processing	1,403	1,539	1,780	1,828	1,849	1,739	1,618	1,740	1,704	1,487
Other	3,975	3,621	4,182	4,318	1,974	3,046	2,160	2,698	2,919	2,747
Operating Income	967	387	1,267	1,230	2,111	2,012	1,452	1,501	1,736	1,289

Note: Headquarters division expenses are subtracted from operating income.

Kaigen Pharma Sales Trends by Product

Monetary units: million yen

	2018.3	2019.3	2020.3	2021.3	2022.3	2022.9
Barium contrast medium	2,327	2,265	2,291	2,043	2,173	1,046
Alloid G	860	990	1,221	1,193	1,167	550
Medical equipment	2,290	2,373	2,445	2,453	2,611	1,371
OTC pharmaceuticals	1,463	1,190	1,144	1,026	812	381
Other	1,645	1,608	1,722	1,557	1,420	773
Total	8,585	8,426	8,823	8,272	8,185	4,285

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.