



**SAKAI CHEMICAL INDUSTRY CO., LTD.**

**Interim Financial Results Briefing for  
Fiscal Year Ending March 2024**

**December 1, 2023**

Tokyo Stock Exchange, Prime Market Securities Code: 4078

# Key Takeaways of This Briefing

Business conditions remained weaker than anticipated, leading to decreased revenue and profit. The full year forecast has been revised downward, as no significant recovery is expected in the second half either.

- Despite proactive facility expansion of electronic/cosmetic materials, positioned as growth businesses, under the current medium-term management plan, recovery is expected to remain slow within the fiscal year based on market conditions
- Cosmetics materials for the domestic market have made a recovery. Have also been impacted by inventory adjustments in the US/EU, economic decline in China, etc.
- In plastic additives, operations at lead production facilities have declined due to a shift to lead-free products in Southeast Asia. Lead-free product sales will be bolstered to accelerate a shift in revenue base
- In titanium dioxide, external conditions, such as increased import of cheap Chinese products, have deteriorated. Not only will existing prices be revised, but additional measures will be taken.

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# **1. Interim Financial Results and Results by Segment for the Fiscal Year Ending March 31, 2024**

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# Summary of Interim Results for the Fiscal Year Ending March 31, 2024 (compared to the same period of the previous year)

(million yen)

	2023.3 2Q		2024.3 2Q		Increase/decrease	
		Net sales comparison		Net sales comparison		
<b>Net sales</b>	42,694	—	40,471	—	(2,222)	(5.2%)
<b>Operating income</b>	3,267	7.7%	917	2.3%	(2,350)	(71.9%)
<b>Ordinary income</b>	3,830	9.0%	885	2.2%	(2,944)	(76.9%)
<b>Net income attributable to owners of parent</b>	2,871	6.7%	(2,033)	—	(4,905)	(170.8%)

## ➤ Factors Behind Reduced Revenue and Profit

In the titanium dioxide business, deteriorating market conditions due to increased influx of cheap Chinese products have led to decreased sales volume, and revenue and profit decreased due in part to the impact of decreased operation rates due to production adjustments.

## ➤ Supplemental Information (On Net Loss This Term)

Due to the reversal of deferred tax assets (1,932 million yen), net income was negative.

# Net Sales and Operating Income by Business (compared with the same period of the previous year)

		2023.3 2Q	2024.3 2Q	Increase/decrease	
<b>Chemical Business</b>	Net sales	38,572	36,313	(2,259)	(5.9%)
	Operating income	4,163	1,896	(2,266)	(54.4%)
<b>Medical Business</b>	Net sales	4,122	4,158	36	0.9%
	Operating income	240	144	(95)	(39.6%)
<b>Expenses for entire company</b>	Net sales	—	—	—	—
	Head office expenses	(1,136)	(1,124)	12	—
<b>Total</b>	Net sales	42,694	40,471	(2,222)	(5.2%)
	Operating income	3,267	917	(2,350)	(71.9%)

(million yen)

➤ **Chemical Business: Decreased Revenue and Profit**

Revenue and profit decreased due to significantly decreased sales volume, particularly in titanium dioxide.

➤ **Chemical Business: Increased Revenue, Decreased Profit**

Increased sales volume of supplements and other new business products as well as strong sales volume in existing businesses such as refurbished medical devices or OTC medicine led to increased revenue. However, decreased sales volume of barium contrast agents and Alloid G as well as drug price markdowns had significant impact, leading to decreased profits.

# About the Balance Sheet

Amount units: million yen

Consolidated balance sheet	2023.3	2023.9	Increase/ decrease
<b>Current assets</b>	72,101	76,250	4,149
Cash and deposits	12,409	15,645	3,235
(1) Inventories	30,125	30,231	106
<b>Non-current assets</b>	55,920	55,325	(595)
Property plant and equipment	46,761	46,635	(126)
(2) Intangible assets	1,368	1,257	(110)
Investments and other assets	7,790	7,432	(358)
<b>Total assets</b>	128,201	131,575	3,554
<b>Current liabilities</b>	29,237	31,066	1,828
<b>Non-current liabilities (3)</b>	14,066	19,853	5,786
<b>Total liabilities</b>	43,304	50,919	7,615
<b>Net assets</b>	84,717	80,656	(4,061)
<b>Liabilities and net assets</b>	128,021	131,575	3,554
Equity-to-asset ratio (%)	62.9	60.5	(2.4)
Interest-bearing liabilities (total)	21,642	23,371	1,728

## (1) Factors behind inventory changes (including year-end financial results adjustments)

Volume impact: -600 million yen (compared to end of the previous fiscal year)

Unit impact: +700 million yen (compared to end of the previous fiscal year)

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Total: +100 million yen

Regarding inventory that decreased over the end of the previous term, volume has decreased as a result of production adjustments.

## (2) Major factors behind changes in investments and other assets

A: Amount impacted by valuation of investment securities

+ 1,012 million yen

B: Amount impacted by reversal of deferred tax assets

(1,932 million yen)

## (3) Major factors behind increase in fixed liabilities

Convertible bonds issued: 3,000 million yen

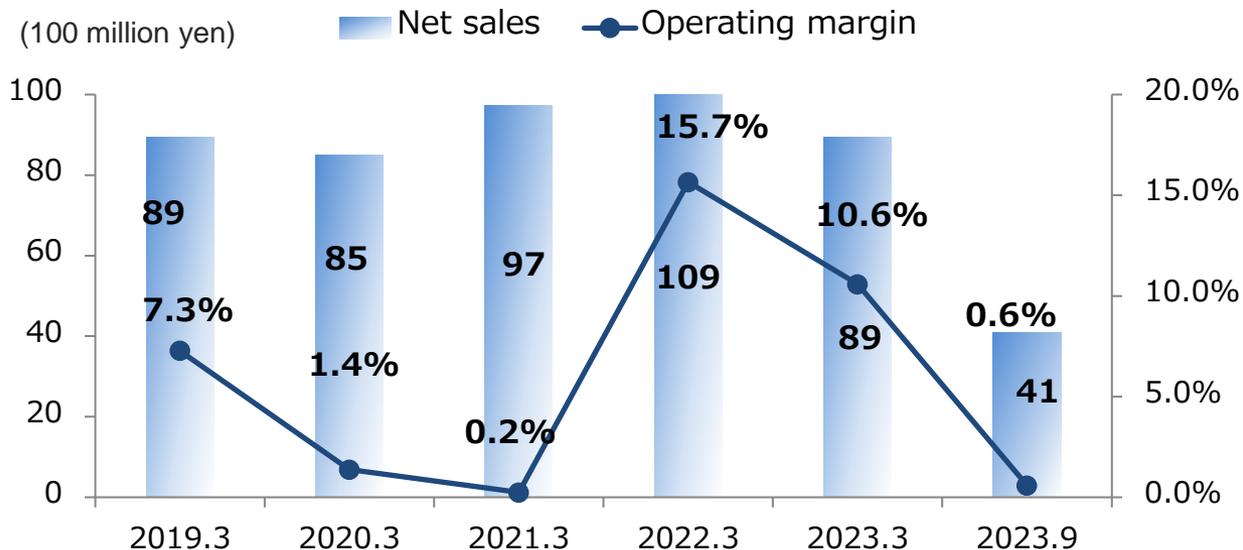
Long-term borrowings: 1,995 million yen

# About the Cash Flow Statement

Units: million yen	2022.4 to 9	2023.4 to 9	Increase/ decrease
<b>Cash balance at start of period</b>	10,549	12,188	1,639
Profits before tax	4,218	773	▲ 3,445
Depreciation	2,191	2,255	64
(1) Inventories	▲ 4,860	60	4,920
Other	▲ 427	99	526
<b>Operating CF</b>	1,122	3,187	2,065
Capital investment	▲ 1,319	▲ 1,646	▲ 327
Sale of shares	181	60	▲ 121
Other	▲ 147	▲ 39	108
<b>Investment CF</b>	▲ 1,285	▲ 1,625	▲ 340
<b>FCF</b>	▲ 163	1,562	1,725
Long/short-term borrowings	1,620	1,704	84
(2) Corporate bonds issued		3,000	3,000
(3) Subsidiary stocks acquired		▲ 2,631	▲ 2,631
Other	▲ 614	▲ 486	128
<b>Financial CF</b>	1,006	1,587	581
<b>Cash balance at end of period</b>	11,667	15,524	3,857

(FCF = CF from operations + CF from investments)

- (1) Sales cash flow improved by reducing inventory.
- (2) Convertible bonds issued to procure 3,000 million yen.
- (3) Sakai Trading Co., Ltd. was made a wholly-owned subsidiary, resulting in 2,631 million yen as of the end of September 2023. The forecast for the total amount is approximately 3,200 million yen.



- Year-on-year Comparison (million yen)

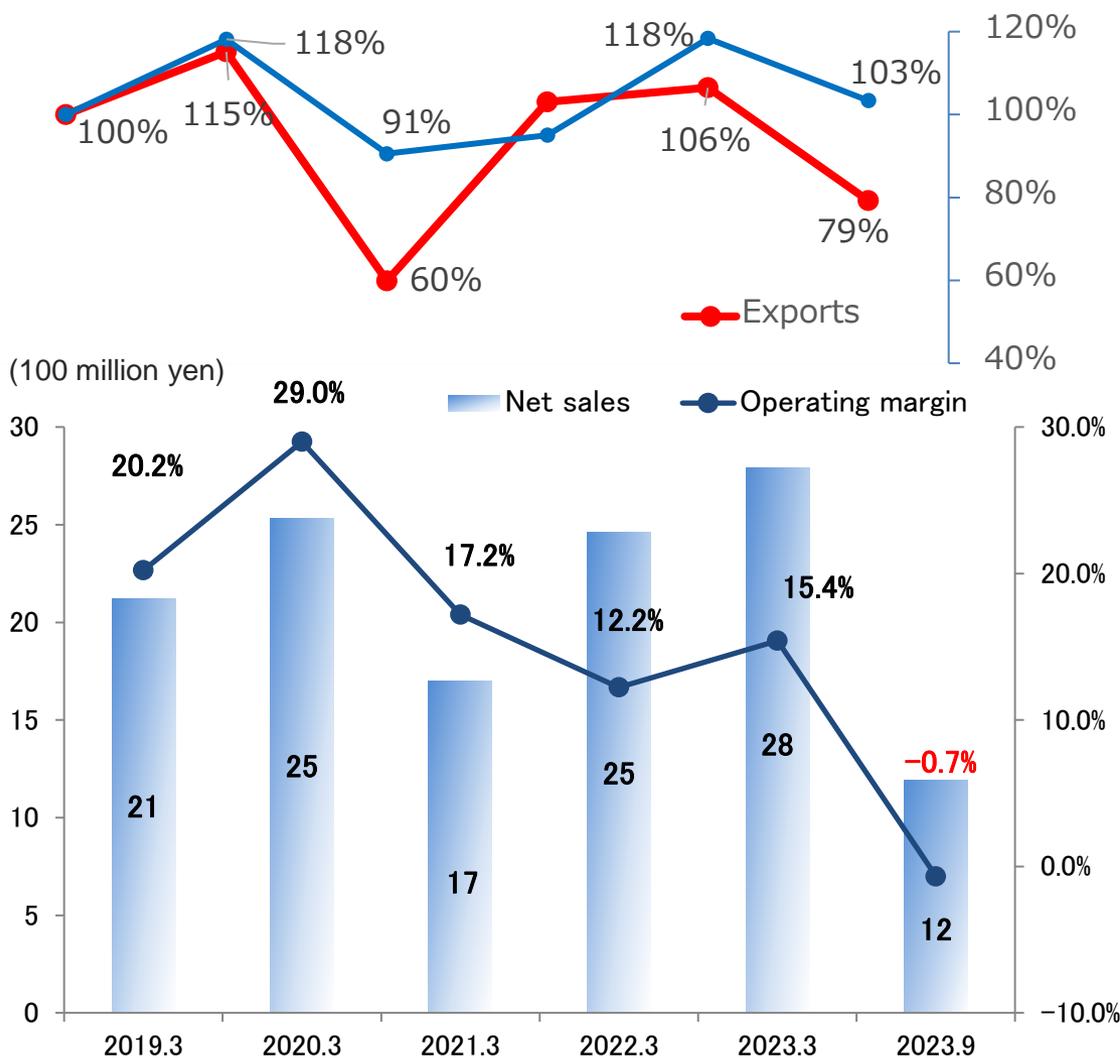
	2022.9	2023.9	Increase/decrease	
Net sales	4,956	4,097	(859)	(17.3%)
Operating income	753	24	(729)	(96.8%)

### Key points of the interim financial results for the fiscal year ending March 31, 2024

- Shipment volume decreased. (-25.2% year-on-year)

The semiconductor market for computers, mobile devices, and other consumer devices has been sluggish since the second half of the previous fiscal year, and decreased shipments of both our dielectrics (barium titanate) and dielectric materials (high-purity barium carbonate) have led to decreased revenue and profit.

(\*Trends in domestic and international sales volume with average shipment volume from the fiscal year ended March 2019 as 100)



### Key points of the interim financial results for the fiscal year ending March 31, 2024

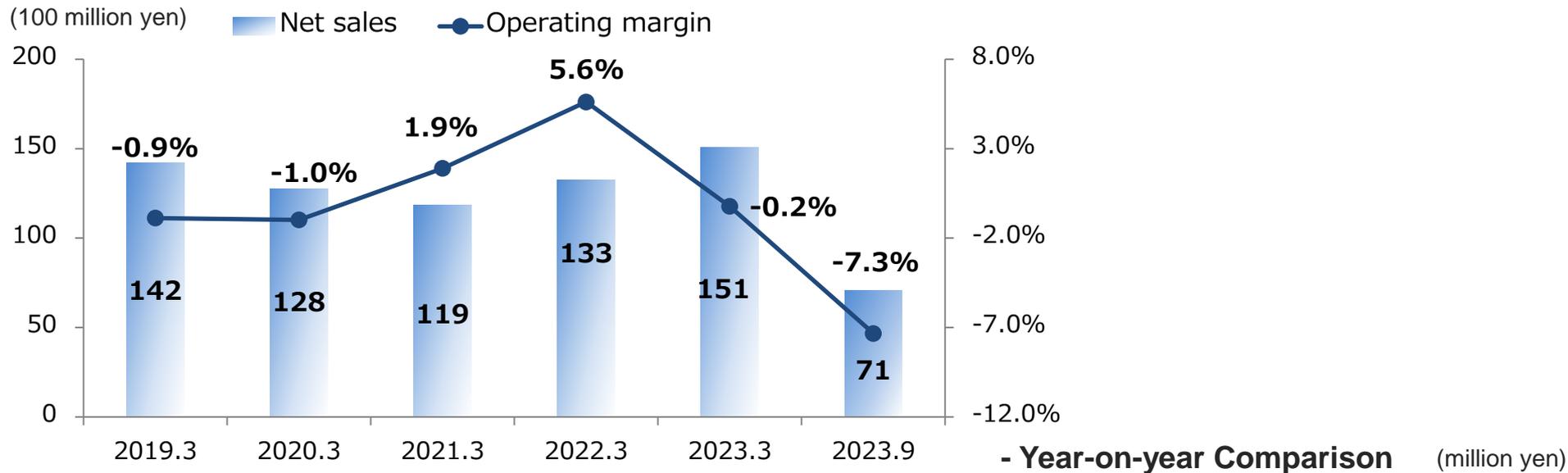
- International sales experienced a particularly large drop.
- Overall sales volume -16.9% year-on-year
- Production adjustments to reduce inventory also had an impact, and when factory shutdown costs were taken into account, the result was an operating loss.

### - Year-on-year Comparison (million yen)

	2022.9	2023.9	Increase/decrease	
Net sales	1,348	1,194	(154)	(11.4%)
Operating income	203	(8)	(211)	(103.8%)

# Titanium dioxide and zinc products (excluding cosmetics materials)

Businesses considered for  
efficiency improvement



	2022.9	2023.9	Increase/decrease	
Net sales	7,596	7,082	(514)	(6.8%)
Operating income	362	(519)	(881)	(243.4%)

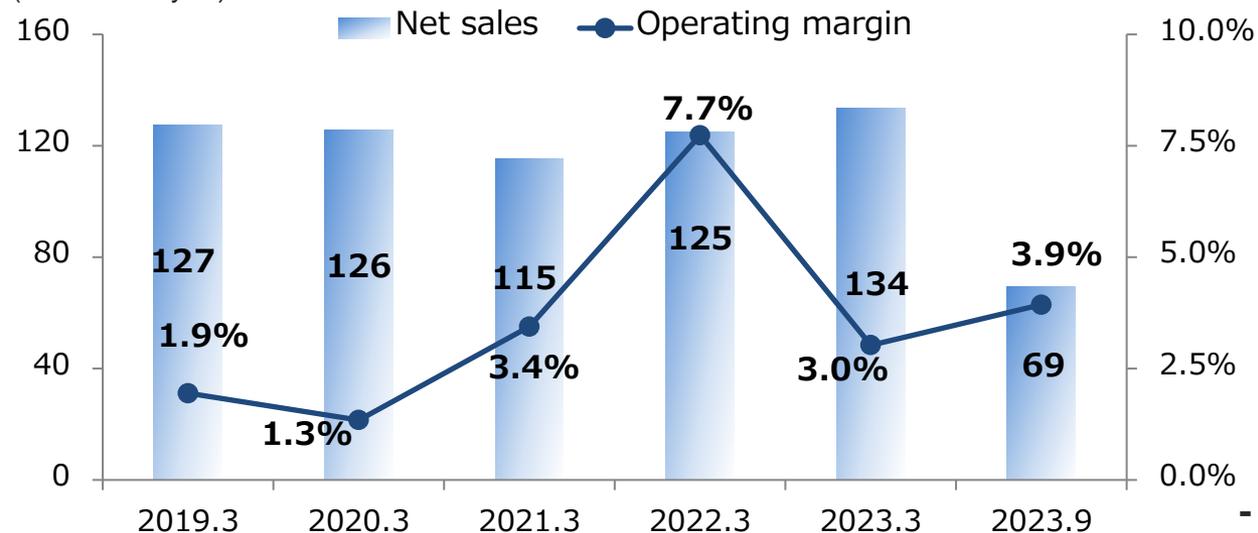
## Key points of the interim financial results for the fiscal year ending March 31, 2024

- Titanium dioxide: Despite price revisions gradually permeating the market, the onslaught of cheap Chinese products has worsened market conditions, with decreased shipment volume compared to the previous fiscal year and lower operating rates leading to decreased revenue and profit. (Volume: -20.4%)
- Zinc products: While sales volume for automobile tires has remained steady, zinc market prices have dropped significantly compared to the previous fiscal year, which affected unit sales prices, leading to decreased revenue and profit.

# Plastic additives

Businesses considered for efficiency improvement

(100 million yen)



- Year-on-year Comparison (million yen)

	2022.9	2023.9	Increase/decrease	
Net sales	6,712	6,944	232	3.5%
Operating income	312	273	(39)	(12.5%)

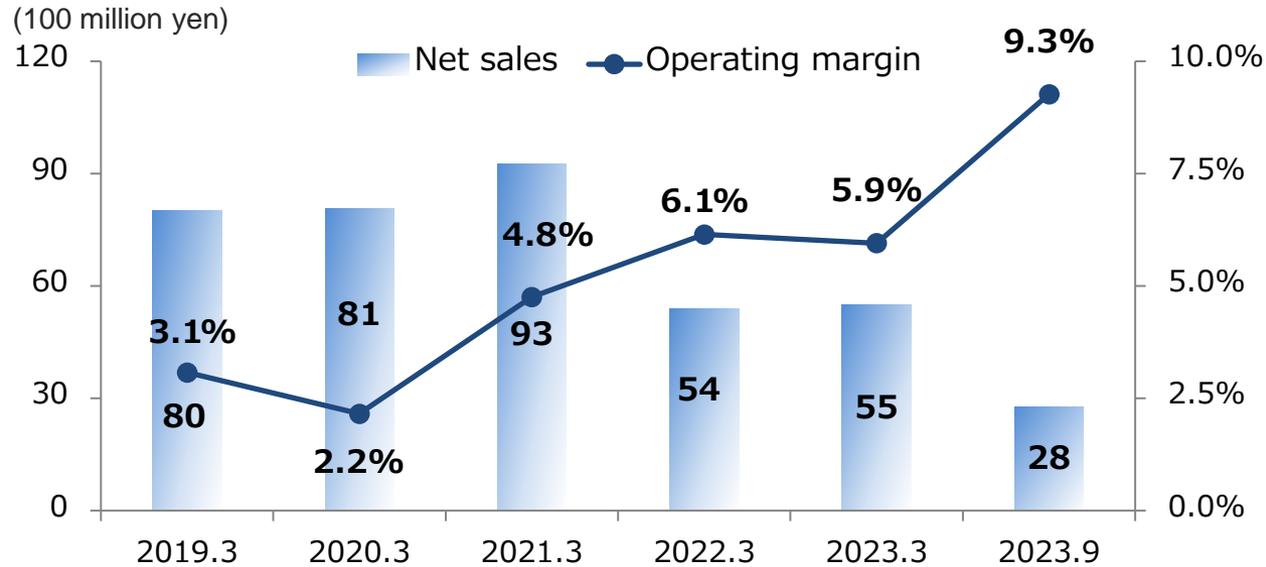
## Key points of the interim financial results for the fiscal year ending March 31, 2024

- In products aimed at the domestic market, price revisions have permeated the market, but demand for PVC used in joints, pipes, and construction materials used widely in housing, etc., has dropped, leading to a decrease in sales volume and consequently decreased revenue and profit.
- In products aimed at the international market, despite decreased sales volume of lead-based stabilizers in Thailand amid a switch from lead to lead-free stabilizers, increased sales volume of lead-free stabilizers in Thailand and Vietnam as well as permeation of price revisions throughout the market have led to increased revenue and profit.



# Hygienic products

Stable businesses



- Year-on-year Comparison (million yen)

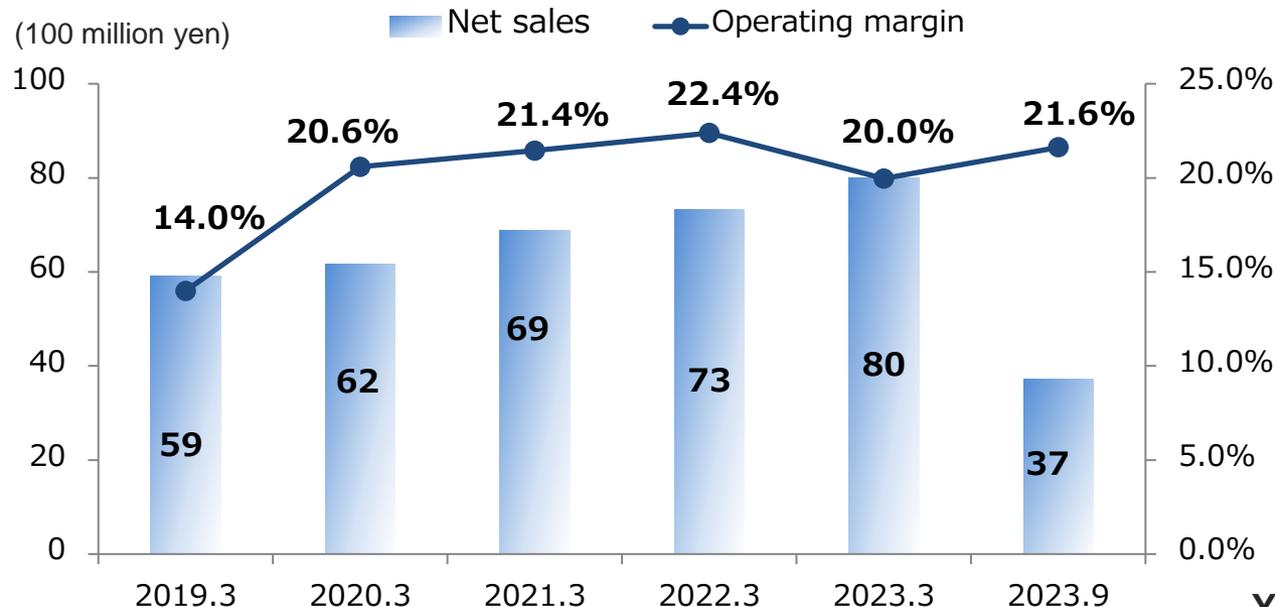
	2022.9	2023.9	Increase/decrease	
Net sales	2,652	2,763	111	4.2%
Operating income	136	256	120	88.2%

## Key points of the interim financial results for the fiscal year ending March 31, 2024

- Cost pass-through and cost reductions have led to increased revenue and profit.

# Organic chemicals

Stable businesses



- Year-on-year Comparison (million yen)

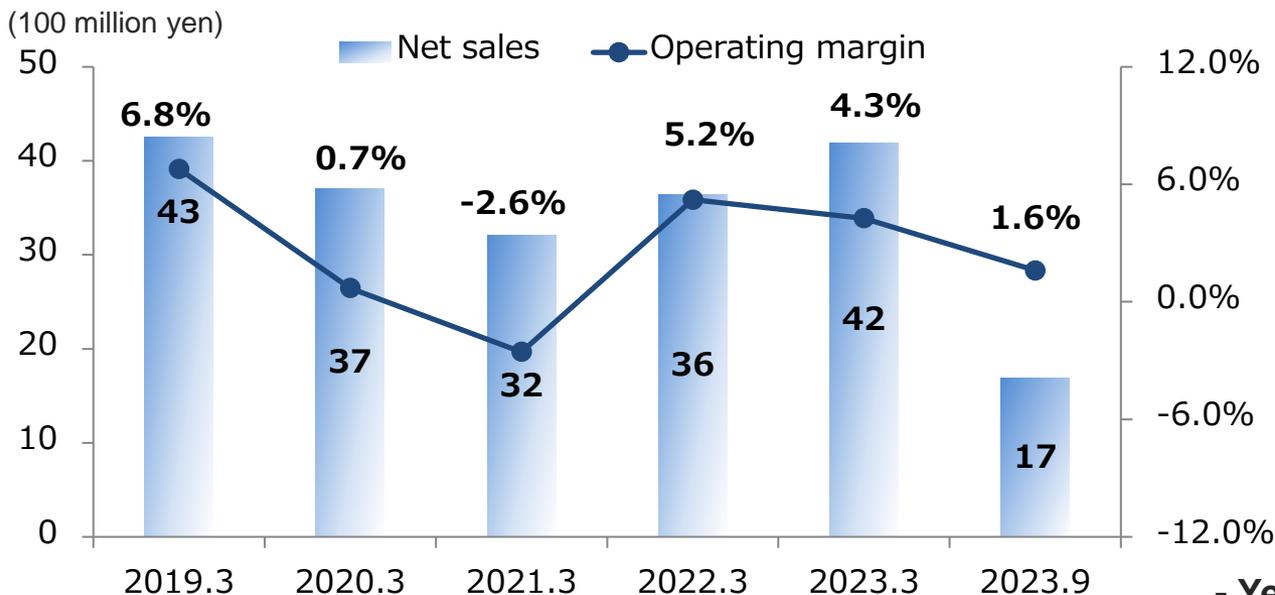
	2022.9	2023.9	Increase/decrease	
Net sales	4,383	3,727	(656)	(15.0%)
Operating income	939	806	(133)	(14.2%)

## Key points of the interim financial results for the fiscal year ending March 31, 2024

- In active pharmaceutical ingredients (API) and intermediates, API sales volume has increased but pharmaceutical intermediate sales volume has decreased, leading to decreased revenue and profit.
- In this products, sales volume of plastic lens additives surpassed initial forecasts, leading to increased revenue. However, despite progress in cost pass-through for raw material and fuel price hikes, the impact of further price hikes could not be avoided, leading to decreased profits.

# Catalysts

Businesses considered for efficiency improvement



- Year-on-year Comparison (million yen)

	2022.9	2023.9	Increase/decrease	
Net sales	2,062	1,689	(373)	(18.1%)
Operating income	104	27	(77)	(74.0%)

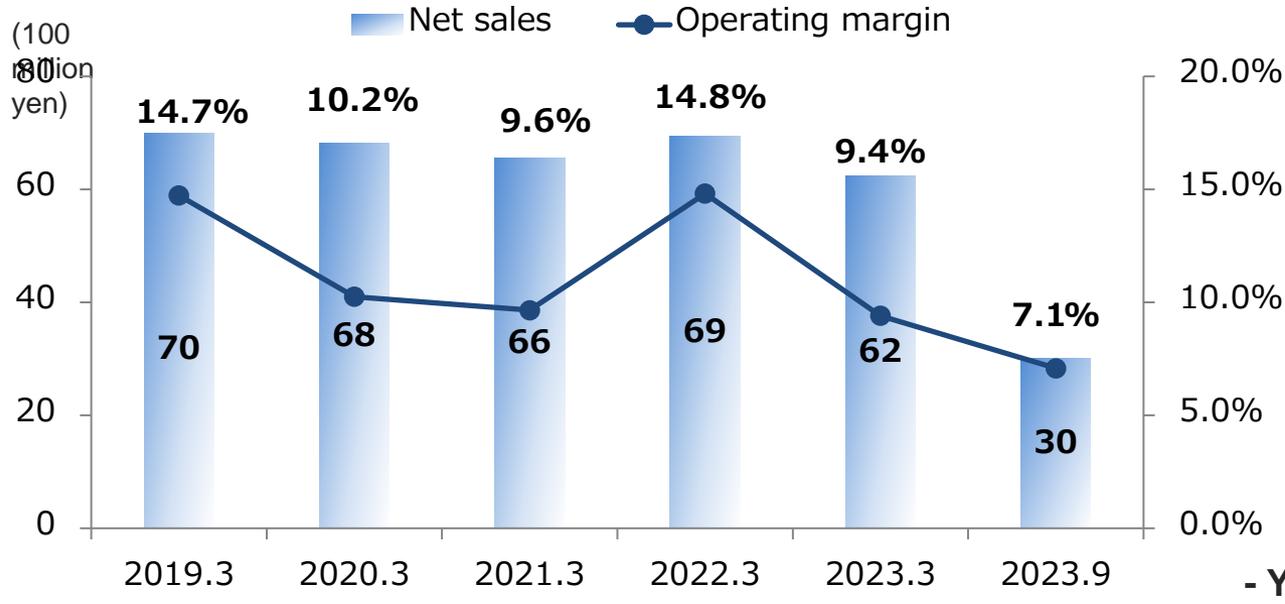
## Key points of the interim financial results for the fiscal year ending March 31, 2024

- For nickel catalysts used in resin hydrogenation processes, progress has been made in cost pass-through for raw material price hikes, leading to improved revenue.
- For deNOx catalysts used in thermal power plants and waste incinerators, sales of large-scale properties overseas, which contributed to performance in the previous fiscal year, have slowed, leading to decreased revenue and profit.



# Contract processing

Stable businesses

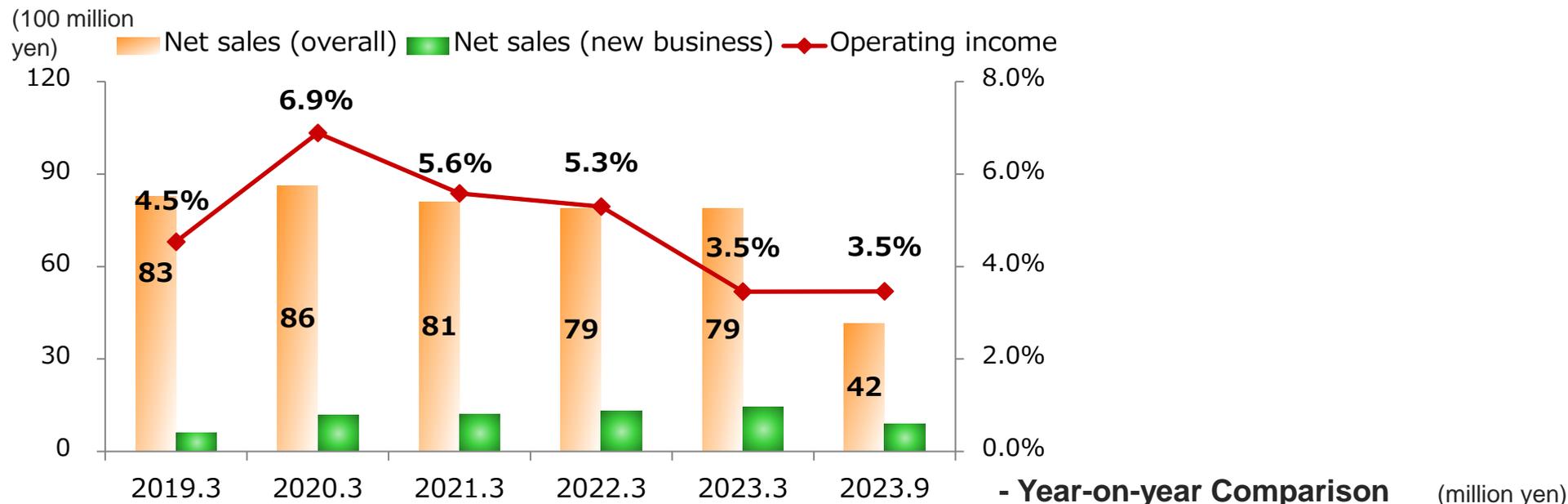


- Year-on-year Comparison (million yen)

	2022.9	2023.9	Increase/decrease	
Net sales	3,192	3,009	(183)	(5.7%)
Operating income	368	213	(155)	(42.1%)

## Key points of the interim financial results for the fiscal year ending March 31, 2024

- Processed pigment sales for the automotive industry have increased compared to the previous fiscal year, but due to decreased sales of pigment for building materials and bath additives as well as the impact of raw material and fuel price hikes, revenue and profit have decreased.
- In contracted processes as baking, mixing, and drying, a major project has come to an end, resulting in decreased revenue and profit.



	2022.9	2023.9	Increase/decrease	
Net sales	4,122	4,158	(36)	(0.9%)
Operating income	240	144	(96)	(40.0%)

## Key points of the interim financial results for the fiscal year ending March 31, 2024

- Barium contrast agent shipment volume for both the domestic market and exports has decreased, and the impact of raw material and fuel price hikes has led to decreased revenue and profit.
- Both revenue and income from Alloid G declined due to the impact of NHI price reductions and lower sales volume.
- In medical devices, the launch of a refurbished endoscope washing and disinfection product has led to steady shipment volume growth.
- The cold medicine Kaigen and other OTC drugs have performed well, leading to increased revenue and profit.
- Sales volume of products for cosmetic treatment providers (UV supplements), a new business area we are focused on, has surpassed the initial forecast, leading to increased revenue and profit.

# Full Year Forecast for the Fiscal Year Ending March 31, 2024

Amount units: million

	2023.3		2024.3					
	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
<b>Net sales</b>	83,861	—	40,471	—	43,529	—	84,000	0.2%
<b>Operating income</b>	4,407	5.3%	917	2.3%	983	2.3%	1,900	(56.9%)
<b>Ordinary income</b>	4,854	5.8%	885	2.2%	815	1.9%	1,700	(65.0%)
<b>Net income attributable to owners of parent</b>	2,344	2.8%	(2,033)	—	1,233	2.8%	(800)	(134.1%)

- In sales, the recovery in demand especially for electronic materials in the second half initially forecast is no longer anticipated, and as such has been revised downward from 91,000 million yen in the initial plan to 84,000 million yen. (7.7%)
- In operating profit, as in sales, the recovery in demand for electronic materials in the second half is no longer anticipated, and as such has been revised downward significantly from 4,500 million yen in the initial plan to 1,900 million yen. (57.8%)

## **2. Deviation From Initial Forecast & Looking Ahead**

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# Deviation From Initial Forecast for the Fiscal Year Ending March 31, 2024

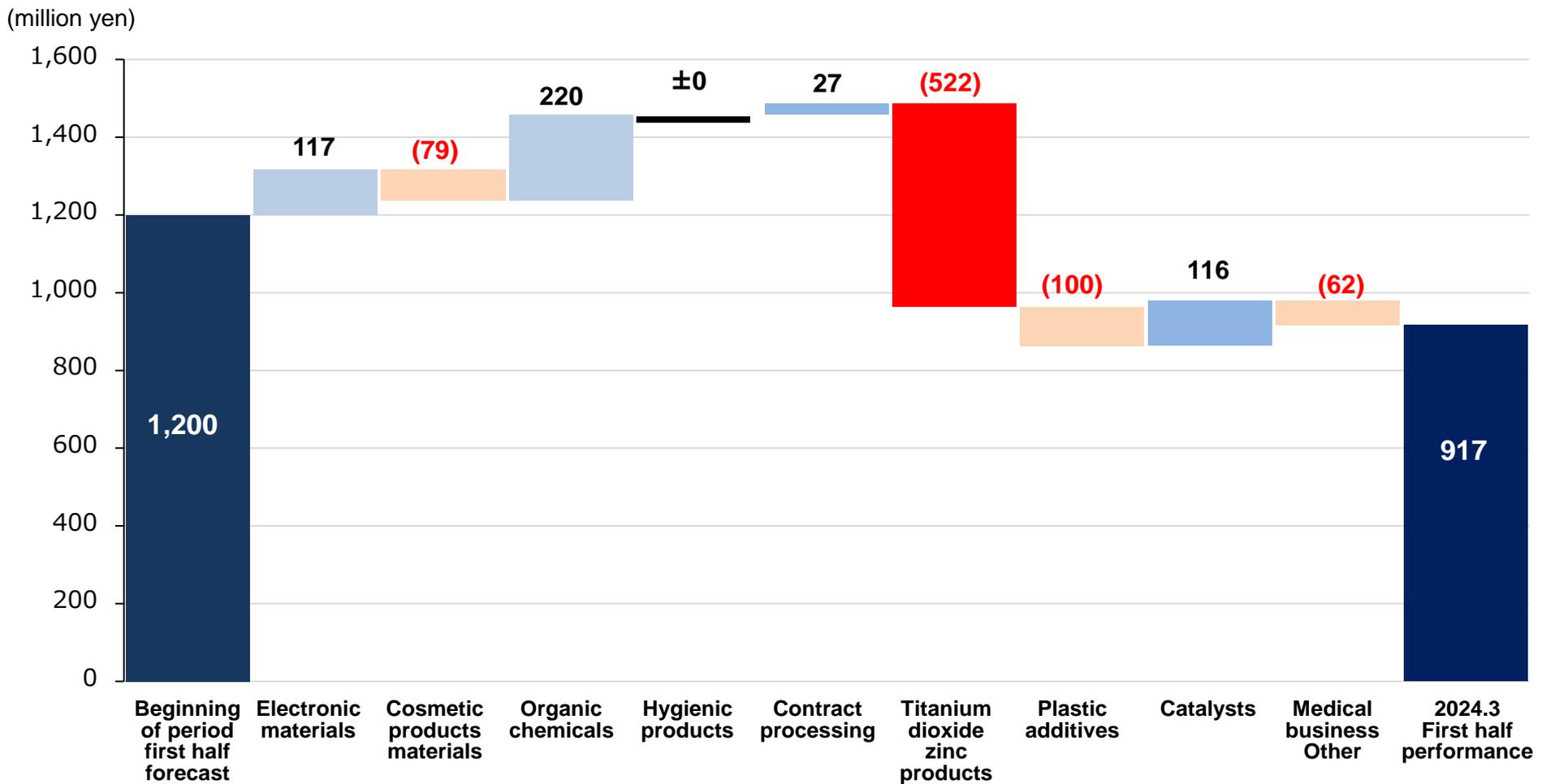
(million yen)

		Initial forecast	First half results	Revised forecast	Amount changed	Percentage changed
Net sales	First half	43,000	40,471		(2,529)	(5.9%)
	Second half	48,000		43,529	(4,471)	(9.3%)
	Full year	91,000		84,000	(7,000)	(7.7%)
Operating income	First half	1,200	917		(283)	(23.6%)
	Second half	3,300		983	(2,317)	(70.2%)
	Full year	4,500		1,900	(2,600)	(57.8%)

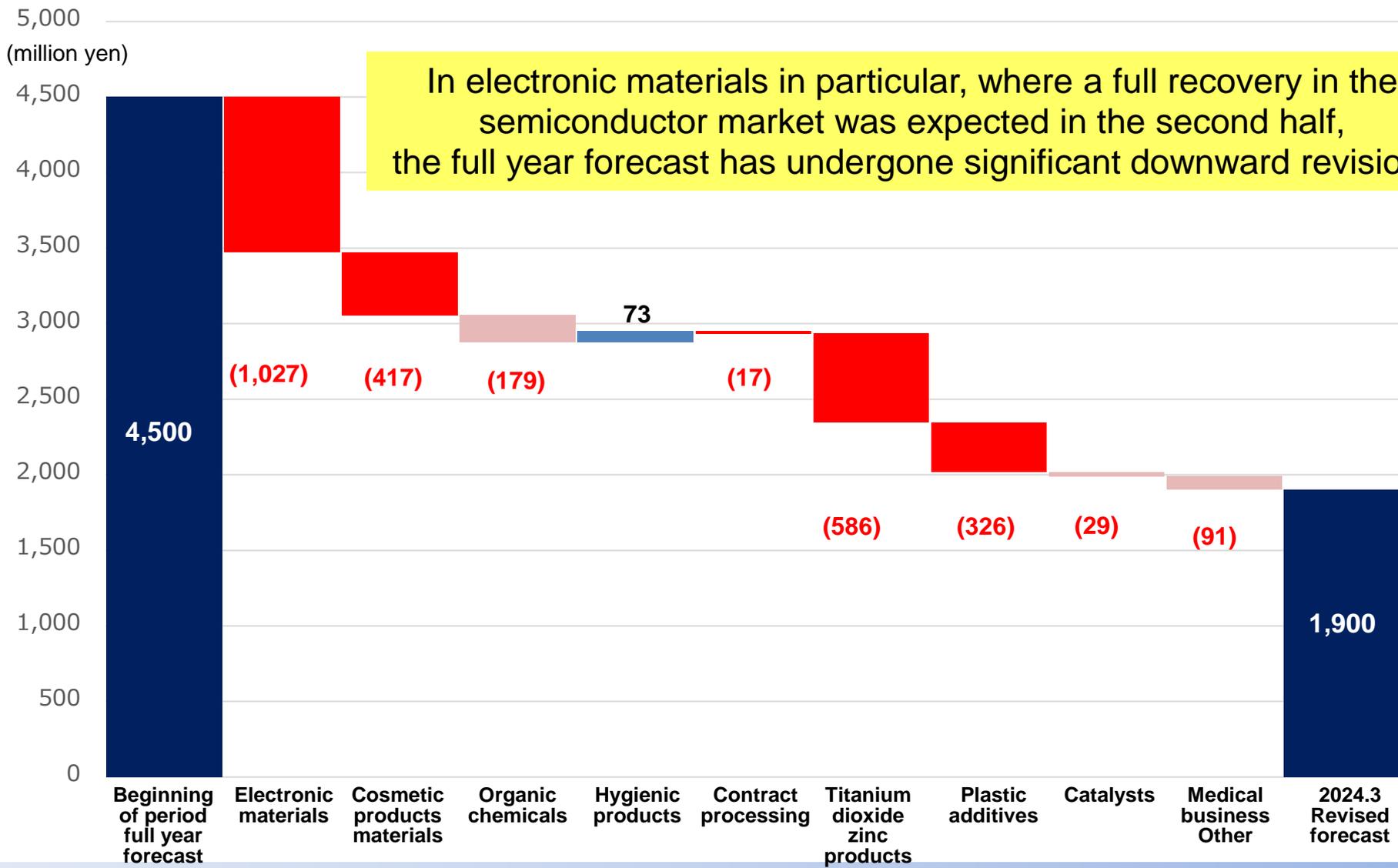
- The forecast for business performance in the second half has undergone significant downward revision compared to the initial forecast.

# Breakdown of difference in amount from initial forecast for the first half of the fiscal year ending March 31, 2024 (by sub-segment)

While some sub-segments surpassed initial forecasts, profits for titanium dioxide and zinc products decreased significantly

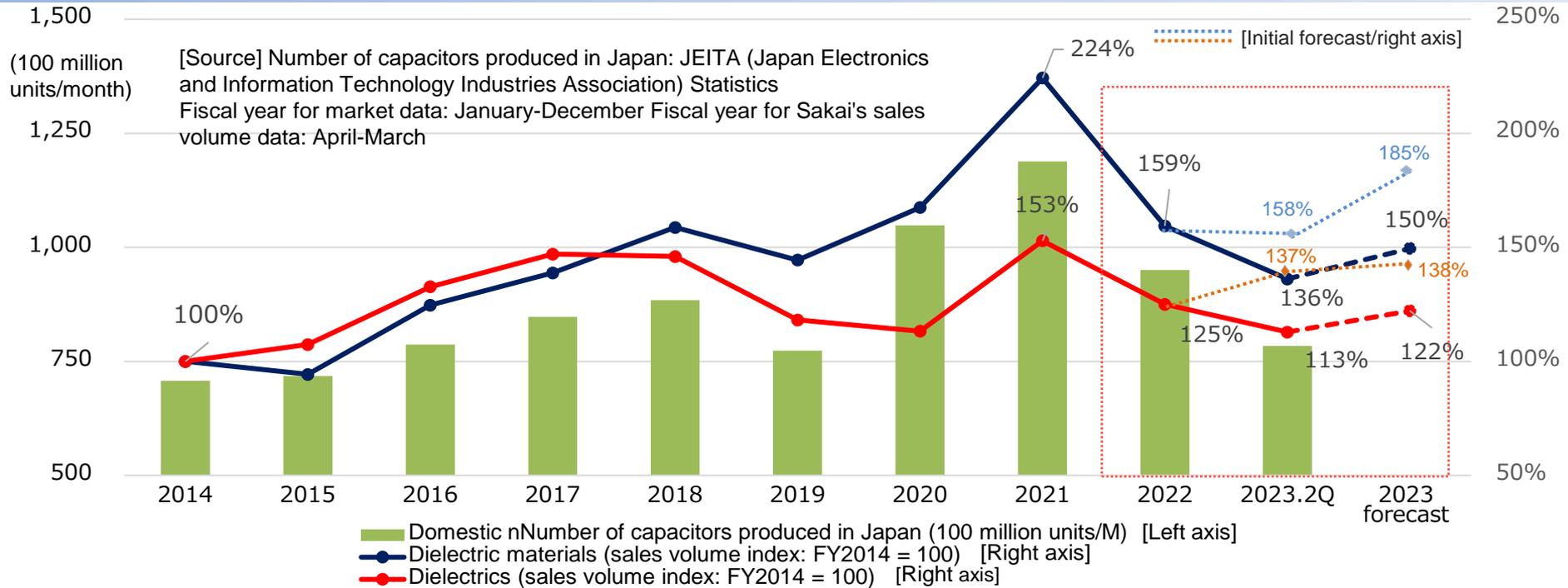


# Breakdown of difference in amount from initial forecast for the first half of the fiscal year ending March 31, 2024 (by sub-segment)



# [Electronic materials] Current sales volume by Sakai has decreased in proportion to the number of capacitors produced in Japan

Growth businesses



While a V-shaped recovery in the semiconductor market is not expected, market conditions are expected to gradually improve, resulting in a recovery in Sakai's sales volume.

Future

Dielectrics

Leveraging particle miniaturization technology that excels in hydrothermal synthesis, we are currently focused on the volume zone for nanoparticles.

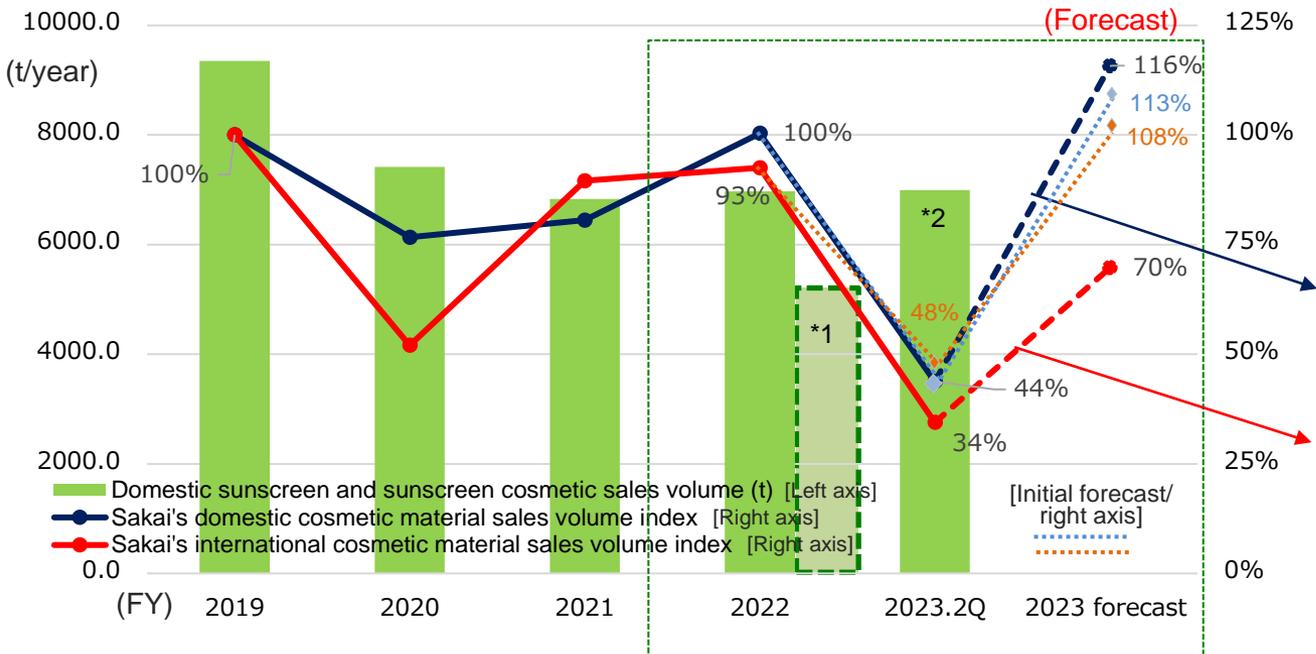
Dielectric materials

Sakai's production system is already in place for the recovery/increase in the number of domestically produced capacitors, and we will first raise the operation rate.



# [Cosmetic materials] International sales volume sluggish, domestic sales volume expected to increase

Growth businesses



Source: METI Production Trend Timeline (Domestic sunscreen and sunscreen cosmetic sales volume) Fiscal Year: January to December  
 [\*1] Total volume from January to August 2022  
 [\*2] Total volume from January to August 2023

**(Domestic)**  
 Volume expected to increase in the second half when demand as a material is higher due to recovery of sunscreen consumption in summer

**(International)**  
 Inventory adjustments for shipments immediately after the end of the COVID-19 pandemic from FY 2021-2022 are ongoing. The impact of stagnant Chinese consumption on Sakai's shipment volume is under investigation.

## Growth strategy

Organizational restructuring	Cosmetic Innovation Department has been established. Plans to strengthen material development and ability to meet client needs by consolidating marketing, development, and sales.
Overseas expansion	Sales will be bolstered primarily in the US. Outside of the US, the supply system will be strengthened while complying with area-specific chemical substance regulations.
New areas	We will leverage our wealth of experience in handling such elements as Ba and Ca in addition to Zn and Ti to expand beyond sunscreens in the field of cosmetics. (Makeup materials)

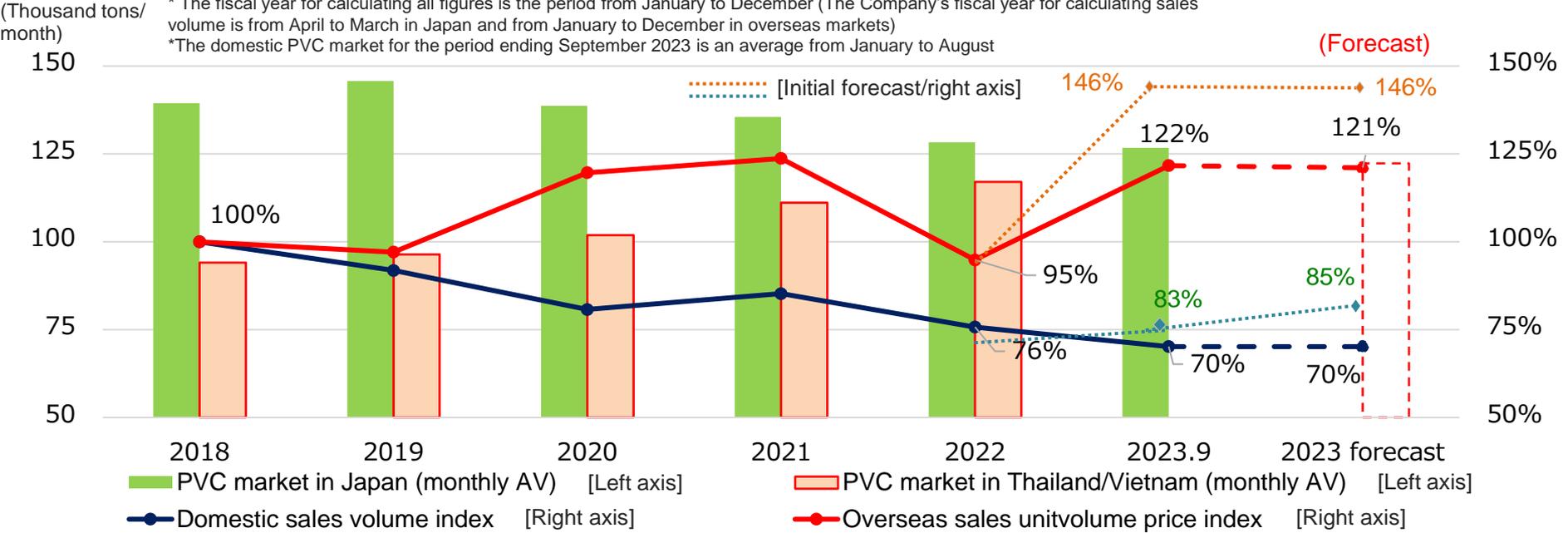


# [Plastic additives] In international products, there has been a temporary impact due to a shift from lead to lead-free products. Sales expansion will continue primarily in Southeast Asia, where PVC demand is growing

**Businesses considered for efficiency improvement**

Sources: Domestic market conditions: Ministry of Economy, Trade and Industry Chemical Industry Statistics (PVC shipment volume)  
 Overseas market conditions: IHS statistics (PVC shipment volume)  
 \* The fiscal year for calculating all figures is the period from January to December (The Company's fiscal year for calculating sales volume is from April to March in Japan and from January to December in overseas markets)  
 \*The domestic PVC market for the period ending September 2023 is an average from January to August

\*FY 2018 sales volume = 100%



- Demand for irrigation equipment and infrastructure development in Southeast Asia, primarily Thailand and Vietnam, is expected to expand in the medium to long term. Technical training at the head factory for local staff is currently underway to enable agile local sales.
- The current sales volume for lead-based stabilizers in the international market has been lackluster due to a shift from lead-based to lead-free stabilizers.

	2018	2019	2020	2021	2022	2023 2Q	2023
*Overseas sales ratio	31.8%	33.1%	40.9%	40.4%	36.9%	44.8%	44.6%

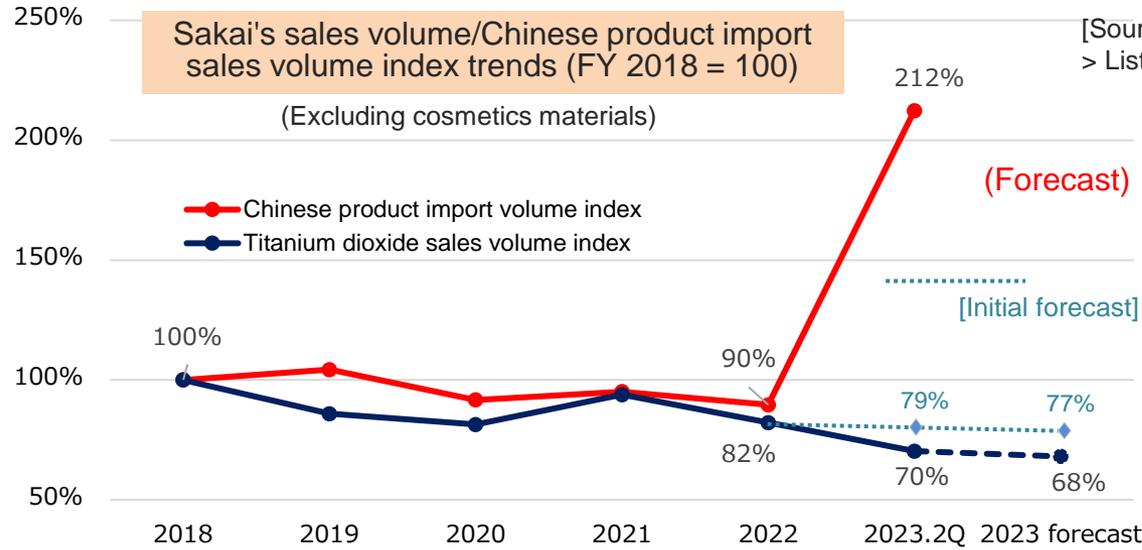
\* Calculations are based on local sales volumes at local subsidiaries in Thailand and Vietnam

[Forecast]



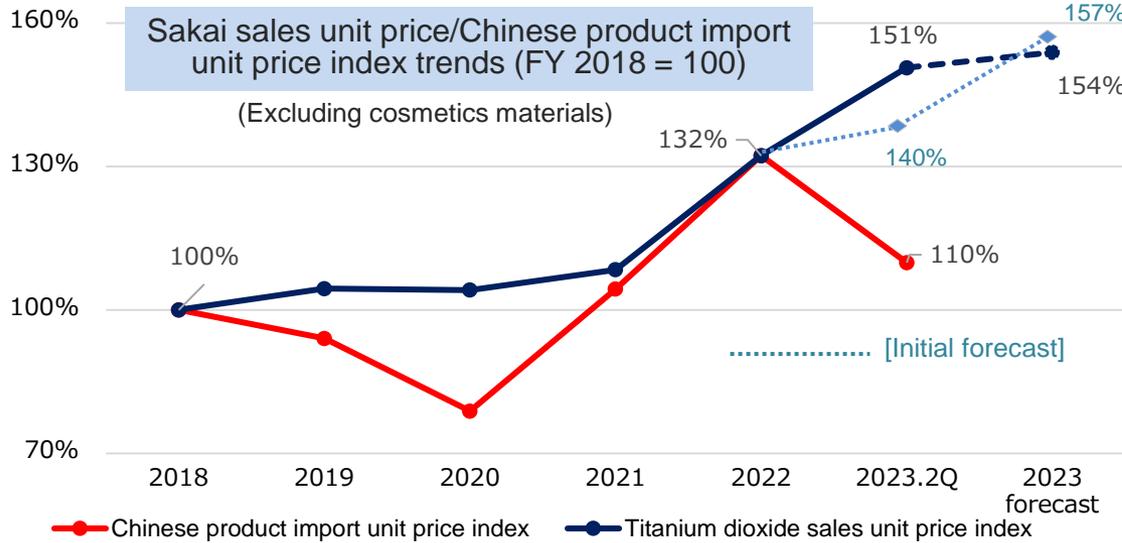
# Trends in External Conditions, Sales Volume, and Unit Sales Price in the Titanium Dioxide Business

Businesses considered for efficiency improvement



**\*\*Key Takeaways for Sales Volume\*\***  
Imports of Chinese products in Japan have been declining since the COVID pandemic, but have increased significantly since FY 2023. Sakai's sales volume is on a downward trend despite a temporary increase in FY 2021.

**Under these harsh external conditions, we will closely monitor the development of Chinese products and not only continue with sales price revisions but take additional measures as well.**



**\*\*Key Takeaways for Sales Unit Price\*\***  
Chinese product sales unit prices have dropped significantly starting in 2023. Sakai's sales unit prices have continued to rise due to repeated revisions, leading to the current gap in prices.



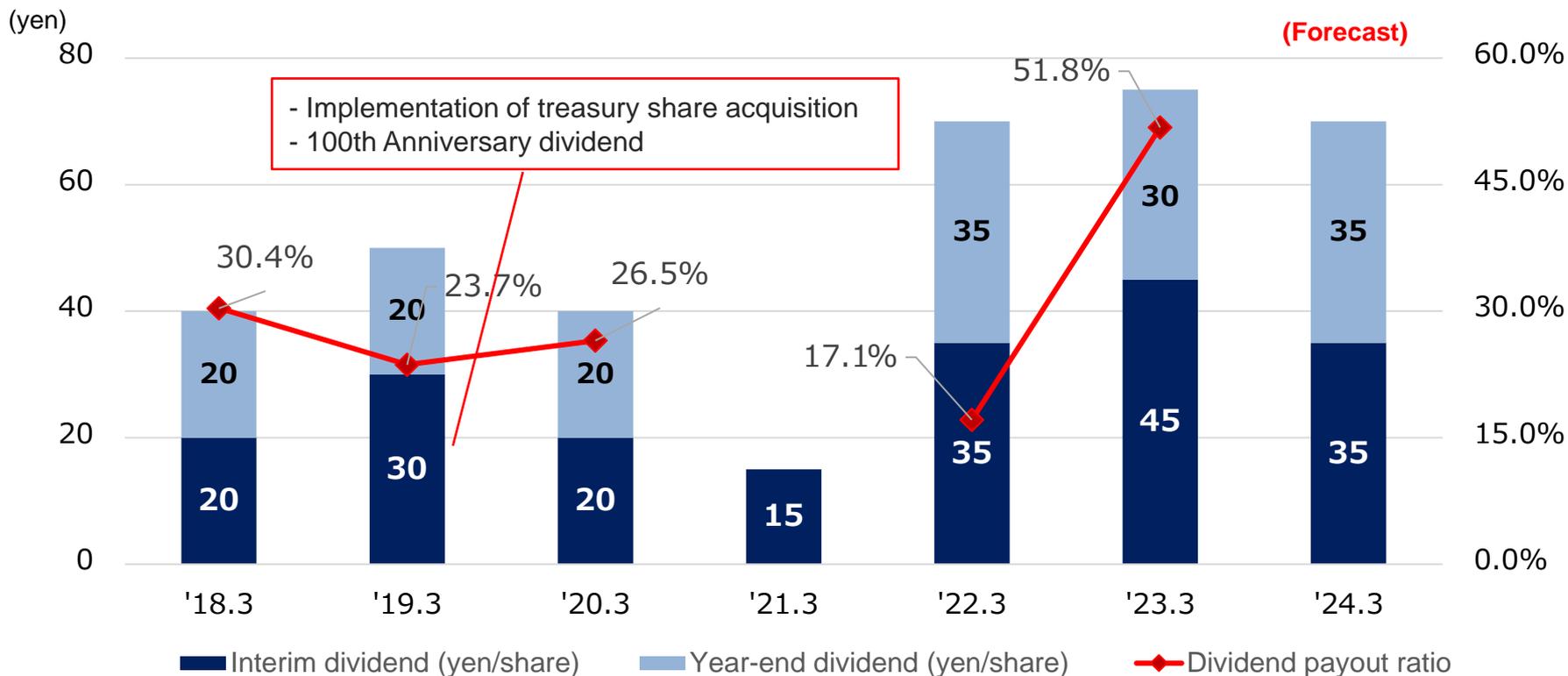
**[Summary] Growth Businesses: Preparations for increasing sales volume are in place**  
**Businesses considered for efficiency improvement: With the exception of plastic additives for the international market, we will strive to improve profitability instead of volume.**

		Now	Future
Growth businesses	Electronic materials	<ul style="list-style-type: none"> <li>Sales volume remains low since the production adjustment phase of MLCC production volume, primarily for consumer products.</li> </ul>	<ul style="list-style-type: none"> <li>Sales volume is expected to increase when the adjustment phase ends and EVs and electronic equipment for 5G/6G spreads further.</li> <li>Capital investment and raw material procurement for this purpose has already been conducted, including making Sakai Trading a wholly owned subsidiary.</li> </ul>
	Cosmetic materials	<ul style="list-style-type: none"> <li>In Japan, the easing of COVID-19 restrictions and the return to normal life has led to a recovery in demand.</li> <li>Overseas, inventory adjustments are still underway for shipments made immediately after the end of COVID-19.</li> </ul>	<ul style="list-style-type: none"> <li>In Japan, there is growing awareness of sunscreen use, and sales are expected to increase steadily.</li> <li>Overseas, shipments are expected to increase gradually once inventory adjustments settle down. Scrutiny related to China is ongoing.</li> <li>A new field of makeup materials will be developed.</li> </ul>
Businesses considered for efficiency improvement	Titanium dioxide and zinc	<ul style="list-style-type: none"> <li>High volumes of cheap Chinese products continue to be imported into Japan, suggesting that challenging sales conditions will persist.</li> </ul>	<ul style="list-style-type: none"> <li>Existing measures will continue, with a focus not on volume but on revising sales prices.</li> <li>Additional measures will be put in place to hasten improvement of profit.</li> </ul>
	Plastic additives	<ul style="list-style-type: none"> <li>In Japan, where the PVC market is on a downward trend, increasing sales is expected to be difficult.</li> <li>Overseas, where the PVC market is expanding, there has been a shift from lead-based to lead-free stabilizers.</li> </ul>	<ul style="list-style-type: none"> <li>Efforts are underway to revise the prices of low-profit products or discontinue them and to improve the sales portfolio by going from domestic to international.</li> <li>Overseas, demand for pipe materials for irrigation is expected, and we will focus on expanding local sales of lead-free stabilizers, particularly in Thailand and Vietnam.</li> </ul>

### **3. Shareholder Returns (Dividends), Capital Investment, Etc., Forecast**

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# 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 2024

Dividend payment expected to be **70 yen/share for the year (35 yen for the interim, 35 yen for the year-end)**

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

Amount units: million yen

	2019.3	2020.3	2021.3	2022.3	2023.3	2023.9	2024.3
<b>Capital investment</b>	6,891	8,403	9,567	5,967	2,658	1,646	<b>3,500</b>
<b>Depreciation</b>	3,189	3,686	4,243	4,331	4,417	2,255	<b>4,500</b>
<b>Research and development expenses</b>	2,951	2,898	2,487	2,376	2,674	1,359	<b>3,000</b>

(Forecast)

## - Capital investment

No major investments have been made as in the first half of the current mid-term plan, and plans are currently in place to account for necessary maintenance and upgrade expenses.

## - Research and development expenses

In order to accelerate the early transfer of pilot-scale product manufacturing and efforts to convert bulk pharmaceutical intermediates to CDMO, funds will be invested in staff replacement and employee training.

# Q&A

## ■ Q&A Order

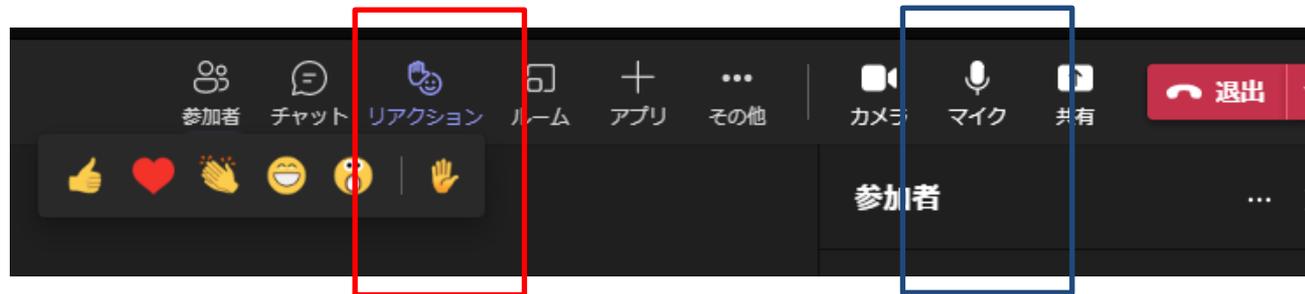
(1) Questions from audience members in the venue → (2) Questions from online participants

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

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

## ■ How to Ask Questions Online

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



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

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

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

# Reference Materials

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



# Sakai Chemical Industry Co., Ltd. Company Profile

<b>Head Office</b>	5-2, Ebisujima-cho, Sakai-ku, Sakai-shi, Osaka
<b>Representative</b>	President & Representative Director Toshiyuki Yagura
<b>Established</b>	June 1918
<b>Businesses</b>	Inorganic chemical, organic chemical, and pharmaceutical development, manufacture, and sales
<b>Total assets</b>	131,575 million yen
<b>Net assets</b>	80,656 million yen
<b>Affiliates</b>	16 consolidated subsidiaries (8 in Japan, 8 overseas)
<b>Number of employees</b>	Consolidated: 2,029/Sakai Chemical Industry only: 770 (as of the end of September, 2023)

# About the Sakai Group

## Chemical (Manufacture & Sales)

Sakai Chemical Industry Co., Ltd.

Osaki Industry Co., Ltd.

Resino Color Industry Co., Ltd.

Kyodo Chemical Co., Ltd.

SC Organic Chemical Co., Ltd.

Nippon Color Industry Co., Ltd.

Katayama Seiyakusyo Co., Ltd.

Sakai Chemical (Vietnam) Co., Ltd.

Siam Stabilizers and Chemicals Co., Ltd.

Pt. S&S Hygiene Solution

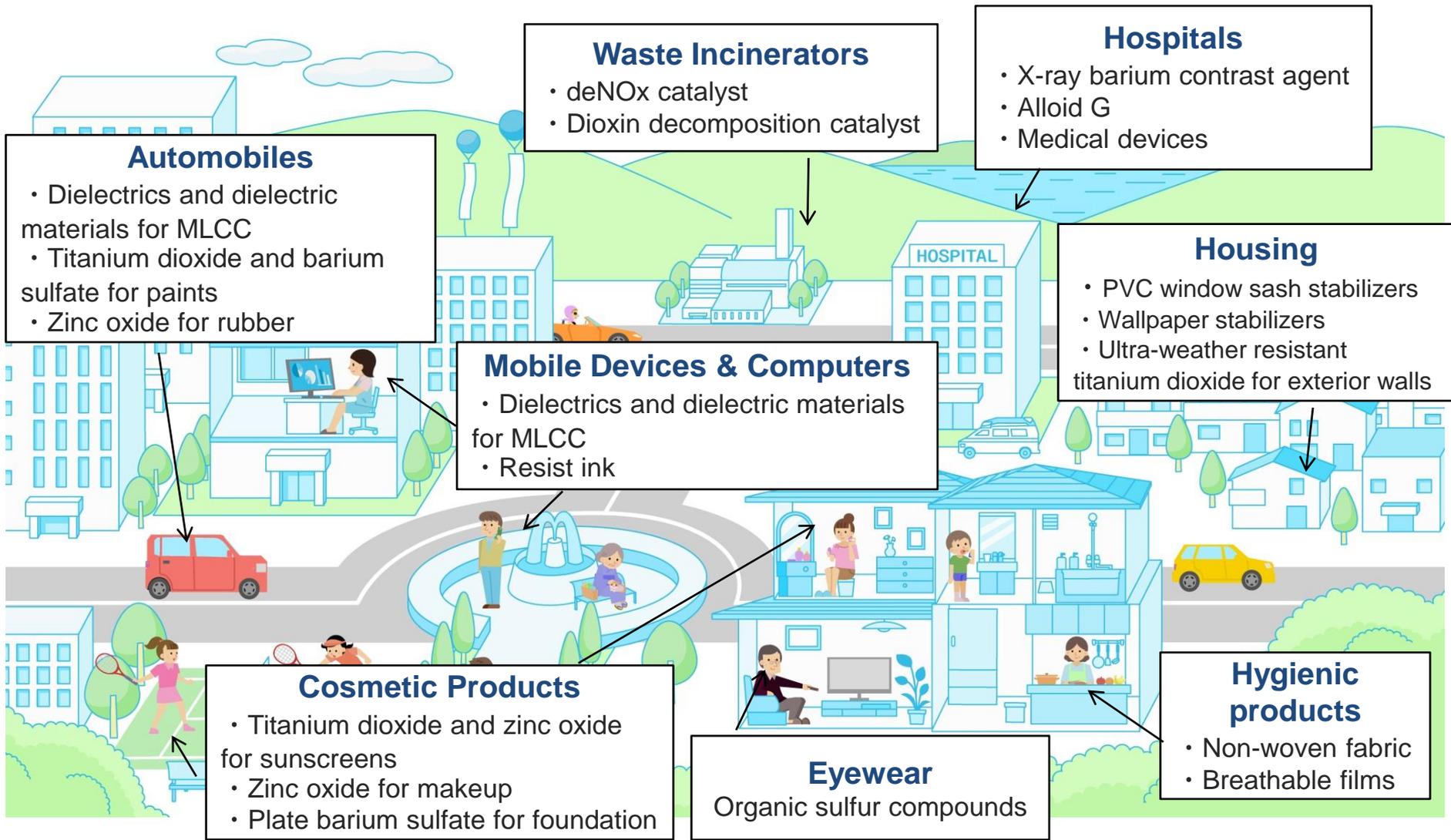
## Chemical (Sales)

Sakai Trading Co., Ltd.

## Medical (Manufacture & Sales)

Kaigen Pharma Co., Ltd.

# Sakai Group Products in Everyday Life



# Businesses and Sales Structure

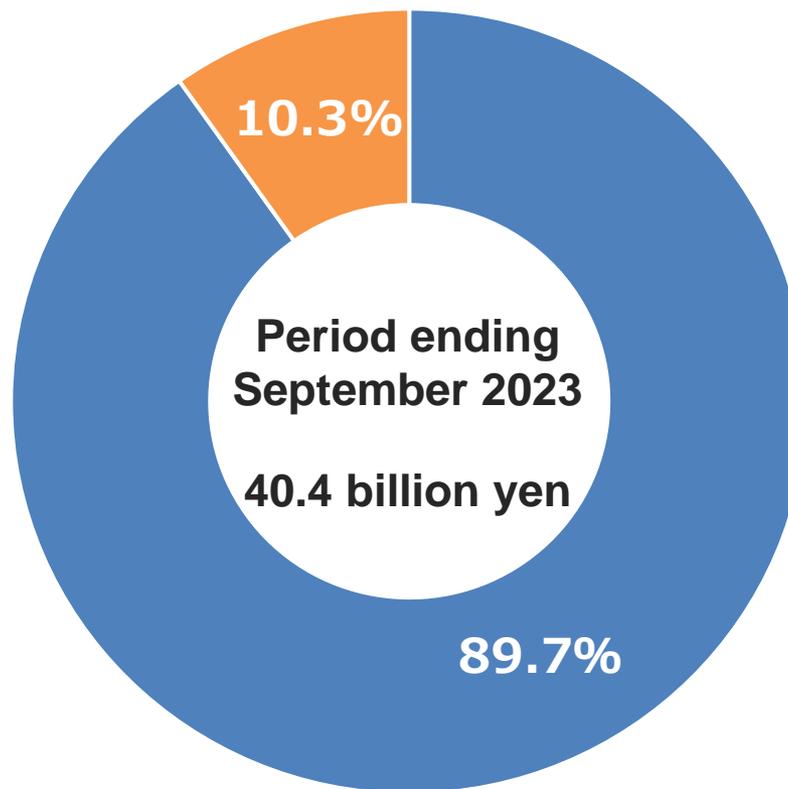
## Medical

We offer a wide range of products and services that contribute to health for everything from use in medical treatments to OTC drugs, centered on barium products, sodium alginate products, medical devices, and the Kaigen brand.



## Chemicals

This is our core business developing materials in a variety of fields using natural ore processing and powder control technologies.

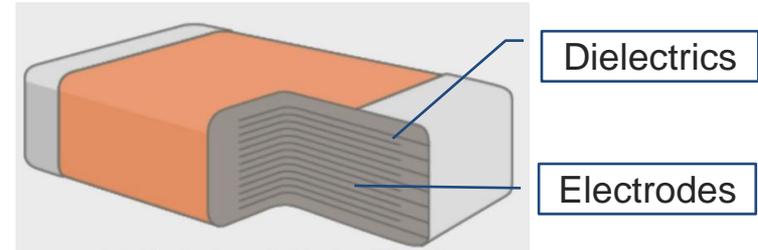


# Our Businesses: Chemicals

## Electronic materials

### Multilayer ceramic capacitors

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



**A main material for multilayer ceramic capacitors essential for electronic devices.**

**A property of dielectrics is that they can store large amounts of electricity.**

**We will continue to help improve capacitor performance by developing ultra-small, uniformly shaped spherical dielectrics.**

**Used in places like these**



# Our Businesses: Chemicals

## Titanium dioxide and zinc products

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

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

Used in places  
like these



# Our Businesses: Chemicals

## Plastic additives

Pipes, joints, window frames, wallpapers, wire harnesses

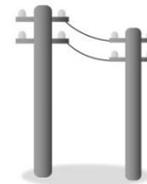
- PVC stabilizers/non-PVC stabilizers
- Hydrotalcite: Used in lead-free PVC stabilizers and agricultural films due to its high heat retention and transparency



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

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

Used in places  
like these



# Our Businesses: Chemicals

## Hygienic products

Diapers, feminine hygiene products

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

Used in places like these

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



## Organic chemicals

Plastic lenses, concrete, lubricants, pharmaceuticals

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

Used in places like these

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



# Our Businesses: Chemicals

## Catalysts

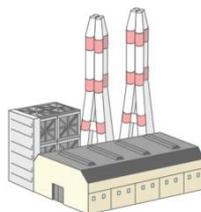
Waste incinerators, thermal power stations, margarine, adhesives, optical films

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

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



**Used in places like this**



## Contract Processing Business

Contracted manufacturing of inorganic and organic industrial chemical products:

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

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



# Our Businesses (Medical)



## Kaigen Pharma Co., Ltd.

### X-ray barium contrast agents

Used in gastrointestinal imaging

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

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



### Medical devices

- Endoscope washing/ disinfection equipment

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



### Alloid G

Drugs for peptic ulcers and gastroesophageal reflux disease



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

### OTC drugs

- Kaigen Series
- Kaigen Granules
- Kaigen Pack IB Granules



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

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

Amount units: million yen

		2018.3	2019.3	2020.3	2021.3	2022.3	2023.3	2023.9
Electronic materials	Net sales	8,033	8,948	8,499	9,723	10,857	8,939	4,097
	Operating income	969	651	117	23	1,700	946	24
Cosmetics materials	Net sales	1,370	2,121	2,534	1,698	2,460	2,790	1,194
	Operating income	296	429	735	292	301	430	(8)
Titanium dioxide and zinc products	Net sales	14,388	14,220	12,771	11,866	13,257	15,067	7,082
	Operating income	328	(125)	(125)	227	744	(34)	(519)
Plastic additives	Net sales	11,934	12,745	12,583	11,543	12,489	13,354	6,944
	Operating income	529	248	169	397	966	404	273
Hygienic products	Net sales	8,558	8,006	8,070	9,254	5,388	5,496	2,763
	Operating income	100	246	174	440	331	327	256
Organic chemicals	Net sales	5,979	5,919	6,172	6,882	7,321	8,014	3,727
	Operating income	548	828	1,271	1,476	1,639	1,600	806
Catalysts	Net sales	3,427	4,257	3,703	3,210	3,644	4,193	1,689
	Operating income	89	289	26	(82)	190	179	27
Contract processing	Net sales	6,721	7,000	6,811	6,550	6,947	6,244	3,009
	Operating income	882	1,031	698	632	1,029	587	213
Other	Net sales	17,218	18,040	17,412	16,079	9,875	11,890	5,804
	Operating income	800	432	356	447	170	(305)	(301)
Total	Net sales	77,628	81,256	78,555	76,821	72,243	75,992	36,313
	Operating income	4,541	4,029	3,421	3,851	7,076	4,135	772

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

# Quarterly Trends in the Chemical Business

Amount units: million yen

	2022.3				2023.3				2024.3	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Net sales</b>	17,695	18,113	17,544	18,890	19,455	19,116	18,918	18,502	19,091	17,221
<b>Electronic materials</b>	2,660	2,426	3,144	2,627	2,685	2,271	1,984	1,998	2,144	1,953
<b>Cosmetics materials</b>	552	464	595	847	714	634	632	809	630	563
<b>Titanium dioxide and zinc products</b>	3,376	3,098	3,324	3,459	3,841	3,755	3,912	3,557	4,241	3,401
<b>Plastic additives</b>	3,090	3,118	3,148	3,132	3,281	3,430	3,291	3,350	3,382	3,561
<b>Hygienic products</b>	1,283	1,223	1,503	1,379	1,225	1,426	1,458	1,385	1,399	1,364
<b>Organic chemicals</b>	2,250	2,171	1,089	1,810	2,172	2,211	1,496	2,133	2,465	1,262
<b>Catalysts</b>	661	824	961	1,197	910	1,151	981	1,150	662	1,026
<b>Contract processing</b>	1,849	1,739	1,618	1,740	1,704	1,487	1,585	1,467	1,543	1,465
<b>Other</b>	1,974	3,046	2,160	2,698	2,919	2,747	3,574	2,649	3,181	2,622
<b>Operating income</b>	2,111	2,012	1,452	1,501	1,736	1,289	762	347	871	(99)

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

# Trends in Medical Business Sales by Product

Amount units: million yen

	2018.3	2019.3	2020.3	2021.3	2022.3	2023.3	2023.9
<b>Barium</b>	2,327	2,265	2,291	2,043	1,924	1,882	994
<b>Alloid G</b>	860	990	1,221	1,193	1,167	1,061	489
<b>Medical devices</b>	2,290	2,373	2,445	2,453	2,611	2,635	1,379
<b>OTC drugs</b>	1,463	1,190	1,144	1,026	812	853	411
<b>Other</b>	1,645	1,608	1,722	1,557	1,377	1,435	884
<b>Total</b>	8,585	8,426	8,823	8,272	7,892	7,868	4,158

# Thank you for listening.

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