堺化学工業株式会社

Sakai Chemical Industry Co., Ltd.

Electronic Materials Strategy Briefing

December 1, 2025

Event Summary

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[Participants]	
[Number of Speakers]	2 Wataru Ibaraki — Executive Officer Hiroaki Kikkawa — General Manager

Presentation

Moderator: We will now move on to explain our business strategy for electronic materials.

Here are today's presenters. There are two presenters: Executive Officer Ibaraki, who is in charge of overall sales, and General Manager Kikkawa, who is in charge of electronic materials.

General Manager Kikkawa, please begin.

Kikkawa: My name is Kikkawa, General Manager of the functional materials sales division. Thank you for today. I will now explain the strategy of our electronic materials business.

Points for Discussion

Since April 2024, we have been implementing "Transformation: BEYOND 2030," our medium-term management plan.

Through this briefing, we will introduce the distinguishing characteristics and strengths of Sakai Chemical's electronic materials business (a growth business) while providing an overview of structural changes and trends in the market.

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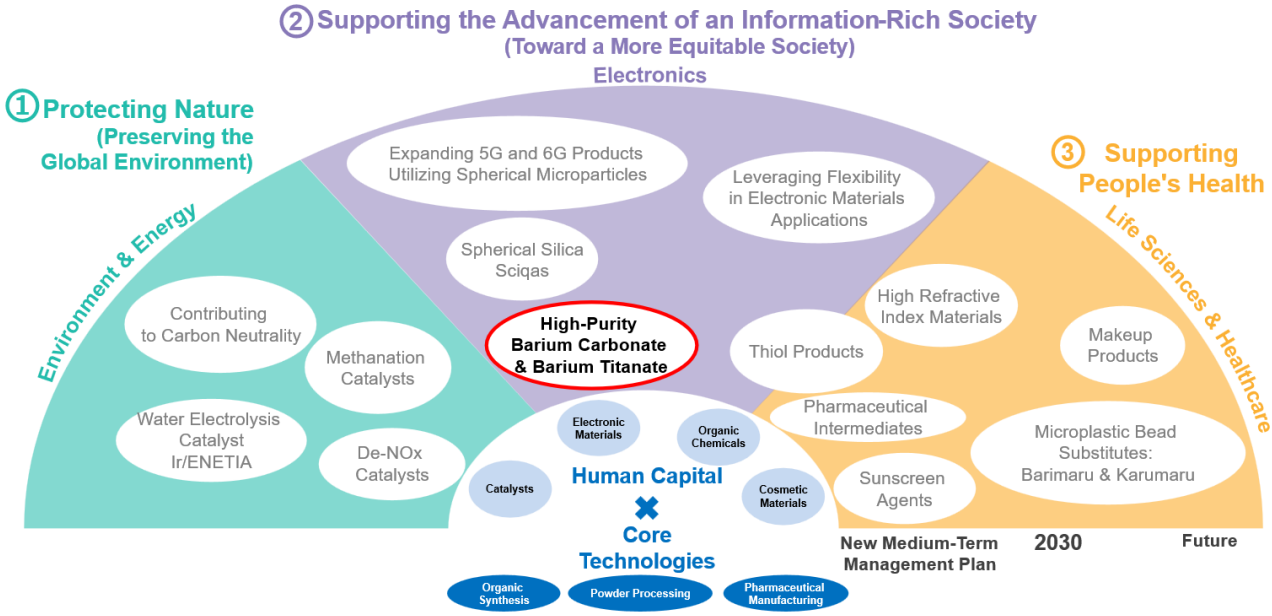
The Company is working on its mid-term management plan, Transformation: BEYOND2030, which started in April 2024.

Today, I would like to introduce the characteristics and strengths of Sakai Chemical in electronic materials, which we have positioned as a growth business, as well as structural changes and trends in the market.

Strategic Positioning of the Electronic Materials Business

The electronic materials business is the central pillar of our activities in the electronics domain, which focus on three key objectives.

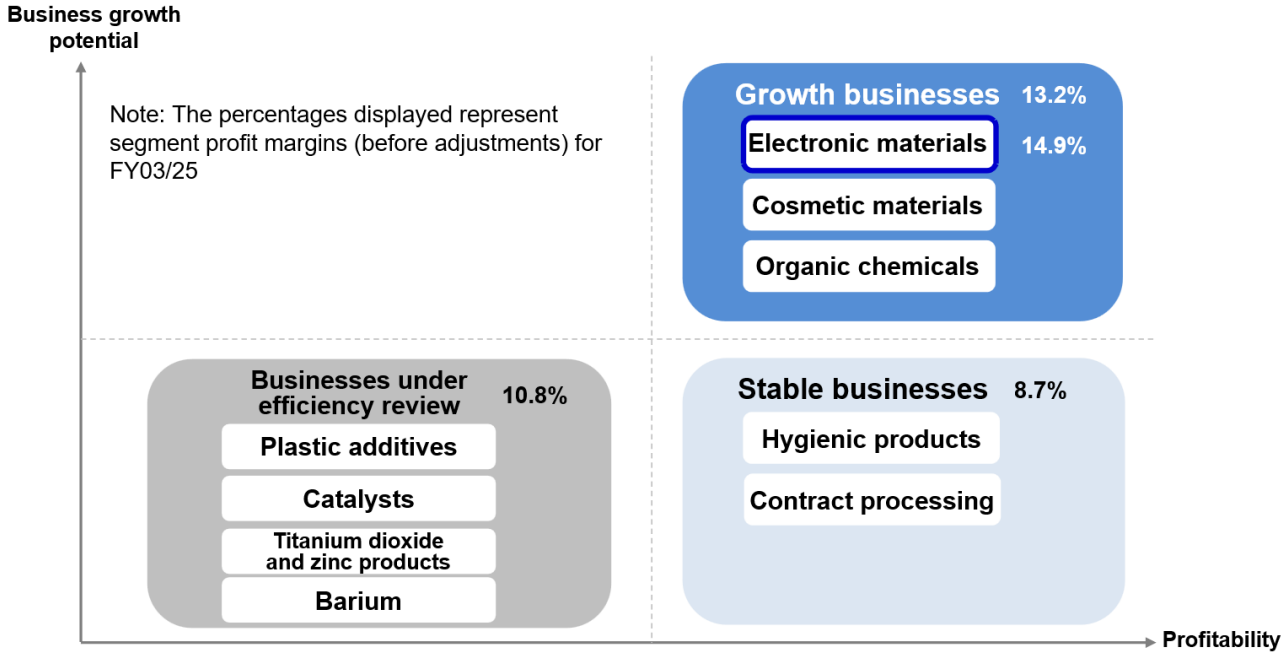


This diagram shows the positioning of our electronic materials business.

We have positioned the environment/energy, electronics, and life science/healthcare as our three areas of focus, with the electronic materials business playing a central role in the electronics area.

Positioning of the Electronic Materials Business Within Our Portfolio

As a core growth business, our electronic materials business will remain an area of strategic focus moving forward.



Source: Medium-term management plan "Transformation: BEYOND 2030"

This diagram shows the positioning of the electronic materials business in our business portfolio.

Based on the growth potential and profitability of our businesses, we classify them into three portfolios: growing businesses, stable businesses, and efficiency improvement businesses.

The growth businesses consist of electronic materials, which I will explain this time, cosmetic materials used in sunscreen and makeup products, and organic chemicals used in eyeglass lenses with high refractive index, and pharmaceutical intermediates for pharmaceuticals. Among these, we intend to continue to focus on the electronic materials business as the core of our growth businesses.

Fully Leveraging the Strengths of Our Powder Processing Technology

Moving forward, we will leverage our powder processing technology to respond to changes in the market while facilitating the development of electronics in general.

	Dielectrics	Dielectric materials
External environment	• **Change 1: Miniaturization of electronic devices → Miniaturization of MLCCs** • **Change 2: Increase in functionality of electronic devices (larger capacity / higher performance) → Further miniaturization of MLCCs** • **Change 3: Emergence of new electronic devices → Further enhancement of MLCC quality and reliability**	
Our strengths	**Powder processing technology capable of creating high-quality dielectrics and dielectric materials**	
	• **Ability to propose highly uniform, ultra-fine dielectric powders** Utilization of hydrothermal synthesis (ideal for ultra-fine particle production)	• **High market share/Extensive product lineup** Proven ability to satisfy customer quality requirements and a track record of reliability
Our strategies	• **Expand share of market for high-end MLCC dielectrics** Expand our share of the high-end MLCC market by leveraging our powder processing technology to develop dielectric powders composed of even finer and more uniform particles	• **Share expansion in step with market trends** Respond to digitalization and the emergence of diverse electronic devices by leveraging our extensive dielectric material lineup and expanding our market share

Although the term "dielectric" has been used often in this briefing so far, some of you may be new to it, so I would like to explain a little about dielectrics and dielectric materials.

As for dielectrics, our main material is barium titanate. The dielectric material is barium carbonate, which is the raw material for dielectric materials. As for applications, both are used as raw materials for MLCCs and ceramic capacitors for laminating.

This table shows our strategy in dielectrics and dielectric materials, taking into account the external environment and our strengths.

Firstly, there are three changes in the external environment. First, as electronic devices have become smaller, MLCCs have also become smaller. Second, MLCCs are becoming smaller as electronic devices become more sophisticated and have higher capacitance and performance. Third, with the rise of new electronic devices, MLCCs are required to have even higher quality and reliability.

In response to these changes, we use our strength in powder processing technology, which enables us to create high-quality dielectrics and dielectric materials. For dielectrics, we employ a hydrothermal synthesis method that is optimal for micronization, enabling us to propose and provide materials with uniform, fine particles. In dielectric materials, we have a high market share and an extensive product lineup, and we have the ability and reliability to meet the quality standards demanded by our customers.

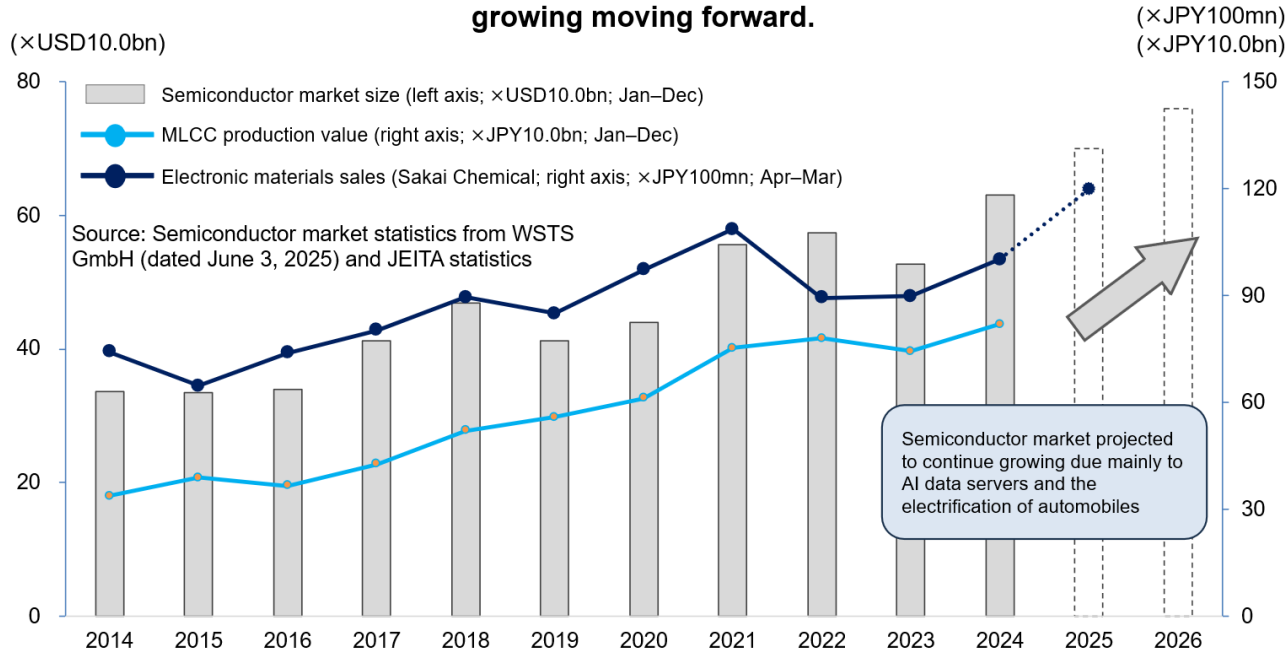
Our strategy is to leverage this strength. In dielectrics, we intend to expand our market share in the high-end MLCC area through the development of even finer and more uniform dielectrics by utilizing our powder

processing technology. In dielectric materials, we intend to respond to market trends and expand our market share by leveraging the strength of our broad product lineup.

Semiconductor Market / MLCC Market / Electronic Materials Sales

Market & customers

Closely linked with trends in the semiconductor and MLCC markets, sales secured through our electronic materials business are expected to continue growing moving forward.



Note: Sales secured through our electronic materials business in 2024 and subsequent years reflect our new reporting segment structure.

Let me begin on page six with an explanation of the external environment. This graph shows the semiconductor and MLCC markets, as well as our electronic materials business sales.

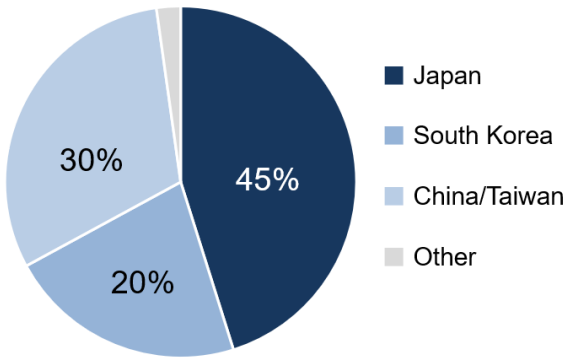
We expect further growth in sales of the electronic materials business in the future as it is linked to the semiconductor and MLCC markets.

Regional MLCC Market Share Breakdown and Supply Sectors

Market & customers

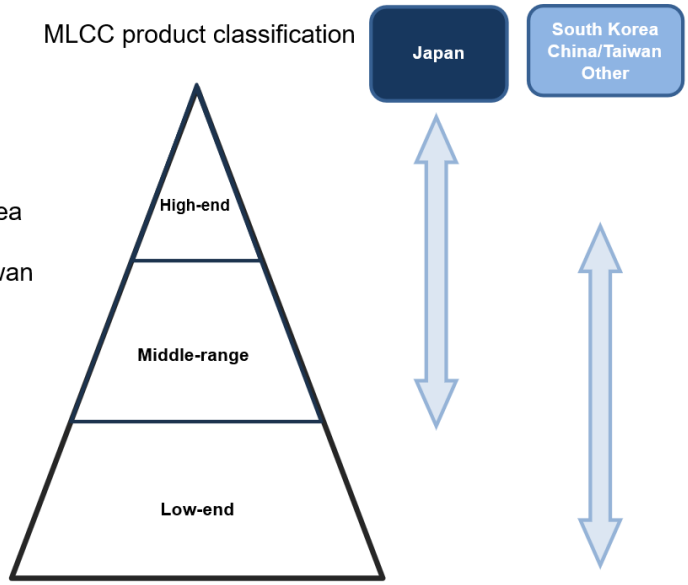
Japanese companies hold the main share and are driving the high-end segments of the market.

Regional MLCC Market Share Breakdown



Note: Percentages are estimates from Sakai Chemical and represent shares of the market's total production volume.

MLCC Market Share Breakdown by Product Grade and Region



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This diagram shows MLCC market share allocations by region and supply sector.

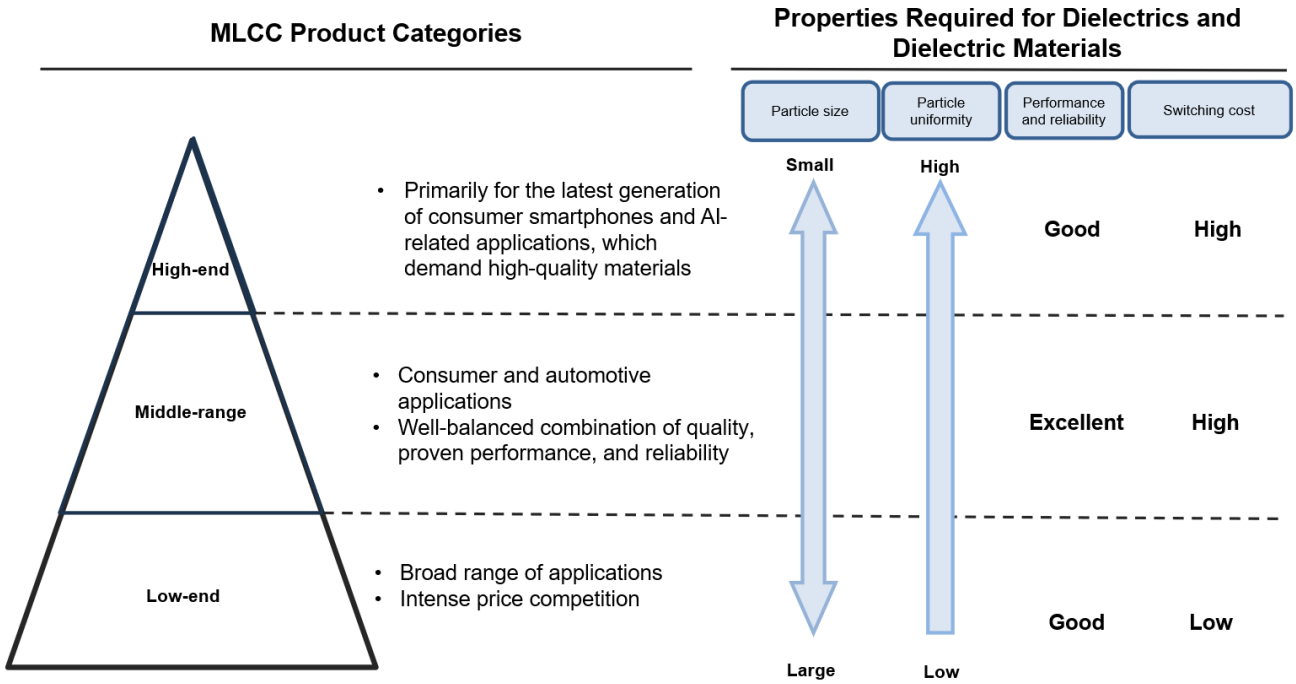
The pie chart on the left shows the share allocation of the MLCC market by region. We believe that Japanese companies account for just under half of the market share.

The figure on the right shows the product classification of MLCC. We believe that Japanese companies are leading the market in the high-end and middle-end areas, which are the upper grades of the market.

Material Property Requirements by MLCC Product Category

Market & customers

We focus primarily on the high-end and middle-range categories.



This diagram shows the material requirement properties of MLCC by product category.

The high-end area is mainly for the latest consumer products, next-generation smartphones, AI-related products, and other areas where high-quality materials are required.

The middle-end area is for consumer and automotive applications. Materials must be well-balanced in terms of quality, track record, and reliability.

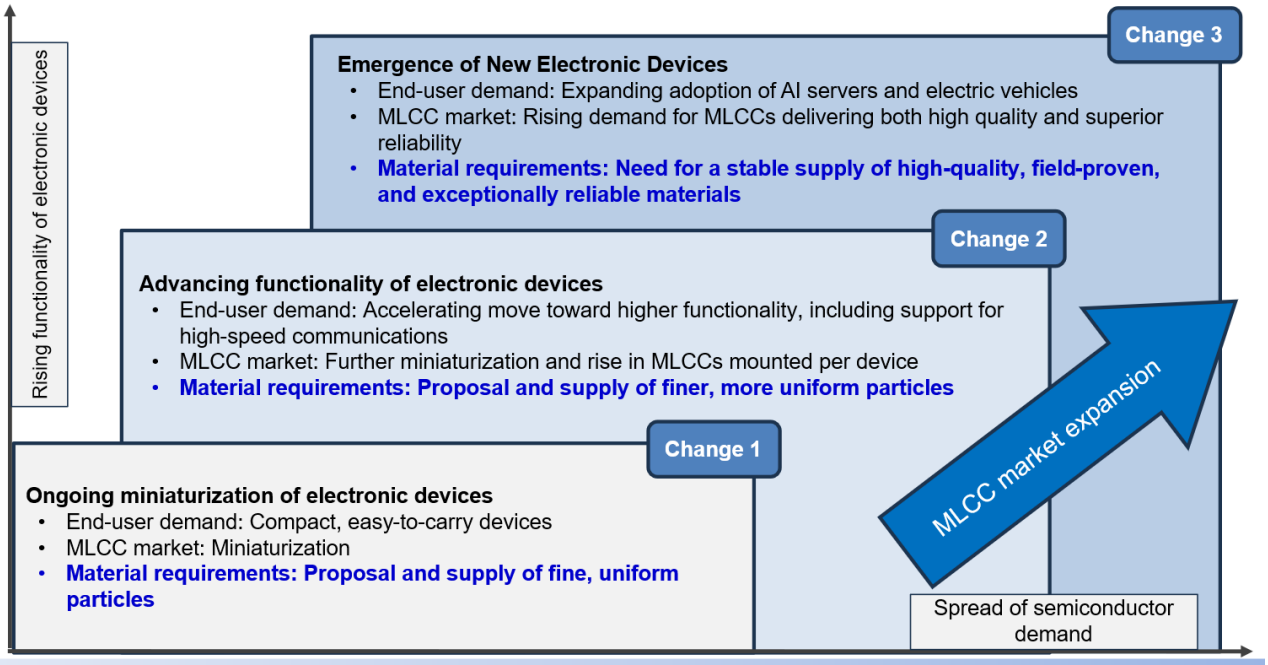
The low-end area has a wide range of applications, but price competition is severe.

Our target market is the high-end to middle-end area. Therefore, the characteristics required for our dielectrics and dielectric materials are fine particle size, high particle uniformity, many proven results and high reliability, and high switching costs.

Changes in the Market and Material Requirements

Market & customers

As electronic devices become more sophisticated and new devices emerge, MLCC demand is expanding while material requirements evolve.



This diagram shows the changes in the market and the requirements for materials.

The MLCC market continues to expand as electronic devices become more sophisticated and demand for semiconductors grows. In this context, we see three changes.

The first is the ongoing miniaturization of electronic devices. With the demand for portable electronic devices, MLCCs are becoming smaller, requiring the proposal and provision of fine, uniform particles.

Second, electronic devices are becoming more sophisticated. With the acceleration of high functionality, such as high-speed communication support, MLCCs are required to be further miniaturized, and the number of units mounted per device is increasing, requiring the proposal and provision of finer and more uniform particles.

Third, the rise of new electronic devices, such as AI data servers and electric vehicles, will increase demand for high-quality, highly reliable MLCCs, requiring a stable supply of high-quality, proven, reliable materials.

Summary of Market and Customer Trends

Market & customers

As devices become more sophisticated, demand is growing for MLCCs that are smaller, have higher capacities, and provide superior performance and reliability. Accordingly, the need for dielectrics and dielectric materials capable of fulfilling these requirements is also expanding.

	Response required from Sakai Chemical	MLCC-related developments	Major electronic device-related trends
Change one	Propose and deliver fine, uniform particles	MLCC miniaturization	Miniaturization
Change two	Propose and deliver finer, more uniform particles	Further MLCC miniaturization	Growth in functionality
Change three	Consistently deliver high-quality, field-proven products offering superior reliability	Growth in quality and reliability	Launch of new devices

The table here is a summary of the market customer trends I have explained so far.

As electronic devices become more sophisticated, the demand for miniaturization, higher capacity/performance, and higher reliability of the MLCCs mounted on them is increasing, and dielectrics and dielectric materials that meet these requirements are required.

In change number one, as devices and MLCCs become smaller, we are required to propose and provide finer and more uniform particles.

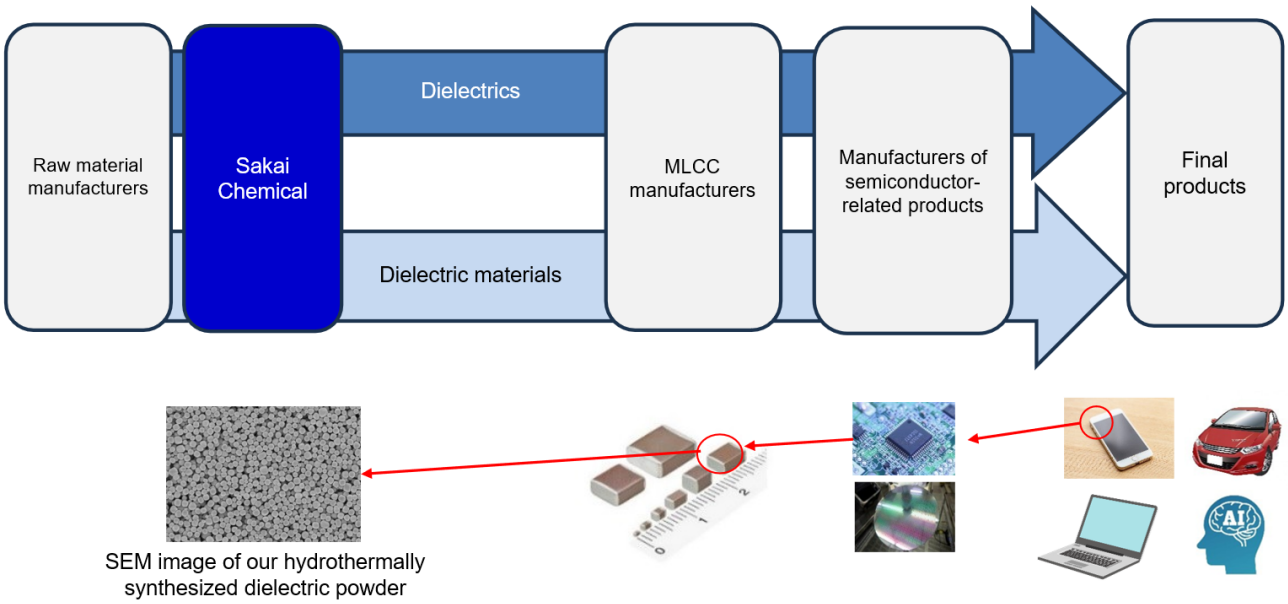
In change number two, as devices become more sophisticated and MLCCs are further miniaturized, we are required to propose and provide finer and more uniform particles.

In change number three, the introduction of new devices requires higher quality and reliability in MLCCs, which in turn demands a stable supply of high-quality, proven, highly reliable products from us, and we will continue to meet these demands in the future.

Supply Chain

Market & customers

MLCCs share a close connection with semiconductors and are built into a wide range of electronic devices, including smartphones, PCs, and automotive systems.



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From this page, I will explain our strengths as well. This diagram shows the supply chain of MLCC.

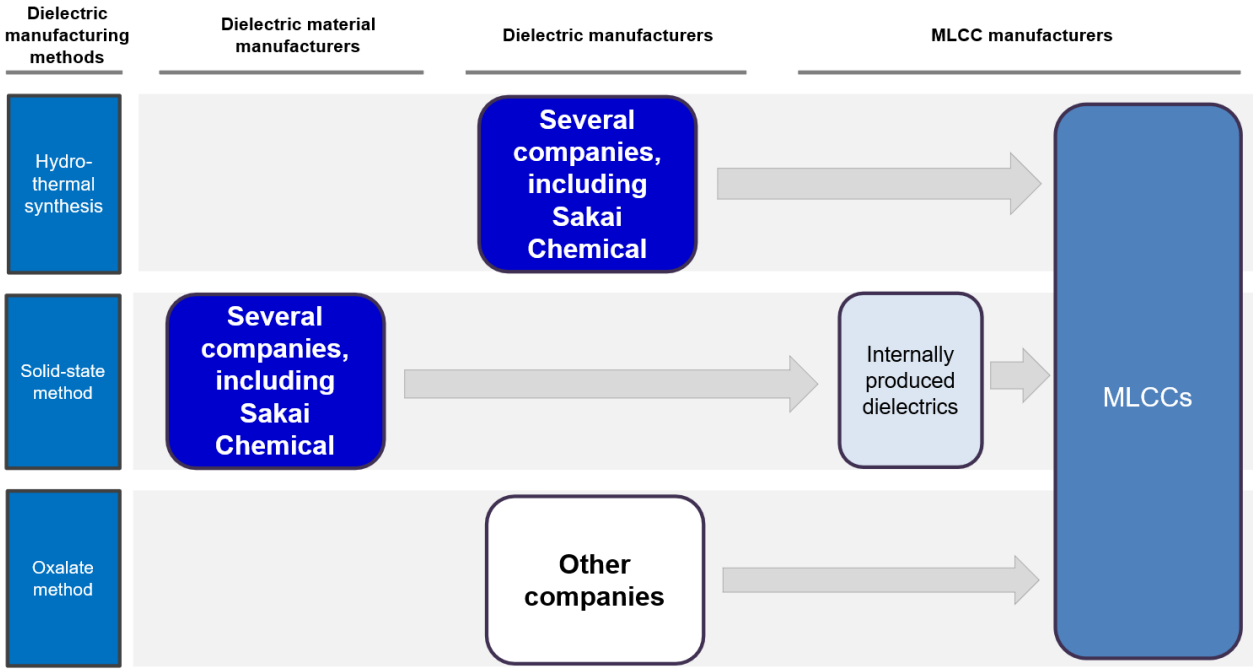
MLCCs are closely related to semiconductors and are used in a wide range of electronic devices, such as smartphones, PCs, and automotive devices, and our customers are MLCC manufacturers. After that, the supply chain is connected from the MLCC manufacturer to the final product through semiconductor-related manufacturers.

For your reference, the lower-left photo is an SEM image of our dielectric through hydrothermal synthesis.

Our Advantageous Handling of Both Dielectrics and Dielectric Materia

Competitive environment

Supplying both dielectrics and dielectric materials has given us broader access to MLCC manufacturers.



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This diagram shows our strength in dielectrics and dielectric materials together.

There are three methods of production: the hydrothermal synthesis method, the solid-phase method, and the oxalic method. We use hydrothermal synthesis for our dielectrics. Our dielectric materials are also used as raw materials for the solid-phase method. Therefore, we have contacts with our customers in terms of both dielectrics and dielectric materials, which we believe will strengthen our relationships with them.

Our Advantages in the Field of Electronic Materials

Our powder processing technology enables us to consistently deliver high-quality products aligned with market trends.

Strengths in dielectrics

- **Ability to develop uniform ultra-fine particles**

Our hydrothermal synthesis-based production method excels at producing highly uniform ultra-fine particles, enabling us to propose distinctively superior dielectric solutions for high-end markets.

Strengths in dielectric materials

- **High share in market for products developed through the solid-phase method**
- **Extensive product lineup**

We are expanding our market share by delivering dielectric materials used in the solid-state method, a mainstream process utilized by MLCC manufacturers, and maintaining a broad product lineup that continually aligns with industry trends.

Our Strength

Powder processing technology

By miniaturizing particles, ensuring uniformity in their size, and securing a stable supply of raw materials through Sakai Chemical Group company Sakai Trading Co., Ltd., we have established and consistently maintain strong capabilities for the reliable supply and ongoing development of each of our products.

This diagram continues to show our strength in electronic materials.

Our strength lies in leveraging our powder processing technologies, specifically particle refinement and uniformity, as a foundation. By utilizing the hydrothermal synthesis method's capability to synthesize uniform fine particles, we can propose and supply distinctive dielectrics for high-end applications.

In dielectric materials, we believe our strength lies in our ability to continue to respond to industry trends and expand our market share with an extensive product lineup for the solid-phase method, which is the mainstream in the MLCC industry.

Differences in Dielectric Manufacturing Methods

Competitive environment

Our hydrothermal synthesis-based production method enables us to easily manufacture dielectric materials composed of ultra-fine, uniformly sized particles, which are advantageous for enhancing MLCC performance.

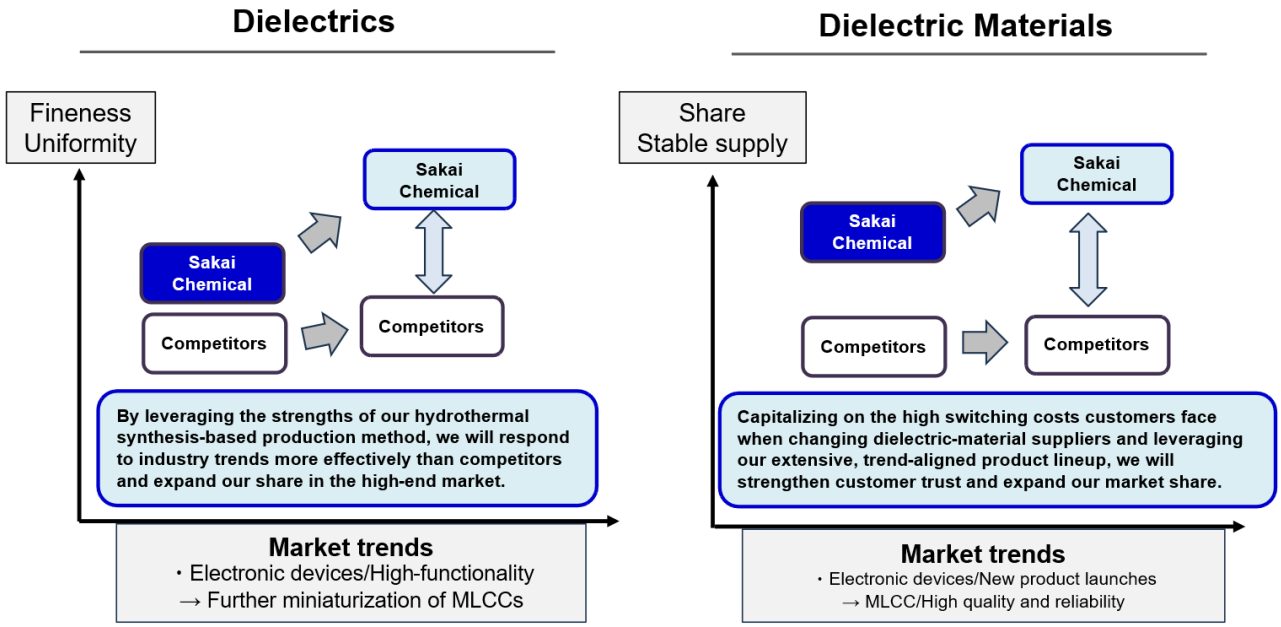
	Hydrothermal synthesis	Solid-state method	Oxalate method
Characteristics	Particle fineness and uniformity	Suitable for producing multi-component compositions	Compositional uniformity
Particle size	Ultra-fine to medium	Fine to large	Fine to medium
Particle size distribution (uniformity)	Excellent	Good	Excellent to good

This table shows the differences by dielectric manufacturing method.

The hydrothermal synthesis method we use is characterized by its ease of synthesizing fine particles and uniformly sized dielectrics, which are advantageous in improving the functionality of MLCC. Particle size is microscopic to medium. Particle size distribution and particle uniformity are very sharp.

Relationships with Competitors and Competitive Advantages

By leveraging the strengths of our dielectrics and dielectric materials, we will continue responding to MLCC industry trends from a position of advantage.



From here on, I would like to explain our strategy. This diagram shows the relationship with competitors and competitive advantages.

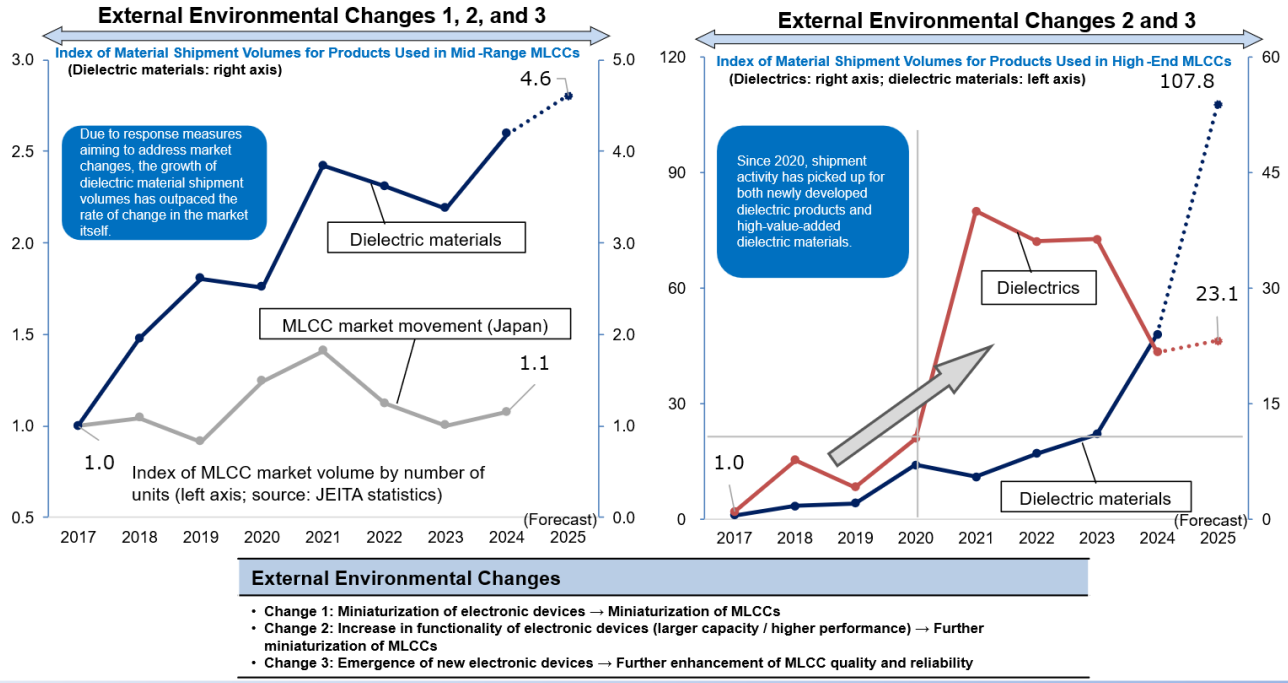
We will continue to respond to trends in the MLCC industry with superior positioning by leveraging each of our strengths in dielectrics and dielectric materials.

In dielectrics, we intend to respond to industry trends more than our competitors by taking advantage of the hydrothermal synthesis method to expand our market share for high-end applications.

In dielectric materials, we intend to take advantage of our high switching costs to increase reliability and expand our market share while responding to industry trends with an extensive product lineup.

In addition, in order to maintain a more advantageous positioning in competition with other companies, we have integrated our previously separate sales structures for dielectrics and dielectric materials to create a stronger and more efficient sales structure.

Leveraging our strength in powder processing technology, we are steadily addressing and capitalizing on market needs.



External Environmental Changes

- **Change 1: Miniaturization of electronic devices → Miniaturization of MLCCs**
- **Change 2: Increase in functionality of electronic devices (larger capacity / higher performance) → Further miniaturization of MLCCs**
- **Change 3: Emergence of new electronic devices → Further enhancement of MLCC quality and reliability**

These graphs show market trends and the strengths of our electronic materials business.

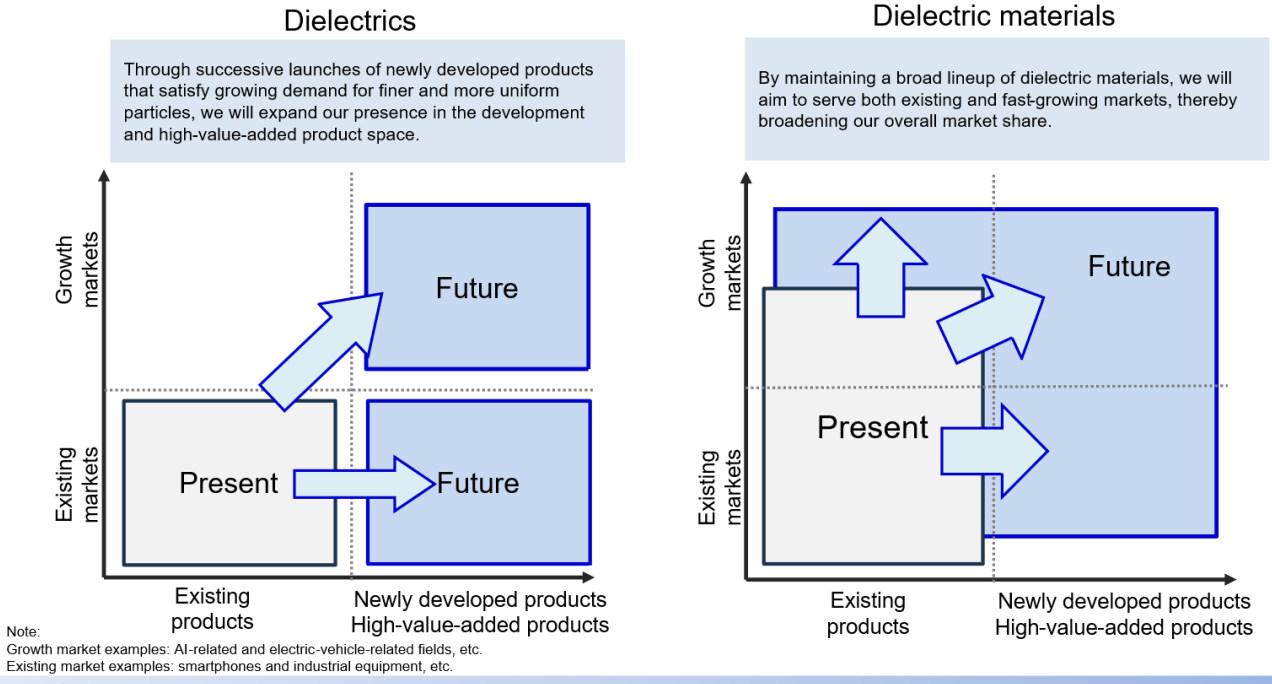
We intend to expand our electronic materials business by responding to market changes and steadily capturing market needs by leveraging our strength in powder processing technology.

As shown in the figure on the left, in the middle-end area of MLCCs, shipment volumes of dielectric materials have grown more than the domestic MLCC market transition.

In addition, as shown in the graph on the right, in the high-end area of MLCCs, both dielectric development products and high-value-added products of dielectric materials are seeing increased cargo movement.

Vision for Expansion in the Electronic Materials Business

We will fully leverage both our dielectrics and dielectric materials as we aim to generate medium- to long-term sales growth.



Note:
Growth market examples: AI-related and electric-vehicle-related fields, etc.
Existing market examples: smartphones and industrial equipment, etc.

This diagram shows an image of business expansion in the electronic materials business.

The Company intends to expand sales over the medium to long term with both dielectrics and dielectric materials.

In dielectrics, we intend to sequentially introduce developed products that require finer and more uniformity, and to expand our market share in developed products and high-value-added products.

In dielectric materials, we intend to expand our market share by offering an extensive product lineup and covering a wide range of existing and growing markets.

Summary of Future Strategy Formulated Based on Changing Conditions

By leveraging our powder processing technologies and remaining aligned with market trends, we will aim to further solidify our trusted relationships with MLCC manufacturers and expand our market share.

Dielectrics
Expanding our share of the market for products used in production of high-end MLCCs

×

Dielectric Materials
Consistently delivering proven, highly reliable products

→ **Expanding trust and market share**

Ongoing growth in device functionality	Emergence of new electronic devices	Steadily keeping pace with trends in the MLCC industry
• Need for further miniaturization of MLCCs due to limited mounting space → Growth in demand for materials made from finer, more uniformly sized particles • Leveraging the strengths of hydrothermal synthesis –Particle uniformity –Particle fineness	• Growing prevalence of AI data servers and vehicle electrification → Rising demand for high-quality materials providing superior reliability • Taking full advantage of our extensive and proven product lineup	• In the field of electronics, we aim to enhance customer trust and achieve growth that outpaces market expansion by contributing to the development of an advanced information society through our powder processing technology.

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Last but not least, the diagram here is a summary of future strategies based on the changing situation.

Based on our strength in powder processing technology, we intend to respond to market trends with both dielectrics and dielectric materials, and increase our market share while strengthening the trust of MLCC manufacturers.

That is all. Thank you very much.

Question & Answer

Moderator [M]: Now, we will begin by accepting questions regarding the electronic materials business strategy. Now, first of all, to those of you in the venue, please ask your questions.

Participant1 [Q]: Last year, you had a briefing on the cosmetics materials business, and this time you have a briefing on the electronic materials business. I am sure that these business-specific briefings will help us understand each business very well, and I hope that you will hold another briefing for a different business next year.

Regarding questions for electronic materials, I have one major question. As shown in today's presentation material on page six, sales in the electronic materials business for the current fiscal year are projected to reach a record high, although there was a change in segment classification midway through the fiscal year.

However, since I believe that your company has made considerable price revisions and price increases for these electronic materials over the past two or three years, I would guess that the volume base has probably not yet reached a record high when calculated in reverse. I would be happy if you could discuss this, including whether or not my guess is correct.

In other words, I believe that there is still some leeway in the manufacturing facilities. So, sorry, I have to ask this question with a long preamble, but regarding the manufacturing facilities, is it safe to assume that the current manufacturing facilities are in a position to meet demand as demand grows?

One more thing, in your earlier explanation, you mentioned that MLCC is evolving rapidly. As MLCCs continue to evolve and become smaller and smaller, I wonder if we should consider a phase in which your current manufacturing facilities for dielectrics or dielectric materials will need to be updated in some major way, in other words, a phase in which capital investment will come out largely.

If I remember correctly, I believe electronic materials underwent significant impairment charges about five or six years ago. Should we be particularly concerned about such things? This is a lengthy question, but these are my questions. Thank you.

Ogama [A]: I will start with the volume part. As for the volume, demand to stay home grew considerably during COVID-19, and as was mentioned earlier, there was a very large increase in the fiscal year ended March 2022. For Q1 and Q2, you can think of the volume as being at about the same level as then. As for capacity, we will have an explanation later, but we are still not at 100% for all of them.

Kikkawa [A]: Both dielectrics and dielectric materials are currently doing well, and the capacity utilization rate is high to some extent, but there is still room for more capacity. We are, of course, considering various timing options for the future, but if the current strong performance continues and we reach near full capacity, such investments would, of course, be a part of our policy. At this point, nothing has yet been decided, and we cannot disclose anything yet, but I think that is the basic trend.

Participant1 [Q]: Thank you. Excuse me, let me check a few things. I apologize for my lack of understanding, but as MLCCs continue to evolve, including miniaturization, is it safe to assume that the current manufacturing facilities will no longer be usable in the extreme, and that they have already all been replaced?

Kikkawa [A]: Yes. That is not something you need to think about.

Participant1 [Q]: Okay. I am sorry to ask this, but just one more question, please.

I found today's discussion about differentiation from competitors very informative. It was very easy to understand the difference in target markets among Asian countries, especially Korea, China, and Taiwan. Regarding whether we need to worry about the risk of competitors from Asian countries entering the high-end and middle-end markets where your company currently holds strengths, it would be helpful if you could discuss this. Thank you.

Ibaraki [M]: Do you mean as a capacitor manufacturer or a powder manufacturer?

Participant1 [Q]: I am looking at page seven of the briefing material now, and I apologize for my question not being well worded. This is a classification of MLCC products, not just yours, so perhaps this is not a question for your company, but I am wondering if we should not worry too much about Chinese and Taiwanese companies coming into the high-end of the market.

Ibaraki [A]: Currently, Japanese manufacturers have strong technological capabilities in the high-end, so I don't think it will be easy for Korean, Chinese, and Taiwanese manufacturers to quickly rise to the same level as Japanese manufacturers.

Participant1 [M]: Thank you. That was very helpful.

Moderator [M]: Any other questions from the audience in the venue? No one? Thank you for your patience. For those of you participating via the web, please begin by asking any questions you may have about the business strategy briefing.

Participant2 [Q]: There are solid-phase, oxalic, and hydrothermal synthesis methods, and I would like to know what the future growth potential of each of these methods is. Regarding generative AI, smartphones, generative AI servers, and EVs, which method will benefit the most from the growth of each?

Also, you did not mention heat resistance this time, but hydrothermal synthesis may be a little inferior in that respect. Could you explain the growth potentials of each method, including the heat resistance aspect?

Ibaraki [A]: Regarding the manufacturing process, hydrothermal is still characterized by making small products. However, since each customer has a different manufacturing method and product design philosophy, I think it is generally the case that each manufacturer has a slightly different idea of which production method is right for them and which is not.

There are several major MLCC manufacturers in Japan, but each manufacturer has its own strengths and weaknesses. Whether it is the oxalic, solid-phase, or hydrothermal method, there are various characteristics used by each customer, so it is generally difficult to make a general statement.

Participant2 [Q]: Other companies that use the oxalic method say that the oxalic method is rather superior to the hydrothermal synthesis method in terms of heat resistance. Nowadays, for example, the temperature of MLCC used under the hood of a car, for example, is quite high at 140° C, and the temperature around the server of a generated AI also rises considerably, so there is talk that the oxalic acid method may be superior to the hydrothermal synthesis method in such places. So, if you look at past sales on slide 16 or 17, are the dielectrics on the right side decreasing?

I think the growth in dielectric materials is probably due to the increase in solid phase, but I feel that you may not be competitive here in areas where dielectrics are decreasing. What do you think about that?

Kikkawa [A]: I think you are pointing out that dielectrics are decreasing, but if you look at it by fiscal year, it coincides with the period of the COVID-19 pandemic. We believe that this is more of a temporary factor due

to the demand to stay home, which is an additional factor beyond demand. We do not believe that it is decreasing. We believe the market itself is growing.

Participant2 [Q]: So, do you have any comments on future growth potential, especially regarding demand for use in high-temperature areas such as AI servers?

Ibaraki [A]: Certainly, in the current situation, when it comes to hydrothermal and oxalic acid, I understand that the market is talking about the stability of hydrothermal because it uses water, but it is not as if our products are not actually used in such places. We are not aware that only the oxalic method is growing in this field, so we believe that our product design will be sufficient for use in this area.

Participant2 [M]: I understand. Thank you. That is all from me.

Moderator [M]: Are there any other questions from web participants?

Participant3 [Q]: Thank you for explaining the hydrothermal method so well.

Fundamentally, regarding competition within the hydrothermal method, what is the current state of competition among these Japanese firms?

Secondly, I think it was around this time last year that there are also reports of overseas manufacturers producing dielectrics using the hydrothermal method in-house. What are the risks here? If you have any comments on how your hydrothermal method is quite a bit better than the competitors. These are my two questions.

Ibaraki [A]: Regarding competition among Japanese manufacturers in the hydrothermal method, there are not many manufacturers. But I think Sakai Chemical has an overwhelming advantage in terms of production capacity, as well as cost.

Participant3 [Q]: Okay. Now, next question, please. About in-house production risks.

Ibaraki [A]: Recently, regarding overseas manufacturers that have been producing dielectrics in-house using the hydrothermal method, we do not recognize them as competitors. Specifically, regarding the hydrothermal method, overseas manufacturers like Chinese manufacturers have been using it for a long time, but I assume they haven't significantly penetrated the Japanese market yet.

Participant3 [Q]: I was asking about in-house production, meaning that MLCC makers produce in-house themselves.

Ibaraki [A]: I assume that a Korean company is doing some of the work, but I don't think that other manufacturers are probably producing dielectrics in-house using the hydrothermal method.

Participant3 [Q]: Okay. Finally, this is the last question. There are the MLCC manufacturers in Japan, but in fact, the AI server using this hydrothermal method, and the ratio of MLCC used in the part with high heat, as Participant2 pointed out earlier, I heard the same information a few years ago, and I was wondering if it was not possible for automobiles and the like. Is it correct to say that the trend is changing and the number of world-leading Japanese MLCC manufacturers are now increasing, using this hydrothermal method of design, regardless of whether they manufacture in-house or buy from your company?

Ibaraki [A]: We are also developing various products for the high-end market, and this area is increasing. Although our customers don’t tell us the final application when it comes to the high-end products, we believe that they are in line with the recent trend.

Participant3 [Q]: For small and large capacity, so-called large capacity ones, the hydrothermal method is also quite easy to adopt as a design.

When compared with the future outlook of MLCC makers, it appears that materials produced by the hydrothermal method will increase significantly.

Ibaraki [A]: Yes, that's right. We believe that hydrothermal is the most sought-after for fine products, so we are expecting strong inquiries from customers in this area.

Participant3 [Q]: So, you are saying that adoption is expanding quite a bit, even in large capacities?

Ibaraki [A]: Large capacities are basically required to increase the area and to make it thinner, but what is required for thinner layers is also a product with smaller particles.

Participant3 [M]: Cleared. Thank you very much. I learned a lot. Thank you again.

Moderator [M]: Thank you very much. Any other questions from the web?

Thank you very much for your numerous questions. With that, we would like to conclude the briefing. Thank you very much for your attendance today. Thank you for your continued support.

[END]

Document Notes

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