堺化学工業株式会社

Sakai Chemical Industry Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2026

May 25, 2026

Event Summary

[Company Name]	Sakai Chemical Industry Co., Ltd.
[Company ID]	4078-QCODE
[Event Language]	JPN
[Event Type]	Earnings Announcement
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2026
[Fiscal Period]	FY2026 Annual
[Date]	May 25, 2026
[Number of Pages]	27
[Time]	15:30 – 16:06 (Total: 38 minutes, Presentation: 25 minutes, Q&A: 11 minutes)
[Venue]	Webcast
[Venue Size]	
[Participants]	60
[Number of Speakers]	2 Toshiyuki Yagura — President, Representative Director Shinji Ogama — Executive Officer

Presentation

Moderator: We have now reached the scheduled time. We will now begin the Sakai Chemical Industry financial results briefing for the fiscal year ended March 2026.

Thank you very much for taking time out of your very busy schedule to come here today. Today's event is webcast only.

As for today's schedule, since we held a financial results briefing on the 13th of this month, President and Representative Director Yagura will give an explanation focusing on the progress of the medium-term management plan, and then take questions from those present.

For further details on our financial results, please refer to the materials from the earnings briefing held on the 13th, which are available on our website.

Let us begin the explanation. President, please go ahead.

Introduction

Final Fiscal Year of the Medium-Term Management Plan “Transformation: BEYOND 2030”

Operating profit for FY03/27, the final fiscal year of the medium-term management plan “Transformation: BEYOND 2030,” is projected to fall significantly short of the target of 9.0 billion yen.

Although the external environment has changed significantly since the formulation of the plan, the primary reason was that expansion in profit from growth businesses has taken longer than expected, which management also finds extremely disappointing.

Meanwhile, the major initiative of terminating the pigment-grade titanium dioxide business was carried out as planned, and efforts to strengthen the profitability of businesses under efficiency review and other businesses achieved results exceeding expectations.
Transformation of the business portfolio is progressing steadily.

In FY03/27, the final fiscal year of the plan, we will focus on achieving the target ROE of 8%.

SAKAI CHEMICAL INDUSTRY CO., LTD. 2

Yagura: I am Yagura, the President. Thank you very much for taking the time out of your busy schedules to attend our financial results briefing today. I would now like to present an overview of our financial results for the fiscal year ended March 2026 and the progress of our medium-term management plan, Transformation: BEYOND 2030.

First, I would like to share my thoughts on the final year of our medium-term management plan. Operating profit for the fiscal year ending March 2027, the final year of the Transformation: BEYOND 2030 medium-term management plan, is expected to deviate significantly from the initial target of JPY9 billion. Although the external environment has changed dramatically since the plan was formulated, the main reason is that it has taken longer than expected to increase profits from growth businesses, which is very frustrating for management.

Meanwhile, the major initiative to exit the pigment-grade titanium dioxide business was completed as planned. In addition, businesses under efficiency review and other businesses to strengthen profitability have achieved a certain level of success. There is no doubt that the business portfolio transformation is steadily moving forward.

In the fiscal year ending March 2027, which is the final year of the plan, we will focus on achieving another goal of 8% ROE.

FY03/26 Results Overview (YoY, Versus Revised Forecast)

(Millions of yen)

	FY03/25 Actual		FY03/26 Actual		YoY Change		FY03/26 Revised Forecast		Versus Revised Forecast	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	84,409	—	81,447	—	-2,962	-3.5	86,000	—	-4,552	-5.3
Operating profit	6,093	7.2	6,452	7.9	358	5.9	6,500	7.6	-47	-0.7
Ordinary profit	6,279	7.4	6,545	8.0	265	4.2	6,500	7.6	45	0.7
Profit attributable to owners of parent	5,013	5.9	2,752	3.4	-2,261	-45.1	3,000	3.5	-247	-8.2
EPS	309.21 yen		176.42 yen		—		191.20 yen		—	

	YoY Comparison	Versus Revised Forecast
Net sales	Despite sales growth in the electronic materials business, net sales declined 3.5% YoY due to lower sales volumes mainly in businesses under efficiency review and sluggish sales in cosmetic materials.	Due to progress in efficiency improvements in businesses under efficiency review and other businesses, as well as a temporary adjustment phase in the electronic materials business in the third quarter, results were 5.3% below plan.
Operating profit	Declines in cosmetic materials were covered by electronic materials, businesses under efficiency review (catalysts and barium) and other businesses, resulting in a 5.9% YoY increase in operating profit.	Declines in cosmetic materials were covered by stable businesses and businesses under efficiency review (catalysts and barium), resulting in profit generally commensurate with projections.
Net income	Profit declined due to the impact of an impairment loss recorded in the third quarter of FY03/26 for the multipurpose plant for cosmetic materials (-2,413 million yen).	Results were 8.2% below plan due to the recording of extraordinary losses related to the special career transition support program.

SAKAI CHEMICAL INDUSTRY CO., LTD. 5

Next, I would like to briefly explain the summary of the financial results for the fiscal year ended March 2026, which was already explained by Mr. Ogama, Executive Officer in charge of IR, on the day of the earnings announcement on May 13.

Please turn to slide five. Operating profit, which is an important element of this medium-term management plan, increased from the previous fiscal year and is almost on line with the second-year plan. This is attributable to increased profitability resulting primarily from businesses under efficiency review.

On the other hand, with regard to net income, the Company recorded a loss due to the special career-transition support program that was not included in the plan.

FY03/27 Earnings Forecast

- Impact on net sales from the termination of the pigment-grade titanium dioxide business will be offset by organic chemicals and other businesses.
- Despite anticipated profit growth from improved sales mix in electronic materials and increased sales volumes in organic chemicals, operating profit is expected to decline as these factors will not fully offset the impact from discontinuation of the pigment-grade titanium dioxide business.
- Net income is expected to increase due to gains on sale of fixed assets (disclosed on March 24, 2026; approximately 1.0 billion yen).

(Millions of yen)

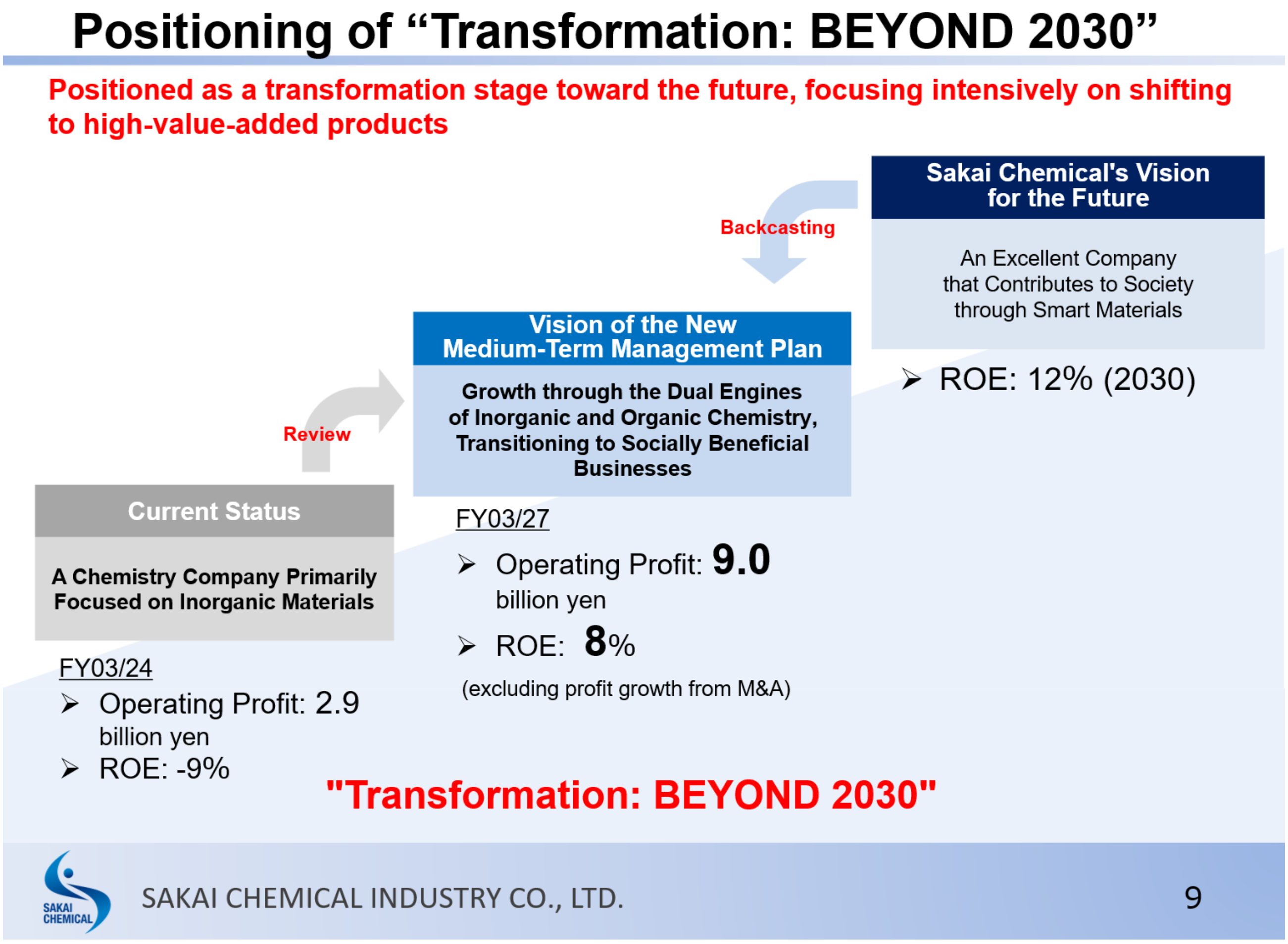
	FY03/26		FY03/27						
	Full-year results		1H forecast		2H forecast		Full-year forecast		
	Amount	Margin %	Amount	Margin %	Amount	Margin %	Amount	Margin %	YoY %
Net sales	81,447	—	41,700	—	40,000	—	81,700	—	0.3
Operating profit	6,452	7.9	3,100	7.4	2,900	7.3	6,000	7.3	(7.0)
Ordinary profit	6,545	8.0	3,200	7.7	2,900	7.3	6,100	7.5	(6.8)
Profit attributable to owners of parent	2,752	3.4	2,800	6.7	1,600	4.0	4,400	5.4	59.9

External Factors (Assumptions)		Internal Factors (Assumptions)	
Positives	Negatives	Positives	Negatives
• Favorable semiconductor market conditions driven by strong AI-related demand • Thai economy has bottomed out	• Persistent economic stagnation in China • Shift in sunscreen market trends (Increased use of low-cost products due to the economic downturn)	• Improved sales mix (electronic materials)	• Increase in fixed cost ratio

*Due to the difficulty of predicting their impact, our projections do not reflect potential effects from reciprocal U.S. tariff policies or the situation in the Middle East.

SAKAI CHEMICAL INDUSTRY CO., LTD. 7

Next, please turn to slide seven for the current fiscal year ending March 2027. Although net sales are expected to increase slightly, operating profit is projected to decrease approximately JPY450 million to JPY6 billion, falling short of the JPY9 billion forecasted at the time the mid-term plan was formulated.

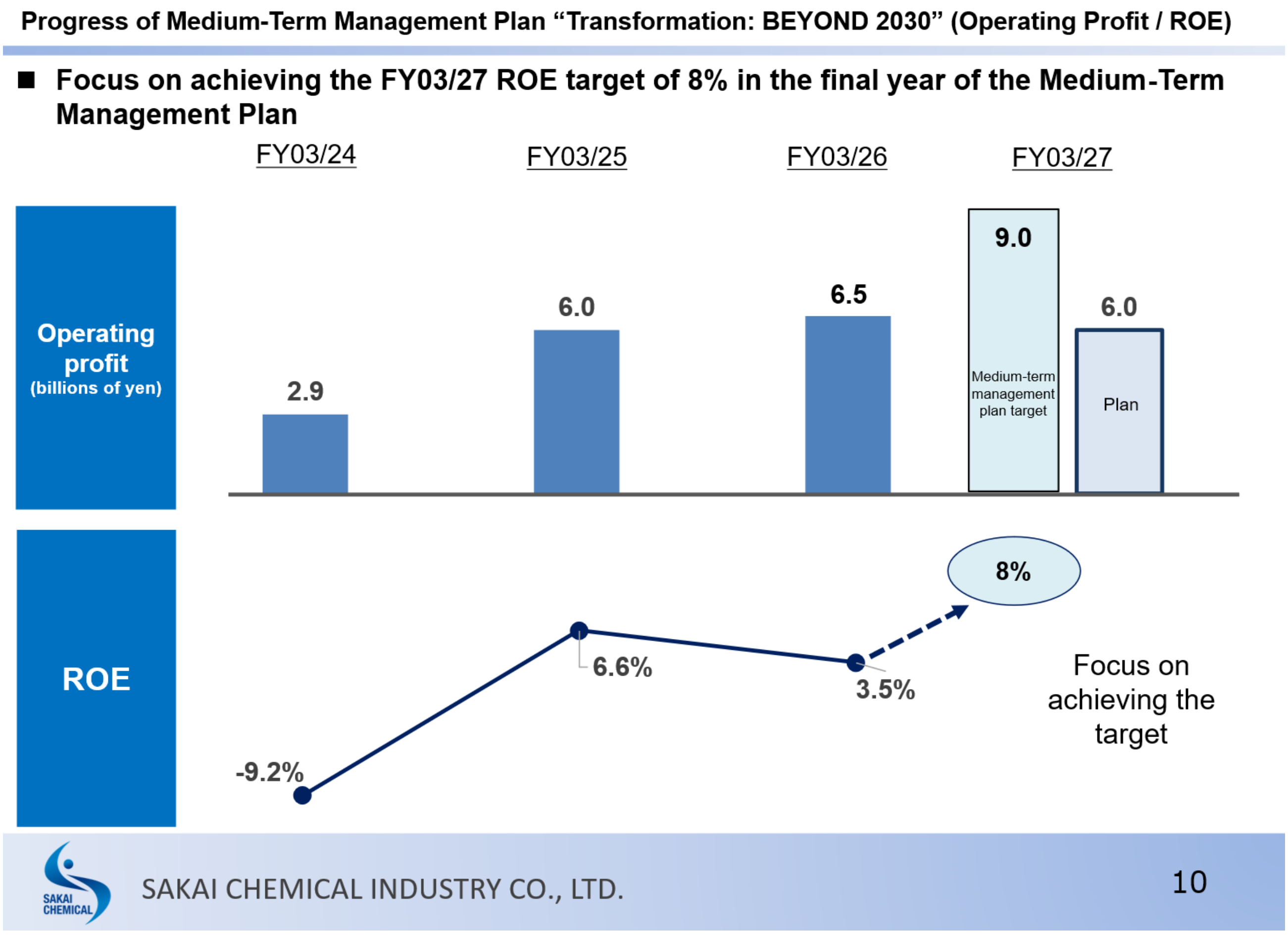


With that in mind, I will now explain the details of our progress on the medium-term management plan.

First, let's review. This slide shows our vision of where we want to be and the positioning of this medium-term management plan, as presented at the presentation of the medium-term management plan.

Sakai Chemical's vision for the future is to be "an excellent company that contributes to society through Smart Materials," and we have positioned Transformation: BEYOND 2030 as the stage of transformation for the future.

The target figures for the fiscal year ending March 2027 were operating profit of JPY9 billion and ROE of 8%.



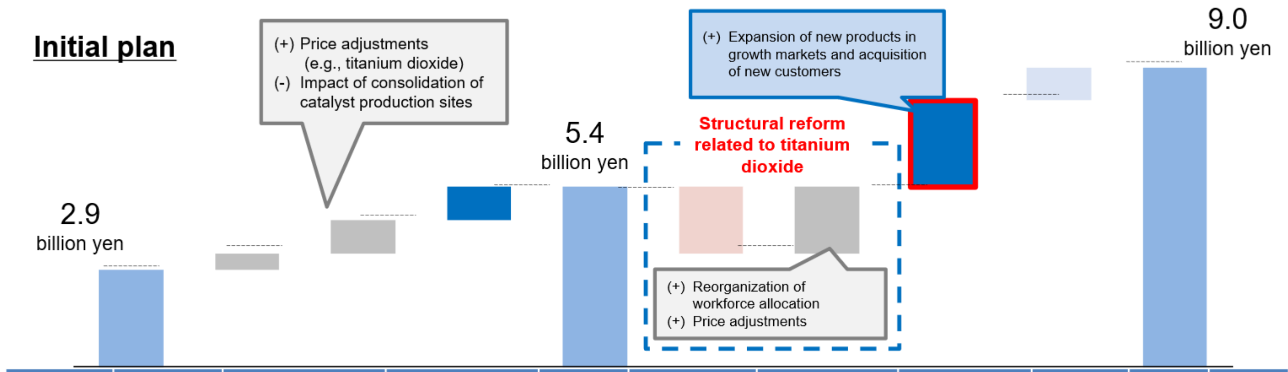
Let us first look at the progress of its key indicators. Operating profit has steadily built up from JPY2.9 billion in the year ended March 2024 to JPY6 billion in the year ending March 2025 and JPY6.5 billion in the year ending March 2026.

However, the plan for the fiscal year ending March 2027 is expected to remain flat at JPY6 billion, which is a significant deviation from the JPY9 billion planned at the time the mid-term plan was formulated.

Although our ROE fell to 3.5% due to the recognition of extraordinary losses, we intend to focus on achieving our ROE target of 8% in the fiscal year ending March 2027, which marks the final year of our mid-term plan.

Progress of Medium-Term Management Plan “Transformation: BEYOND 203

Transformation 01



Progress	(1)	(2)	(3)	Year one	(4)	(5)	(6)	(7)	Year two	Year three
FY03/24 Actual	Depreciation, etc.	Improvements in businesses under efficiency review	Capturing market recovery in growth businesses	FY03/25 Actual	Impact of ending pigment-grade titanium dioxide business	Improvements addressing increased fixed cost ratios	Capturing market recovery in growth businesses	Increase in profit from stable businesses	FY03/26 Actual	FY03/27 Plan
FY03/25 (Year one)	In line with plan	Exceeded expectations	Some projections unmet	6.1 billion yen	–	–	–	–	–	–
FY03/26 (Year two)	–	Improvements impacting performance throughout the year	Deterioration of the external environment for cosmetic materials	–	Proceeding as planned	Review of workforce allocation	Electronic materials ○ Cosmetic materials ▲ Organic chemicals △	Proceeding as planned	6.5 billion yen	–
FY03/27 (Year three)	–	Progress toward building stable businesses as an earnings base	–	–	–	Special career transition support program	Initiatives to improve profitability of cosmetic materials	Proceeding as planned	–	6.0 billion yen

Self-assessment (○: On track; △: Slightly delayed; ▲: Not achieved)

SAKAI CHEMICAL INDUSTRY CO., LTD. 11

Next, we will take a closer look at the progress regarding operating profit. Please take a look at the next slide. This slide shows the original plan in the waterfall chart at the top and provides commentary on the actual results in the bottom section.

In the first year, the fiscal year ended March 2025, we made a good start with JPY6.1 billion, thanks to better-than-planned progress in businesses under efficiency review.

In the second year, the fiscal year ended March 2026, the full-year effects of improvements in the businesses under efficiency review were realized, and in addition, electronic materials, a growth business, performed well, but the external environment for cosmetics materials deteriorated significantly from the initial forecast, and the Company ended the fiscal year with JPY6.5 billion.

Meanwhile, the pigment-grade titanium dioxide business was completed as planned, and a review of personnel assignments is underway in sequence.

For the third year, our challenge is to work on market growth in the growth businesses circled in red. We have already begun efforts to restore profitability in cosmetics materials, which has deviated significantly from our plans; however, we expect to see results from these efforts only in the next medium-term management plan and beyond. Consequently, we project an overall profit of JPY6 billion.

Divergence from “Transformation: BEYOND 2030”

Expansion of profit in growth businesses remains a future challenge

Business & Companywide expenses	Operating profit for FY03/27				Comments (Including businesses under efficiency review within stable businesses)
	Former initial plan	*Revised initial plan A	FY03/27 plan B	Difference B-A	
	100 million yen	100 million yen	100 million yen	100 million yen	
Growth businesses	57	65	30	-35	• Electronic materials: Generally in line with plan • Cosmetic materials: Fell significantly short of plan • Organic chemicals: Fell short of plan in pharmaceutical API intermediates
Stable businesses	27	39	40	1	• Businesses under efficiency review: Successfully achieved profitability • Stable businesses: Successfully achieved profitability and expanded sales to new customers
Medical	2	2	-2	-4	• Fell short of plan due to the impact of NHI price revisions on mainstay products
Others	4	7	15	8	• Improved profitability of unprofitable products, etc.
Companywide expenses	0	-23	-23	0	• Controlled companywide expenses through personnel planning and other measures
Total	**90**	**90**	**60**	**-30**	

*Revised initial plan represents approximate figures before allocation of companywide expenses, revised due to segment changes implemented in FY03/25.

SAKAI CHEMICAL INDUSTRY CO., LTD. 12

The next slide shows a breakdown of the JPY3 billion difference from the JPY9 billion in operating profit when the mid-term plan was formulated. Please take a look. From left to right in the table, the old aggregate initial plan, the new aggregate initial plan, the current year's plan, and the difference between the two are listed for each business. As you can see, the most significant difference is the lag in the growth business.

Results and Challenges of Key Initiatives under "Transformation: BEYOND 2030"

Transformation 01

Transformation 01

Realigning our business portfolio toward high-value-added products

- Expand sales and profits in growth businesses through investment in electronic materials, cosmetic materials, and organic chemicals, and grow businesses through M&A while determining the most suitable ownership for each business
- Make future investments for the next medium-term management plan (including cosmetic materials)
- End the pigment-grade titanium dioxide business

Year-two results

- Established a path toward transforming businesses under efficiency review and other businesses into cash-generating businesses

Operating profit of the businesses under efficiency review and other businesses (billions of yen)	FY03/24 Actual	FY03/27 Plan	Difference
Plastic additives	0.7	1.2	0.5
Catalysts	0.3	0.7	0.4
Barium	0.2	0.7	0.5
Others	0.7	1.5	0.8
Total	1.9	4.1	2.2

*Excluding titanium dioxide and zinc products

- Exit from the pigment-grade titanium dioxide business completed as scheduled

Future challenges

- Expand earnings from growth businesses
→ Return the cosmetic materials business to a growth trajectory

Operating profit (billions of yen)	Former initial plan	Revised initial plan	FY03/27 Plan	Difference
Growth businesses	5.7	6.5	3.0	-3.5
Stable businesses	2.7	3.9	4.0	0.1
Businesses under efficiency review	—	—	—	
Medical	0.2	0.2	(0.2)	-0.4
Other	0.4	0.7	1.5	0.8

- Advancement of business portfolio management
→ Continue business portfolio transformation with an awareness of capital costs and enhance communication with the capital markets

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Based on the above, we will summarize the achievements and challenges of the three transformations set forth in the medium-term management plan.

First, with regard to the business portfolio reshuffling, which was intended to shift to high value-added products, the businesses under efficiency review were steadily profitable, and other businesses were profitable as well. We have also successfully completed the phase-out of our pigment-grade titanium dioxide business, which was one of our major strategic initiatives.

As shown in this table, operating profit from the three businesses under efficiency review of plastic additives, catalysts, and inorganic materials, as well as from other businesses, more than doubled to JPY4.1 billion from JPY1.9 billion in the year ended March 2024 before the transformation.

On the other hand, the challenge is to increase profits from growing businesses and create the next pillar of growth, which we intend to focus on in the future.

Results and Challenges of Key Initiatives under “Transformation: BEYOND 2030”

Transformation 02

Transformation 02

Achieving ROE that exceeds capital costs and improving PBR

- Manage cash flow and reduce assets through the sale of underutilized fixed assets
- Improve capital efficiency through active investments, including M&A in growth businesses, and shareholder returns

Two-year results	Future challenges
• Achieved improvements in asset efficiency ahead of schedule (see table below) • Growth investments executed largely as planned	• Further improvement of ROE and P/B ratio → Further promote business portfolio transformation and continue improving capital efficiency while balancing growth investments and shareholder returns • Achieve profit growth through proactive investment in growth businesses, including M&A

	Cumulative targets for the Medium-Term Management Plan period	Actual or plan	Notes
CCC reduction	180 days or less	178 days	Second-year result
Working capital reduction	(7.0 billion yen or more)	(8.9 billion yen)	Second-year result
Expansion of shareholder returns	Total of 8.0 billion yen or more	Approximately 9.4 billion yen (117%)	Three-year cumulative plan
Sale of assets	–	Investment securities: approximately 1.5 billion yen Fixed assets: approximately 1.6 billion yen	Second-year result

SAKAI CHEMICAL INDUSTRY CO., LTD. 14

Next, I would like to talk about achieving ROE above cost of capital and improving P/B ratio. As shown in the table below, we achieved our cash conversion cycle and working capital reduction plans ahead of schedule, and steadily sold off unnecessary assets, leading to increased shareholder returns.

Our challenge going forward is to strive to further improve capital efficiency while balancing investment in growth and shareholder returns in order to promote business portfolio transformation.

In addition, although not yet realized, we will continue to explore the possibility of discontinuous growth by considering M&A that would contribute to growth.

Results and Challenges of Key Initiatives under "Transformation: BEYOND 2030"

Transformation 03

Transformation 03

Rebuilding the management foundation through materiality promotion and accelerating non-financial initiatives

- Ensure thorough measures to prevent recurrence of quality and safety issues
- Implement initiatives for human capital management as a source of growth

■**Strengthening awareness regarding preventive safety and implementing effective human capital strategies remain key ongoing challenges**

Materiality	KPI	Self-assessment	Progress / future action
(1) Contribute to people's well-being	Major labor incidents: Zero cases	△	Although an accident requiring leave of at least four days occurred, we have completed all necessary response and prevention measures. We will continue to work on strengthening awareness regarding preventive safety.
	Engagement improvement	△	The third-party evaluation score improved by 1.0 point (63.4 → 64.4 [Target/Chemical industry average: 66.4]) Visualized issues through third-party surveys and promoted highly effective improvement measures in each division through reviews of rank-based training and factor score analysis.
	Promotion of diversity	○	To achieve diversity goals set for FY2030, we have defined intermediate milestones aligned with our current Medium-Term Management Plan targets. To facilitate achievement of these milestones, we are currently implementing recruitment, talent development, and policy reforms.
(2) Protect the global environment	Reduction in CO2 emissions	○	We have achieved a 31% reduction in Scope 1 and 2 emissions relative to FY2013 levels. Meanwhile, we plan to steadily undertake efforts aiming to improve visibility and data accuracy for Scope 3 emissions.
	Major compliance violations: Zero cases	○	We will continue closely monitoring changes in specific environmental variables through routine scheduled checks.
(3) Address social challenges through manufacturing	Launch of Smart Material products	○	Under the Smart Material certification system, we promoted product development that balances solutions to social issues with profitability. Three products—Lumate, Multhiol, and the SZR series—were certified as Smart Materials. We will pursue sustainable growth and enhancement of corporate value through expansion of high-value-added products.
(4) Build a transparent and strong management structure	Major compliance violations: Zero cases	○	Through ongoing compliance training and educational initiatives, we will sustain efforts aiming to raise organizational awareness and uphold ethical standards.

Self-assessment (○: Achieved; △: Not achieved or in progress)

SAKAI CHEMICAL INDUSTRY CO., LTD. 15

The last one is about the restructuring of the management base through materiality promotion and non-financial initiatives. We have been working diligently to address the four materialities and each KPI.

In addition to efforts to improve the engagement score, the CO_2 emission reduction targets for Scope 1 and 2 were achieved ahead of schedule. In addition, Smart Material, which will be explained later, has certified three products and is making steady progress in this area.

Each of these has its challenges, but we are prepared to continue to make strong progress on the non-financial aspects of our efforts.

On the next and subsequent slides, we will discuss each of the transformations in more detail.

Progress of Medium-Term Management Plan “Transformation: BEYOND 2030” Electronic Materials

Transformation 01

Year-two progress

■ **Dielectrics:** ○
Growing demand for high-end products primarily for next-generation consumer smartphones and AI-related applications

■ **Dielectric materials:** ○
As with dielectrics, growing demand for high-end products primarily for next-generation consumer smartphones and AI-related applications requiring high-quality materials

Profit growth measures

■ **Keys toward expanding earnings under competitive conditions**

Considering capital investment to increase production of high-end products for both dielectrics and dielectric materials

Expand market share through development and high-value-added products in response to changes in the MLCC market

	Industry environment analysis (MLCC market)
Market	• Market trends move in strong alignment with those in the semiconductor industry • Demand continues to expand (currently driven particularly by strong AI-related demand) • Ongoing trend toward miniaturization in the MLCC market, with rising demand for thinner dielectric layers and higher multilayer integration
Competitors	• Dielectrics: External suppliers and in-house manufacturers • Dielectric materials: several companies
Sakai Chemical	• Capable of supplying both base dielectric compounds and application-ready dielectric materials • Dielectrics: Utilization of a hydrothermal synthesis method suited to thinner-layer and multilayering needs • Dielectric materials: extensive product lineup and high market share

(Millions of yen)

	FY03/26		FY03/27 Plan		Change	Ratio
	Amount	%	Amount	%	Amount	%
Sales	11,377	—	11,500	—	123	1.1
Operating profit	1,816	16.0	2,400	20.9	584	32.2

- In FY03/27, strong AI server-related demand continuing from FY03/26 is planned to offset the projected decline in smartphone applications and other areas.
- Business progress generally proceeding as planned against the initial profit plan.

Self-assessment (○: On track; △: Slightly delayed; ▲: Not achieved)

SAKAI CHEMICAL INDUSTRY CO., LTD. 16

First, Transformation 1, looking toward the future of each growth business. I will start with electronic materials. Please take a look at this. After the second year of the mid-term plan, both dielectrics and dielectric materials are generally progressing well, partly due to increased demand related to AI.

Looking to the future, we will further mass-produce each of our high-end products by taking advantage of our strength in powder processing technology, and aim to expand our market share in high-value-added products.

Progress of Medium-Term Management Plan "Transformation: BEYOND 2030" Cosmetic Materials

Transformation 01

Year-two progress

- **Sunscreen agents: ▲**
  In addition to declining sales volumes in the Chinese and US markets, our products are struggling due to cost-cutting trends and increased adoption of organic materials driven by their falling prices.
- **Makeup products: △**
  Replacement from MPB itself, as well as from silica materials that have been leading alternatives to MPB, is progressing more slowly than expected.

(microplastic beads [MPBs])

	Industry environment analysis (sunscreen market)
Market	• The sunscreen market is expected to continue growing • Japanese cosmetics manufacturers had been struggling but are showing signs of recovery 【Short term】 • Globally inflationary trends continuing, with an increasing emphasis on cost-consciousness • The shift from organic materials to inorganic materials is progressing more slowly than expected 【Medium to long term】 • Shift toward inorganic materials that are friendly to both people and the environment • Increasing demand for ultrafine zinc oxide, an inorganic material effective for UVA protection (rising anti-aging demand)
Competitors	• Only a handful of manufacturers produce high-quality inorganic materials • New organic UV absorbers expected to receive FDA approval
Sakai Chemical	• Powder processing technology (major strengths in particle refinement and quality stability) • Increasing adoption of our ultrafine zinc oxide and applicable products among major overseas manufacturers

Self-assessment (○: On track; △: Slightly delayed; ▲: Not achieved)

Profit growth measures

■ **Keys toward expanding earnings under competitive conditions**
Fully leveraging our strengths in powder processing technology to swiftly promote new sales expansion and product PR

・**Sunscreen agents**
- Existing: Deepen adoption pipelines with major overseas manufacturers
- New: Expand initiatives targeting mid-tier cosmetics manufacturers and local manufacturers in China, India, and other markets
- New value propositions through hybrid formulations with organic UV absorbers

・**Makeup products**
- Promote as a unique material that combines safety and a mineral-oriented approach, while also offering skincare functionality as an added value

(Millions of yen)

	FY03/26		FY03/27 Plan		Change	Ratio
	Amount	%	Amount	%	Amount	%
Sales	1,720	—	2,000	—	280	16.3
Operating profit	(437)	(25.4)	(400)	(20.0)	37	—

- FY03/27 will be a period of laying the groundwork for profit growth, with full-scale results expected from the next Medium-Term Management Plan onward.
- Due to slower-than-expected changes in materials used in the cosmetics market, FY03/27 operating profit is expected to fall short of the target.

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Next, cosmetics. The situation here has changed significantly from the plan at the beginning of the period due to a drop in sales volume in the Chinese and US markets, as well as a return to organic absorbent materials due to a temporary cost-cutting trend. In addition, regarding makeup materials, the transition away from microplastic beads and the shift away from silica-based materials—which had already begun earlier—are not proceeding at the pace we had anticipated.

Despite these headwinds, cosmetic materials are a field in which we can take advantage of our strength in powder processing technology, and we are now in the process of rebuilding a new sales strategy and promoting this initiative to expand new sales.

In the sunscreen market, we will work to deepen our product adoption pipeline with major international cosmetics manufacturers while also expanding our efforts to target not only major players but also mid-tier companies and local manufacturers in markets such as China and India.

We will also implement new value propositions, such as proposing hybrid formulations with organic absorbents. And in our makeup products, we will promote them as unique materials that combine the safety of our inorganic materials with the mineral preferences of consumers, as well as their skin care functions.

Although the current business forecast remains challenging, we hope to achieve the results of these sales activities in the next mid-term plan and beyond.

Progress of Medium-Term Management Plan “Transformation: BEYOND 2030” Organic Chemicals

Transformation 01

Year-two progress

Organic sulfur compounds: ○
Materials for eyeglass lenses remained firm.
Multhiol, a new product, also began gradually contributing to profits for adhesives used in electronic materials such as smartphones.

Pharmaceutical APIs and intermediates: △
Existing core contract manufacturing products are struggling due to worsening competitive conditions at clients and the impact of patent expirations. New inquiries, including CDMO-related projects, are being received, but securing projects is expected to take time.

Industrial environment analysis

	Organic sulfur compounds	Pharmaceutical APIs and intermediates
Market	• **For eyeglass lenses** Growing myopic population ⇒ Growth in demand for high-refractive-index lenses • **For adhesives used in electronic materials, etc.** Miniaturization and higher functionality of electronic devices ⇒ Improved performance requirements for adhesives used	• Major pharmaceutical companies strategically narrowing allocation of development resources toward core priorities ⇒ Outsourcing of development processes • Geopolitical risks associated with API production ⇒ Return to domestic API manufacturing
Competitors	• Few manufacturers are capable of handling organic sulfur compounds	• Large number of well-established early-mover manufacturers
Sakai Chemical	• Sole supplier in Japan for eyeglass lens applications • Technological capabilities for handling organic sulfur compounds	• Extensive experience as a contract manufacturer (CMO) for leading pharmaceutical companies

Self-assessment (○: On track; △: Slightly delayed; ▲: Not achieved)

Profit growth measures

■ **Keys toward expanding earnings under competitive conditions**

・**Organic sulfur compounds**
For both eyeglass lens materials and adhesive applications, strengthening production systems to meet increasing demand

・**Pharmaceutical APIs and intermediates**
Building on the trust established through our strong CMO track record, expand sales while continuing to strengthen our CDMO framework and build a track record in this area

(Millions of yen)

	FY03/26		FY03/27 Plan		Change	Ratio
	Amount	%	Amount	%	Amount	%
Sales	7,185	—	8,000	—	815	11.3
Operating profit	721	10.0	1,000	12.5	279	38.7

- In FY03/27, organic sulfur compounds are expected to remain firm as in the second year, while the competitive environment for pharmaceutical API intermediates is expected to remain challenging.
- Due to a greater-than-expected deterioration in the competitive environment for pharmaceutical API intermediates, operating profit for FY03/27 is expected to fall short of the target.

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Finally, organic chemicals. As for organic sulfur compounds, sales of materials for eyeglass lenses remained steady. The new product, Multhiol, is also gradually starting to contribute to profits for adhesives used in electronic materials for smartphones and other devices.

On the other hand, the contract volume of existing mainstay bulk pharmaceutical intermediates has been declining due to the deteriorating competitive environment of the contract source and patent expiration. Although we have received new inquiries for CDMO support, etc., it is expected to take time to acquire projects, but we will focus on acquiring development projects based on our track record and trust in CMO over the years.

Although we expect profit to increase in the current fiscal year, supported by strong sales of materials for lenses, it is not expected to reach the initial plan of the mid-term plan.

Capital Allocation

[3-Year cumulative] Allocate cash generated from profit, CCC improvement, and asset sales to capital investment, shareholder returns, and M&A

Cash In

Funding
Borrowing and warrants
Convertible bonds (already raised)

Sale of fixed assets

CCC improvement 7.0 billion yen

Operating cash flow 34.0 billion yen

Cash Out

M&A

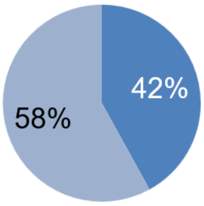
Shareholder returns 8.0 billion yen or more

Capital investment 20.0 billion yen

Shareholder Return Policy

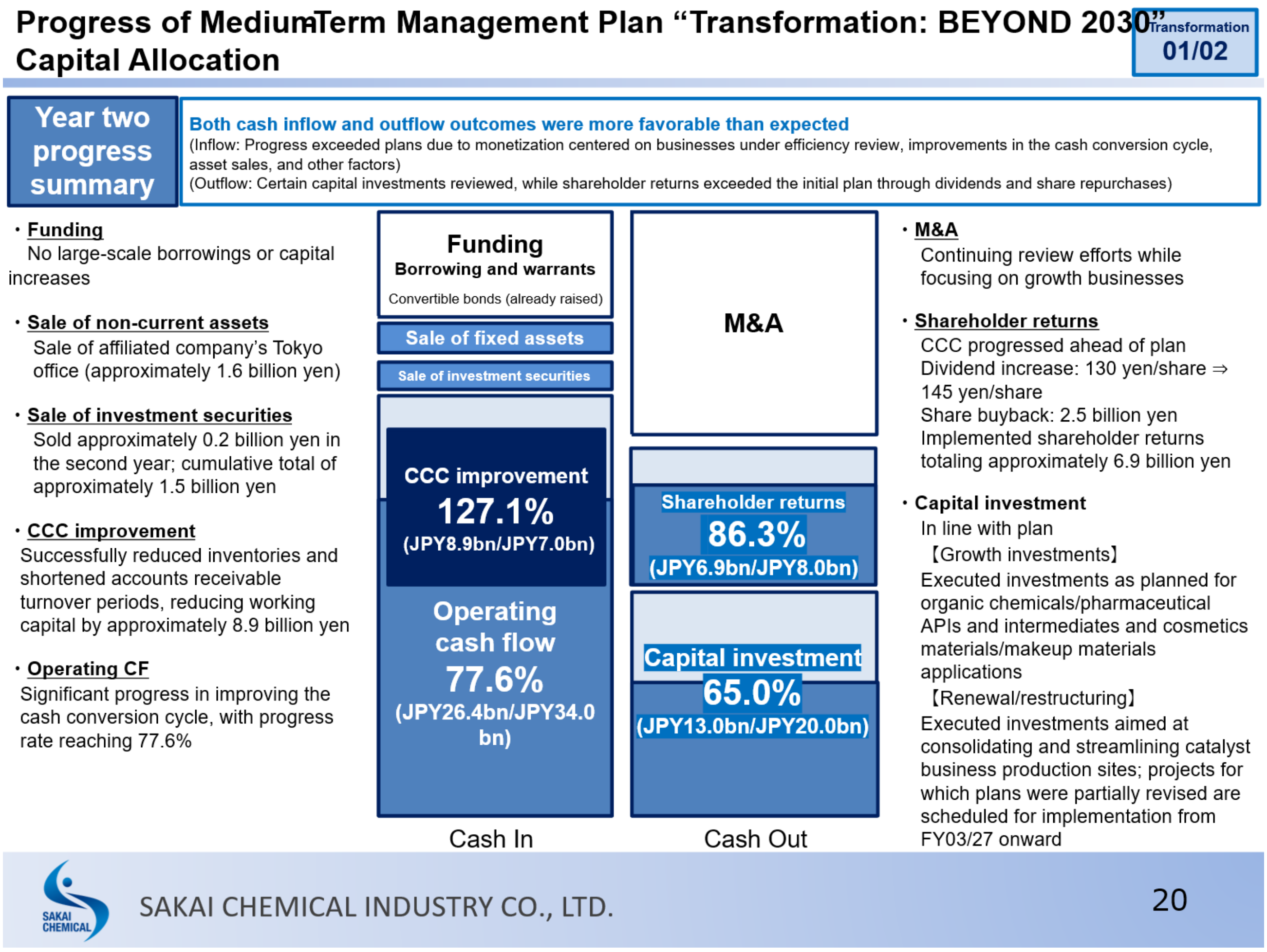
- Target dividends exceeding previous levels, aiming for a DOE of 3%
- Implement flexible share buybacks

Capital Investment Plan



- Growth investments will focus on production expansion in growth businesses (electronic materials, cosmetic materials, and organic chemicals)

Next, I’d like to discuss our progress on capital allocation. This is a restatement of the original plan announced in the mid-term plan. Please refer to the next slide for the progress rate.



Overall, both cash inflows and outflows are exceeding our projections.

On the left side, regarding cash inflows, there were movements, which I will explain in order from the top: approximately JPY1.6 billion from sales of fixed assets, JPY1.5 billion from sales of investment securities, JPY8.9 billion from improvements in the cash conversion cycle, and JPY26.4 billion from operating cash flow. Regarding the improvement of the cash conversion cycle, the progress rate is 127.1%.

On the other hand, on the right side, cash outflows, in the second year, the Company increased the dividend from JPY130 to JPY145 and repurchased JPY2.5 billion of its own shares, returning a cumulative total of approximately JPY6.9 billion to shareholders, for a progress rate of 86.3%. In addition, capital investment is generally progressing smoothly, with approximately JPY13 billion being executed.

I will explain the cash conversion cycle in more detail on the next slide.

Progress of Medium-Term Management Plan “Transformation: BEYOND 2030”
Cash Conversion Cycle

Transformation 02

- Cash conversion cycle target: 180 days or less

  Target cumulative three-year cash flow generation of 7.0 billion yen on a monetary basis

  ⇒ **In FY03/26, CCC was 178 days (reduced by 38 days compared with FY03/24)**
  Cumulative operating cash flow over the two-year period generated JPY8.9bn, achieving the medium-term management plan target ahead of schedule.

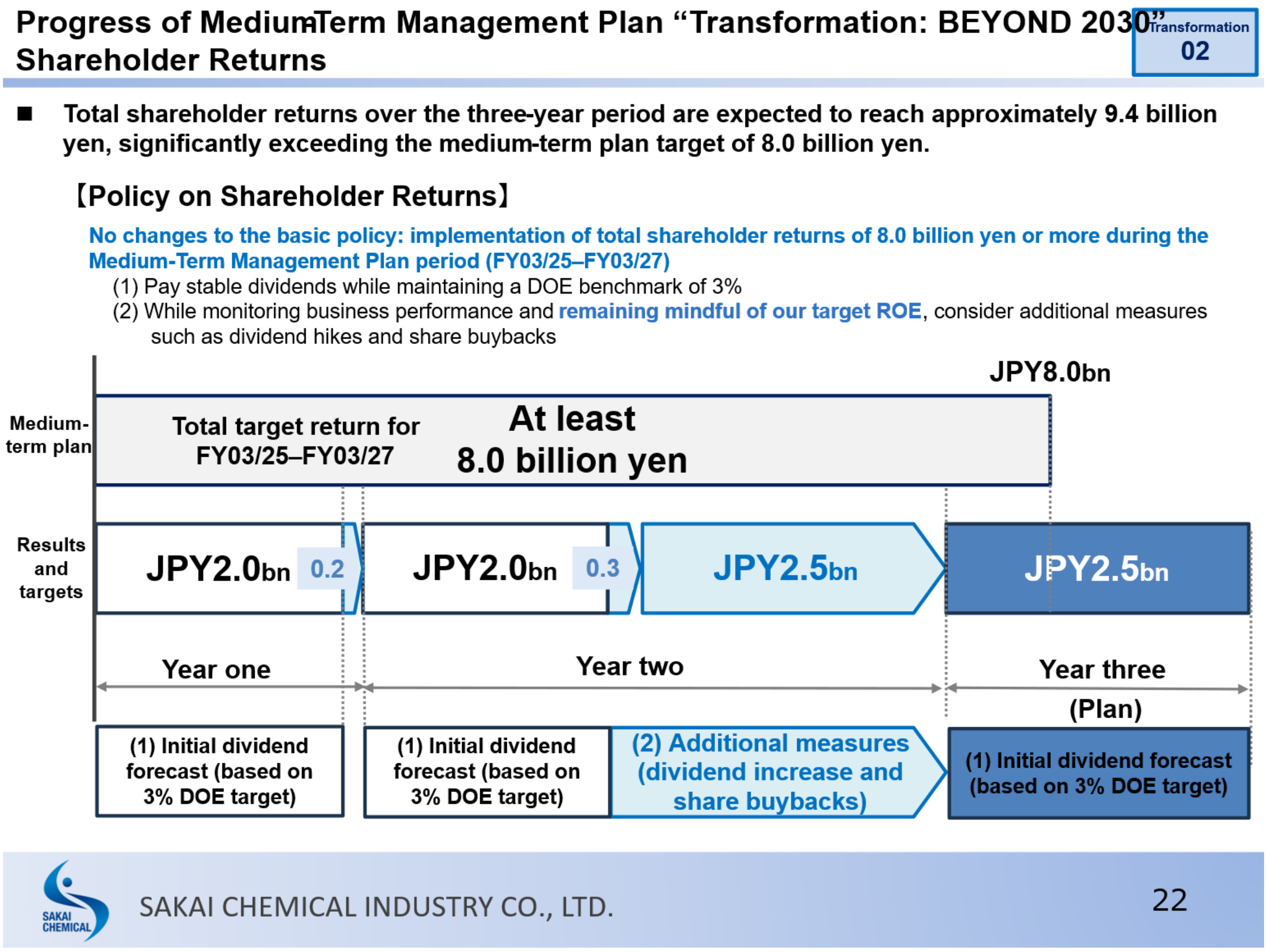
	Unit	FY03/24	FY03/25	FY03/26	Change (FY03/24 ⇔ FY03/26)
Trade receivables turnover period	Days	130	115	111	-19
Inventory turnover period	Days	126	115	106	-20
Accounts payable turnover period	Days	40	37	38	-2
CCC	**Days**	**216**	**194**	**178**	**-38**
Working capital	**JPYbn**	**49.2**	**45.4**	**40.3**	**-8.9**

Calculation formula: Working capital ÷ sales × 12 months (6 months) × 30 days

Our Actions
・Trade receivables: Shorten collection period
・Inventory: Reassess appropriate inventory levels and reduce inventory quantities

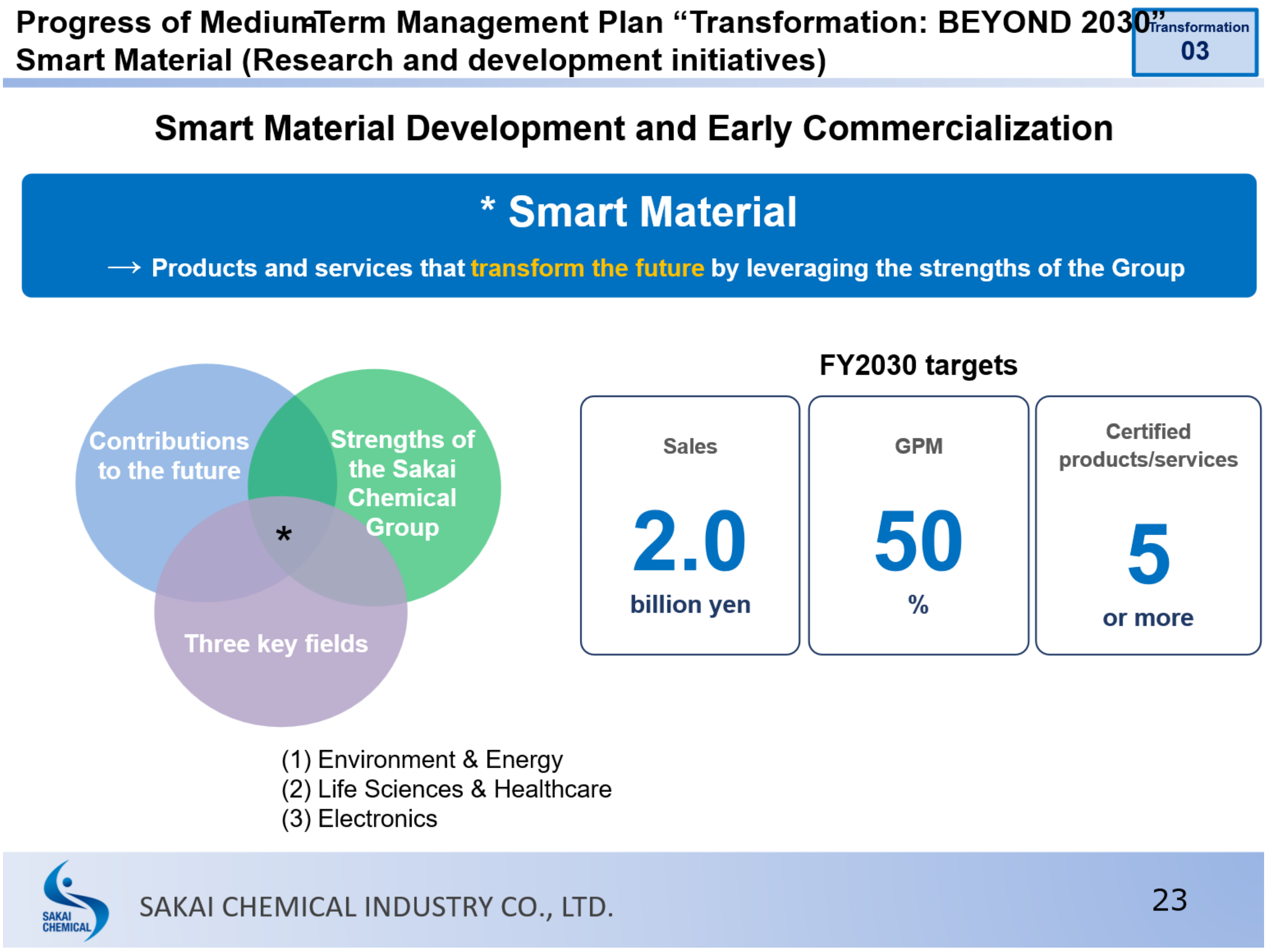
This table shows the progress made since the launch pad in the fiscal year ending March 2024, broken down into the accounts receivable turnover period, inventory turnover period, and accounts payable turnover period.

As you can see from the table, thanks to our efforts to reduce inventory and shorten accounts receivable, we achieved an improvement in operating cash flow of approximately 38 days in terms of the cash conversion cycle and roughly JPY8.9 billion in absolute terms.



Next, I would like to discuss shareholder returns. Total shareholder returns over the three-year period will be approximately JPY9.4 billion, which, as shown in the graph, is expected to far exceed the mid-term target of JPY8 billion.

After taking into account the dividend for the third year, approximately JPY2.5 billion, the progress rate is 117%.



Next, I would like to introduce one of our non-financial initiatives, the launch of Smart Material. In particular, during the period of this mid-term plan, as mentioned earlier in the materiality, we have been working on the development and launch of Smart Material and the creation of new businesses.

For Smart Material, our goal is to create at least five certified products by 2030. And we aim to achieve sales of JPY2 billion and 50% gross profit margin for the certified products combined.

Today, I would like to introduce the three Smart Materials that have been certified so far in the following slides.

Progress of Medium-Term Management Plan “Transformation: BEYOND 2030” Smart Material (Research and development initiatives)

Transformation 03

■ Inorganic Phosphors: Lumate Series (Cosmetic Materials segment)

Market demand	Materials capable of enabling “new functions and behaviors not seen before” are required.
Customer value provided	Target: skincare cosmetics Function: Not only cuts ultraviolet rays but converts them into visible light, resulting in improved skin tone and a brightening skin effect
Strengths utilized	**Powder Processing Technology** Deployed processing technologies cultivated in industrial applications to cosmetics applications

- Enhance skin tone correction when applied to the skin while providing a brightening effect
- High points such as the bridge of the nose are illuminated, creating a natural highlighting effect
- Can be used in face powders, foundations, eye shadows, and other cosmetic products

■ A distinctive product handled exclusively by our Company, with expansion into overseas markets also being pursued

SAKAI CHEMICAL INDUSTRY CO., LTD. 24

The first is inorganic phosphors, the Lumate series. The market demanded materials that could achieve new functions and behavior that had never been seen before.

Leveraging our expertise in powder processing technology—a core strength of our company—we have developed a material for skincare products that not only blocks UV rays but also converts them into visible light, thereby brightening the skin tone and enhancing its appearance.

Although it may be difficult to tell depending on the resolution, the left side of the face photo is taken with Lumate, which gives the impression of clear skin.

This material can be handled only by our company, and we will promote overseas development of this material.

Progress of Medium-Term Management Plan “Transformation: BEYOND 2030” Smart Material (Research and development initiatives)

Transformation 03

■ Multhiol Series (Organic Chemicals segment)

Market changes	Due to the increasing sophistication of electronic devices, components mounted in them are becoming smaller and higher in performance, driving growing demand for enhanced functionality in adhesives used during assembly.
Customer value provided	Target: electronic device adhesives Function: provide high adhesion, moisture resistance, and impact resistance, supporting electronic device manufacturing and long-term use
Strengths utilized	**Organic Synthesis Technology** Applied technology for handling organic sulfur compounds and revised the structure of existing products

Market changes	Emerging challenges	Property requirements
Miniaturization	Secure small components within a narrow bonding area	High adhesion
Higher performance	Protect high-performance components from heat generated during bonding	Lower bonding temperature
Multi-functionality	Enable longer-term use of high-value electronic devices	Improved impact resistance and moisture resistance

■ Actively advancing preparations toward mass production

* Illustration of smartphone camera module structure

The second is the Multhiol series, a new organic sulfur compound. As the market changes, components are becoming smaller and more sophisticated due to the increasing sophistication of electronic devices, and the demand for improved functionality in the adhesives required for their assembly is increasing.

We have developed additives that can support the production and long-term use of electronic devices by adding adhesiveness, moisture resistance, and impact resistance, taking advantage of our strength in organic synthesis technology. It is mainly used for bonding camera parts of smartphones, but we would like to further improve it and take action toward mass production in order to expand the scope of use.

Progress of Medium-Term Management Plan “Transformation: BEYOND 2030” Smart Material (Research and development initiatives)

Transformation 03

■ Zirconium Oxide Dispersion SZR Series (Barium segment)

Market changes	As the myopic population grows and eyeglasses become increasingly widespread, demand is rising for eyeglass lenses that are thin, provide clear vision, and are durable (scratch-resistant).
Customer value provided	Target: eyeglass lenses Function: achieve higher refractive index and hard coating while maintaining lens transparency
Strengths utilized	**Powder Processing Technology** Utilized the new material zirconium oxide and enabled supply in dispersion form.

● Effectiveness of SZR

Key functions required for eyeglass lenses		SZR
Item	Details	
Refractive index adjustment	Supports myopia and hyperopia	●
Lens durability	Scratch resistance	●
Eye protection	UV protection / blue light protection Contrast adjustment (polarized lenses)	
Transparency	Clear vision Anti-reflection treatment for lens front, back, and side surfaces	●
Maintenance	Anti-soiling, water-repellent, and dust-resistant properties	

■ Continue expanding sales and strengthening mass production capabilities

Finally, we have zirconium oxide dispersions, the SZR series. As the market changes, demand for thin, easy-to-see, durable eyeglass lenses has been growing along with the increase in the myopic population and the proliferation of eyeglasses.

Therefore, we have applied our strength in powder processing technology to zirconium oxide, a new compound, to provide it in a dispersion solution, and have achieved both an improved refractive index and hard coating while maintaining the transparency of the lens.

We are in the process of expanding sales and strengthening our mass production system for this product as well.

These are the three products of Smart Material.

Looking Ahead

Finally, the key issue we have reaffirmed through this Medium-Term Management Plan is how to strengthen our “earning power” through our business and generate profits.

To that end, we will continue to advance business portfolio transformation while leveraging powder processing technology and other capabilities cultivated since our founding, and provide the market with uniquely original materials and services.

Asset compression and cash flow improvements have already delivered certain results in enhancing asset efficiency; we will aim for further improvement while remaining mindful of capital costs and monitoring the balance between growth investments and shareholder returns.

SAKAI CHEMICAL INDUSTRY CO., LTD. 27

Finally, an important issue that we have reaffirmed through this mid-term plan is how to develop earning power through our business and how to generate profits.

To this end, we will continue to promote transformation of our business portfolio, while simultaneously leveraging the powder processing technology and other technologies we have cultivated since our founding to provide the market with our highly original materials and services.

And the improvement in asset efficiency through asset reduction and improved cash flow, which has shown some positive results, will be further improved by keeping in mind the cost of capital while balancing investment for growth and shareholder returns.

That concludes my explanation. Thank you.

Question & Answer

Moderator [M]: We will now move on to the Q&A session. We plan to record a transcript of this briefing and post it on our website. Please note that while we will not disclose the company name or your name, the content of your inquiry will be included in this post. We appreciate your understanding in this matter.

Please ask your questions.

Participant [Q]: Thank you. First, I would like to ask you about the electronic materials part. I have the impression that sales have increased quite a bit over the past two years, but first of all, sales are expected to increase slightly this fiscal year, and although there is talk of an increase in sales for generative AI, I wonder why sales in this area will remain flat this fiscal year.

Also, your company's stock price has risen considerably today, and there is talk of raising the price of MLCC at Taiyo Yuden, but is there actually any movement in the current situation, for example, in terms of quantity or the price of barium titanate, which is delivered by your company? First, could you discuss this year's plans for this area and the current situation?

Ogama [A]: This is Ogama. First of all, regarding the plan for this fiscal year, it is true that sales will increase slightly, but orders are currently firm, so please consider our plan to be a little conservative.

We are also planning for a considerable increase in operating profit, but this is due to the impact of growth in relatively profitable products such as dielectric materials and dielectrics, and we expect profits to increase.

As for the current situation, while we can't quite say how it relates to the stock price mentioned earlier, we would like you to understand that—in terms of current market trends—our order intake remains solid. That's all.

Participant [Q]: I would like to ask you a supplementary question, first of all, how do you view the sales price? There seems to be talk that prices may rise due to rising raw material costs for MLCC manufacturers, but I'd like to know whether your company anticipates price increases for either the dielectric or the dielectric materials.

Another thing is that highly profitable products will grow, but since sales will only increase by about JPY200 million, no matter how profitable these highly profitable products are, I think profits will not increase by JPY600 million. Could you please explain the mix a little more carefully?

Ogama [A]: First, regarding price negotiations for our dielectric products and materials, rather than focusing on current market conditions, we are continuously requesting price adjustments—whether you call it passing on costs, price corrections, or price revisions—for products where we believe customers should be purchasing at a fair price.

Also, you may be right when you say that the way profits are growing in relation to sales is a bit disconcerting. It might be fair to say that over the past year, while we haven't been provided with the full range of applications for every product, the ones that are clearly intended for AI servers have shown exceptionally rapid growth. For example, sales of certain dielectric materials have already doubled on an annual basis, and some dielectric products have even tripled in sales. We are not saying that the growth rate for the current fiscal year will be double or triple that of this year, but it is expected to be quite high, and these products are very profitable.

Since the sales share for each category is now approaching 10%, the average selling price will naturally rise, making it entirely feasible to achieve our profit targets.

Again, we are a little conservative in terms of sales, but we believe we will be able to achieve sufficient profits.

Participant [Q]: This might sound a bit repetitive, but if the JPY600 million increase in operating profit is primarily due to growth in high-margin products, then those high-margin products would naturally generate more than JPY600 million—based on their contribution margin ratio—such as JPY1 billion or over JPY1 billion. Is that correct?

Ogama [A]: There are, of course, other highly profitable items as well, so our overall goal is to reach JPY600 million.

Participant [Q]: But you only increase sales by JPY200 million, does that mean that there are things that will decrease?

Ogama [A]: As for the less profitable items, we've included plans to reduce them slightly, so to speak.

Participant [Q]: I understand. The second is the inorganic chemical business. Operating profit will decrease considerably in this year's plan, but please explain why this will decrease this year after having grown so much over the past several years.

Ogama [A]: I'll explain this as well. This fiscal year, sales are expected to remain flat, and profits are expected to decline slightly, as you mentioned, but the titanium dioxide business was terminated last fiscal year, and the allocation of fixed costs for the entire plant has been reviewed, which will result in a decline in profits. When we factor all of this in, it means profits will drop slightly.

Participant [Q]: In the inorganic materials section, is this related to titanium dioxide?

Ogama [A]: Since we were making things at the same site as titanium dioxide, it means that the burden of allocation for the part of common fixed costs will increase.

Participant [M]: I see. Understood. That's all from me. Thank you for your kind explanation.

Moderator [M]: Thank you very much. Are there any other questions? Since there appear to be no further questions, we will now conclude this briefing.

Thank you very much for joining us today. We look forward to your continued support.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
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