



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 13, 2026

Presentation

Moderator: It is now time to begin Sakai Chemical Industry Co., Ltd.'s financial results briefing for the fiscal year ended March 2026. We appreciate you taking the time to join us today. Today's session is being conducted via online webcast only.

Let me first explain the agenda for today. Following a presentation by Mr. Ogama, Executive Officer, we will move on to the Q&A session.

As today's briefing is being held on the same day as our earnings announcement, we were unable to distribute the presentation materials in advance. We would appreciate it if you could follow along using the materials displayed on your screen. The same materials are also available on our website for your reference.

With that, I would now like to turn it over to Mr. Ogama for the presentation. Mr. Ogama, please go ahead.

Ogama: Hello, everyone. I am Ogama, Head of IR at Sakai Chemical Industry. Thank you very much for joining us today.

I would like to explain the financial results of Sakai Chemical Industry for the fiscal year ended March 2026.

Message from the President

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 without major issues, 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%.

In addition to working on expansion in profit from growth businesses, our highest-priority issue, we will also continue to invest management resources in research and development toward the creation of the next pillar of profit.

Furthermore, without easing our efforts to transform the business portfolio, we are determined to strive even further toward enhancing corporate value over the medium to long term.



Let me begin with a brief top message as we approach the final year of our mid-term management plan, Transformation: BEYOND2030. For the fiscal year ending March 2027, which marks the final year of the plan, operating profit is expected to come in significantly below our original target of JPY9 billion. The business environment has changed significantly since the plan was formulated. However, the primary reason is that profit expansion in our growth businesses is taking longer than initially expected. We take this outcome very seriously.

At the same time, we successfully completed the major initiative of exiting the pigment-grade titanium dioxide business without any issues. In addition, businesses under efficiency review and other businesses achieved profitability improvements that exceeded our expectations. We believe our business portfolio transformation is progressing steadily.

In the fiscal year ending March 2027, our focus will be on achieving our ROE target of 8%. At the same time, we will continue prioritizing profit expansion in our growth businesses. We will also continue allocating management resources to R&D in order to establish our next earnings pillars. Furthermore, we will maintain the pace of our business portfolio transformation and continue working to enhance corporate value over the medium to long term.

Key Points of This Presentation

FY03/26 results

- **Pigment-grade titanium dioxide business largely terminated as planned, steadily advancing business portfolio transformation**
- **Cosmetic materials business recorded impairment loss in the third quarter (-2,413 million yen)**
- **Significantly expanded shareholder returns (dividend increase from 135 yen to 145 yen per share, share buybacks totaling 2,500 million yen and cancellation of treasury shares)**
- **YoY increase in profit secured (decline in cosmetic materials covered by electronic materials, catalysts and other businesses)**
 - Electronic materials: Captured demand related to AI servers, with both dielectrics and dielectric materials performing strongly
 - Cosmetic materials: Operating loss due to sales decline caused by the economic slowdown in China and delays in adoption of new products
 - Catalysts: Site consolidation completed and efficient production started, with temporary shipments of high-value-added products also contributing
- **Revised plan: Profit generally in line with plan (shortfalls in growth businesses covered by stable businesses and businesses under efficiency review)**
 - Growth businesses (under target): Cosmetic materials fell significantly short of plan, while electronic materials and organic chemicals were in line with plan
 - Stable businesses (above expectations): Both Hygienic products and contract processing exceeded plan
 - Businesses under efficiency review (above expectations): Barium and catalysts exceeded plan

FY03/27 forecast

- **Slight increase in net sales, but operating profit planned at 6,000 million yen, down approximately 450 million yen from FY0326**
 - Growth businesses: Increased profit in electronic materials and organic chemicals, but cosmetic materials remain in a difficult situation
 - Businesses under efficiency review: Significant decrease in profit mainly due to decline in profit following discontinuation of the pigment-grade titanium dioxide business
 - Medical: Loss widened due to impact of drug price revisions
- **Dividend planned at 160 yen per share, an increase of 15 yen**
 - **Total shareholder returns during the three-year medium-term management plan period expected to reach approximately 9.4 billion yen, significantly exceeding the planned level of 8.0 billion yen or more**
 - Interim dividend: 80 yen/share, year-end dividend: 80 yen/share
 - DOE expected to exceed 3%



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Let me highlight the key points shown on this slide.

First, I will cover the results for the fiscal year ended March 2026. We completed the exit from the pigment-grade titanium dioxide business largely as planned and continued to advance our business portfolio transformation. On the other hand, in the cosmetic materials business, we recorded an impairment loss of approximately JPY2.4 billion in Q3.

We significantly enhanced shareholder returns. We increased the dividend from JPY135 per share in the previous fiscal year to JPY145 per share.

In addition, we conducted a JPY2.5 billion share buyback and cancelled 1 million shares, including all shares acquired through the buyback.

For the fiscal year ended March 2026, lower profit in cosmetic materials was offset by electronic materials and catalysts, resulting in higher profit YoY. Compared with the revised plan, the shortfall in growth businesses was offset by stable businesses and businesses under efficiency review, and overall profit came in broadly in line with plan.

Next, let me explain the plan for the fiscal year ending March 2027. Net sales are expected to be in line with our existing plan. Operating profit is projected at JPY6 billion, down approximately JPY450 million YoY. In our growth businesses, we expect higher profit in electronic materials and organic chemicals, while the business environment for cosmetic materials is expected to remain challenging. In businesses under efficiency review,

we expect a significant decline in profit, mainly reflecting the impact of exiting the titanium dioxide business. In the medical business, we expect the loss to widen due to drug price revisions.

Regarding shareholder returns, we plan to increase the dividend by JPY15 to JPY160 per share. Total shareholder returns over the three-year mid-term management plan are expected to reach approximately JPY9 billion, significantly exceeding the original target of JPY8 billion.

FY03/26 Results Summary

● YoY performance — Net sales: -3.5% / operating profit: +5.9%

Net sales declined primarily because of reduced sales volumes in businesses under efficiency review. Operating profit increased as declines in growth businesses were covered by stable businesses, businesses under efficiency review and other businesses.

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
<ul style="list-style-type: none"> Semiconductor market remained firm (particularly for AI server-related products) 	<ul style="list-style-type: none"> Persistent economic stagnation in China Sluggish Thai economy Weak demand in the domestic building materials sector Shift in sunscreen market trends (from inorganic products to organic products) 	<ul style="list-style-type: none"> Selling price revisions Improved sales mix (electronic materials) Site consolidation completed (catalysts) 	<ul style="list-style-type: none"> Decline in operating rate (discontinuation of the pigment-grade titanium dioxide business) One-time valuation loss

● Versus revised forecast: Net sales -5.3% / operating profit -0.7%

Net sales were 5.3% below plan due mainly to factors including the carryover of a portion of sales to FY03/27 associated with the discontinuation of the pigment-grade titanium dioxide business. Operating profit was generally commensurate with plan as shortfalls in growth businesses were covered by stable businesses and businesses under efficiency review.

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
<ul style="list-style-type: none"> Semiconductor market remained firm (particularly AI server-related demand) 	<ul style="list-style-type: none"> Persistent economic stagnation in China Shift in sunscreen market trends (from inorganic products to organic products) Sluggish Thai economy 	<ul style="list-style-type: none"> Selling price revisions Improved sales mix (electronic materials) 	<ul style="list-style-type: none"> One-time valuation loss



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Let me now walk you through the details of the financial results summary for the fiscal year ended March 2026.

Compared with the previous fiscal year, net sales decreased by 3.5%, mainly due to lower sales volume reflecting efficiency measures in businesses under efficiency review. Operating profit increased by 5.9%, as the decline in growth businesses was offset by contributions from stable businesses, businesses under efficiency review, and other businesses. Compared with the revised plan, net sales decreased by 5.3%. This was partly due to the shift of some products related to the exit from the titanium dioxide business into the fiscal year ending March 2027. Operating profit came in broadly in line with plan, as the shortfall in growth businesses was covered by stable businesses and businesses under efficiency review.

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.

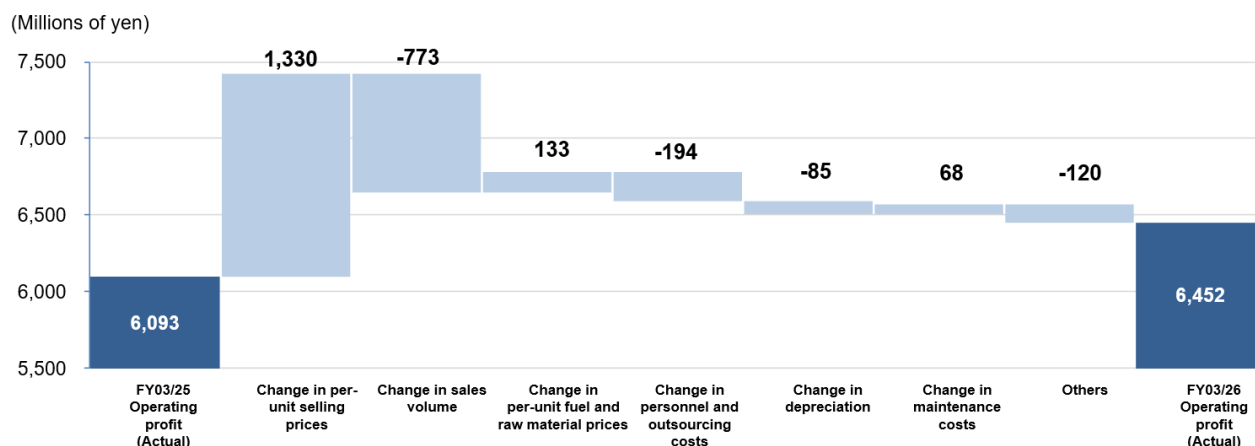


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For the fiscal year ended March 2026, net sales were JPY81.447 billion. Operating profit was JPY6.452 billion, ordinary profit was JPY6.545 billion and profit attributable to owners of parent was JPY2.752 billion. Compared with the revised plan, profit attributable to owners of parent came in 8.2% below plan, mainly reflecting the special loss recorded for the special career-transition support program.

Factors Behind YoY Change in Operating Profit



Positive Factors	Negative Factors
<p>Change in per-unit selling prices</p> <ul style="list-style-type: none"> Full-year contribution from baseline selling price increases resulting from pricing revisions implemented since the previous fiscal year Sales mix improvement achieved through <u>shipments of high-value-added products</u> and the elimination/consolidation of unprofitable products (electronic materials and catalysts) 	<p>Change in sales volume</p> <p>Negative impact from sales volume declines due to prioritization of a profitability-focused strategy in businesses under efficiency review, including the discontinuation of the pigment-grade titanium dioxide business</p>



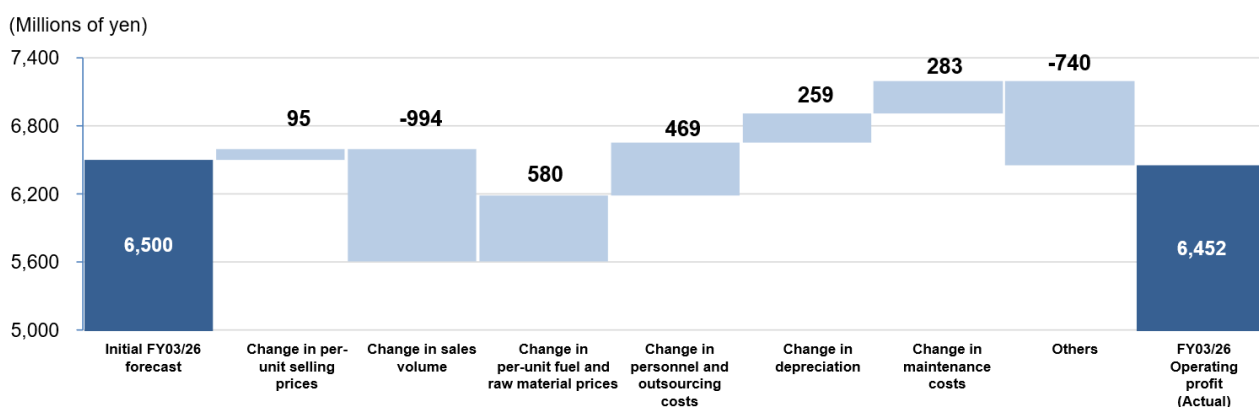
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Let me now walk you through the factors behind the changes in operating profit on a YoY basis. The largest positive factor was improved selling prices. The price increases implemented in the previous fiscal year contributed to a higher earnings base, and we also benefited from stronger shipments of high value-added products and an improved sales mix resulting from the consolidation of unprofitable products.

The largest negative factor was lower sales volume. This mainly reflected our profitability-focused strategy in businesses under efficiency review, where we prioritized profitability over sales volume.

Factors Behind Operating Profit Variance (Versus Initial Forecast)



Positive Factors	Negative Factors
<p><u>Change in per-unit fuel and raw material prices</u></p> <ul style="list-style-type: none"> Procurement costs contained due to yen appreciation compared with assumptions under the plan <p><u>Change in personnel and outsourcing costs</u></p> <ul style="list-style-type: none"> Personnel structure development progressed more than planned (development efforts will continue) 	<p><u>Change in sales volume</u></p> <ul style="list-style-type: none"> Impact of a portion of the planned wind-down of sales in the titanium dioxide business being pushed into FY03/27 <p><u>Others</u></p> <ul style="list-style-type: none"> Recording of valuation losses and disposal losses at fiscal year-end (March 31)



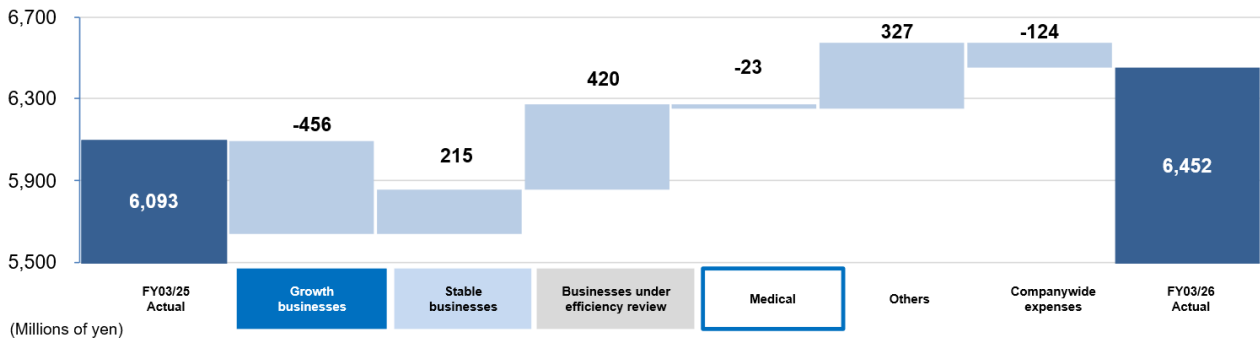
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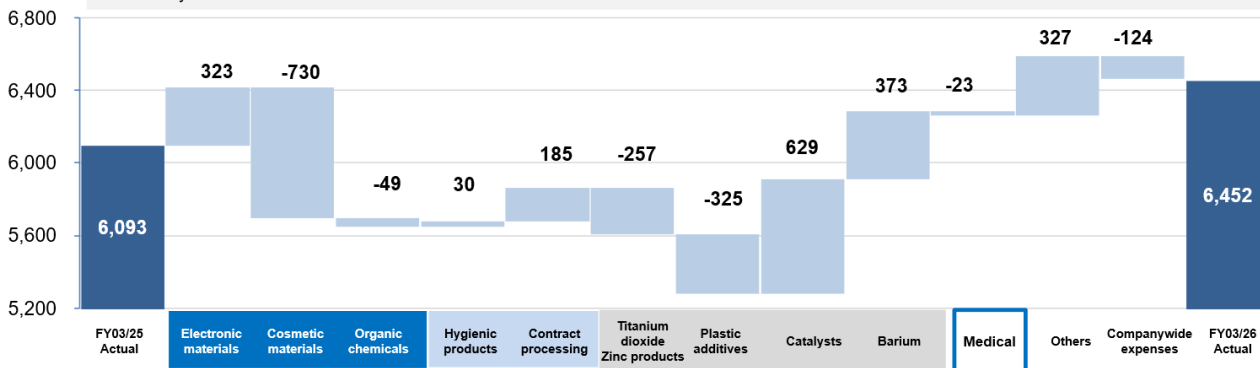
Compared with the initial plan, the main positive factors were lower per-unit fuel and raw material prices, as well as lower personnel and outsourcing costs. The yen was stronger than assumed in the plan, which helped lower procurement costs. In addition, improvements in our staffing structure exceeded expectations, and we intend to continue strengthening this structure going forward.

The main negative factor was lower sales volume. Part of the sales related to the pigment-grade titanium dioxide business shifted into the fiscal year ending March 2027. We also recorded valuation and disposal losses at the end of March, which negatively impacted profit.

Operating Profit by Segment (YoY Change)



- > Growth businesses performed strongly in electronic materials, but profit declined significantly in cosmetic materials.
- > Businesses under efficiency review achieved profit growth as poor overseas performance in plastic additives was offset by barium and catalysts.

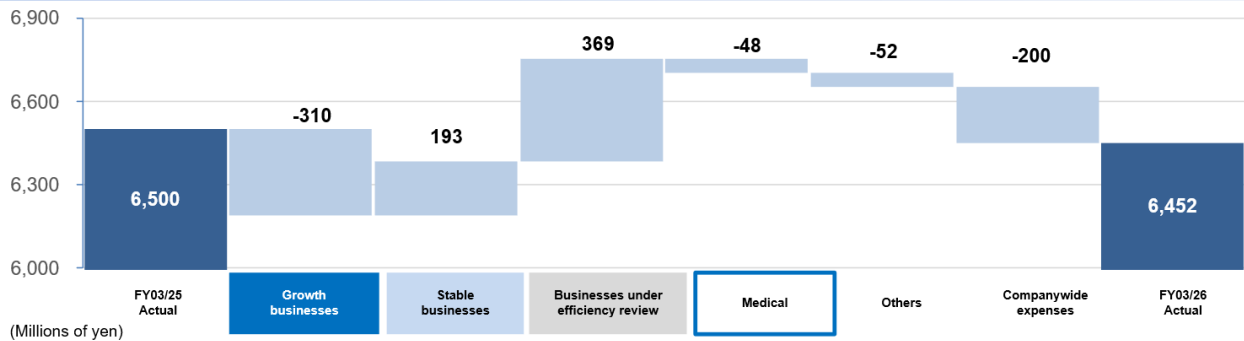


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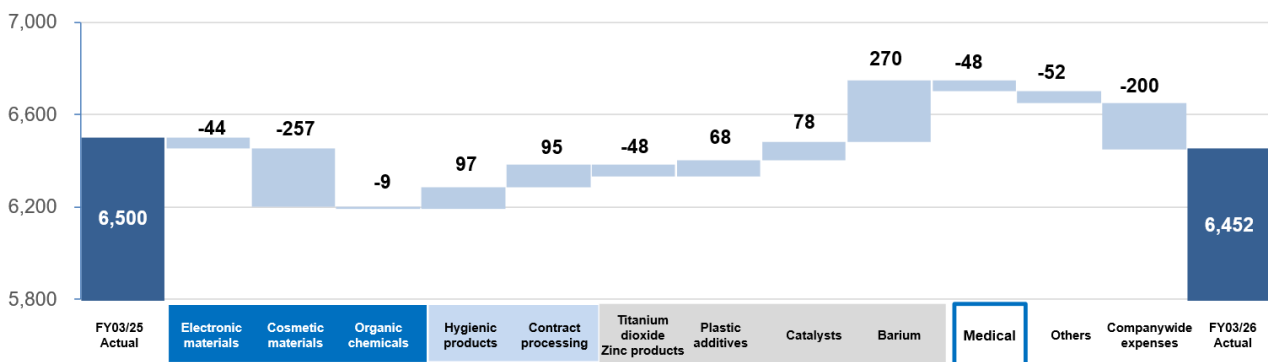
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Looking at operating profit by segment on a YoY basis, electronic materials performed strongly within our growth businesses, while cosmetic materials saw a significant decline in profit. In contrast, within businesses under efficiency review, weaker performance in overseas plastic additives was offset by strong performance in the barium and catalysts businesses, resulting in higher profit YoY.

Operating Profit by Segment (Versus Revised Forecast)



➤ Shortfalls in growth businesses, mainly cosmetic materials, were covered by businesses under efficiency review centered on barium.



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Comparing operating profit by segment with the revised plan, the shortfall in growth businesses, mainly in cosmetic materials, was offset by businesses under efficiency review, particularly the barium business.

Balance Sheet Comparison

Consolidated B/S (Millions of yen)	FY03/25	FY03/26	Change	[Key Factors Driving Change]												
Cash and deposits	16,183	15,502	-681	• Notes and Accounts Receivable -1,941 million yen (-7.2%) (1) Shortening of average collection period for receivables (2) Decrease in net sales (down 766 million yen compared with net sales in Q4 of the previous fiscal year)												
Notes and accounts receivable - trade	26,997	25,056	-1,941													
Inventories	26,993	23,879	-3,114	• Inventories -3,114 million yen (-11.5%) Despite growth in per-unit prices for both raw materials and products, inventories declined thanks to efforts undertaken to reduce inventory quantity.												
Other	1,241	912	-329													
Total current assets	71,416	65,352	-6,064	• Property, Plant and Equipment -1,353 million yen (-3.0%) Invested in new facilities as growth investments, but recorded an impairment loss on the multipurpose plant for cosmetic materials. Including depreciation, property, plant and equipment declined 3.0% YoY												
Property, plant and equipment	44,520	43,167	-1,353													
Other	7,382	8,697	1,315	• Repayment of short-term borrowings: -3,155 million yen (-27.4%) • Repayment of long-term borrowings: -2,763 million yen (-37.3%)												
Total property, plant and equipment	51,903	51,864	-39													
Total assets	123,319	117,216	-6,103	*CCC achieved the medium-term management plan target of 180 days or less (down 16 days YoY)												
Notes and accounts payable - trade	8,561	8,632	71													
Short-term borrowings	11,512	8,357	-3,155	<table border="1"> <thead> <tr> <th></th> <th>Target</th> <th>End-FY03/25</th> <th>End-FY03/26</th> </tr> </thead> <tbody> <tr> <td>Equity ratio</td> <td>—</td> <td>63.5%</td> <td>66.3%</td> </tr> <tr> <td>CCC</td> <td>180 days or less</td> <td>194 days</td> <td>178 days</td> </tr> </tbody> </table>		Target	End-FY03/25	End-FY03/26	Equity ratio	—	63.5%	66.3%	CCC	180 days or less	194 days	178 days
	Target	End-FY03/25	End-FY03/26													
Equity ratio	—	63.5%	66.3%													
CCC	180 days or less	194 days	178 days													
Other	7,835	8,281	446	(*CCC: Cash Conversion Cycle) (Calculation formula: Working capital ÷ sales × 12 months × 30 days)												
Total current liabilities	27,910	25,272	-2,638													
Long-term borrowings	7,406	4,643	-2,763	*CCC achieved the medium-term management plan target of 180 days or less (down 16 days YoY)												
Convertible-bond-type bonds with share acquisition rights	3,000	3,000	—													
Other	5,614	5,376	-238	<table border="1"> <thead> <tr> <th></th> <th>Target</th> <th>End-FY03/25</th> <th>End-FY03/26</th> </tr> </thead> <tbody> <tr> <td>Equity ratio</td> <td>—</td> <td>63.5%</td> <td>66.3%</td> </tr> <tr> <td>CCC</td> <td>180 days or less</td> <td>194 days</td> <td>178 days</td> </tr> </tbody> </table>		Target	End-FY03/25	End-FY03/26	Equity ratio	—	63.5%	66.3%	CCC	180 days or less	194 days	178 days
	Target	End-FY03/25	End-FY03/26													
Equity ratio	—	63.5%	66.3%													
CCC	180 days or less	194 days	178 days													
Total non-current liabilities	16,022	13,021	-3,001	(*CCC: Cash Conversion Cycle) (Calculation formula: Working capital ÷ sales × 12 months × 30 days)												
Total liabilities	43,933	38,293	-5,640													
Shareholders' equity	74,679	72,771	-1,908	(*CCC: Cash Conversion Cycle) (Calculation formula: Working capital ÷ sales × 12 months × 30 days)												
Other	4,706	6,150	1,444													
Total net assets	79,386	78,923	-463	(*CCC: Cash Conversion Cycle) (Calculation formula: Working capital ÷ sales × 12 months × 30 days)												
Total liabilities and net assets	123,319	117,216	-6,103													



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Next, let me explain the major changes in the balance sheet.

Notes and accounts receivable decreased by JPY1.941 billion, reflecting shorter collection periods and lower net sales. Inventories decreased by JPY3.114 billion. Although unit prices for both products and raw materials increased, we reduced inventories through disciplined volume control. Property, plant and equipment decreased by JPY1.353 billion. While we made new investments as part of our growth initiatives, we recorded an impairment loss on the multipurpose plant used to produce makeup materials in the cosmetic materials business.

Borrowings declined significantly through continued debt repayment. The cash conversion cycle, or CCC, was 178 days at the end of March 2026, thereby achieving our mid-term target of 180 days or less.

Cash Flow Statement Comparison

Consolidated C/F (Millions of yen)	FY03/25	FY03/26	Change
Beginning Cash and Cash Equivalents Balance	16,475	16,153	-322
Profit (loss) before income taxes	5,973	4,506	-1,467
Impairment losses	463	2,982	2,519
Depreciation	3,649	3,740	91
Decrease (increase) in trade receivables	2,599	2,016	-583
Decrease (increase) in inventories	1,926	3,117	1,191
Gain (loss) on sale of property, plant and equipment	(1)	(1,490)	-1,489
Increase (decrease) in trade payables	(650)	80	730
Income taxes refund (paid)	(848)	(1,365)	-517
Other	(1,107)	892	1,999
Cash flows from operating activities	12,005	14,479	2,474
Purchase of property, plant and equipment	(6,948)	(6,070)	878
Sale of property, plant and equipment	4	1,642	1,637
Other	1,230	(217)	-1,447
Cash flows from investing activities	(5,714)	(4,645)	1,069
FCF (Operating CF + Investment CF)	6,291	9,834	3,543
Increase (decrease) in shortterm and longterm borrowings	(5,136)	(5,911)	-775
Purchase of treasury shares	(1)	(2,500)	-2,499
Dividends paid	(1,589)	(2,179)	-590
Purchase of shares of subsidiaries	(152)	-	152
Other	(1)	-	1
Total Financial C/F	(6,879)	(10,592)	-3,712
Total Translation Adjustments on Cash and Cash Equivalents	266	49	-217
Total Change in Cash and Cash Equivalents	(322)	(708)	-386
Ending Cash and Cash Equivalents Balance	16,153	15,444	-709

Summary

As cash flow management using CCC reduction as a KPI took root and asset streamlining progressed, free cash flow increased by 3.5 billion yen and was used for shareholder returns and debt repayment.

• Operating CF

- (1) Net income decreased due to impairment losses
- (2) Decrease in trade receivables
 - Shortening of average collection period for receivables
 - Decline in sales

• Investing CF

- (1) Investment in growth businesses
Implemented capacity expansions for organic chemicals/pharmaceutical API intermediates and restructuring initiatives including catalyst/site consolidation
- (2) Sale of property, plant and equipment
Sold the Tokyo office of an affiliated company

→ Free cash flow increased 3,543 million yen

• Financial CF

Implemented share buybacks and dividend increases



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Let me now turn to cash flow. As I mentioned earlier, our cash-flow-focused management with CCC reduction as a KPI has become firmly established. By streamlining our asset base, free cash flow increased by JPY3.5 billion. We used this free cash flow for shareholder returns and debt repayment.

Cash flows from operating activities were JPY14.479 billion, supported by reductions in notes and accounts receivable and inventories. Cash flows from investing activities were minus JPY4.645 billion. Although we continued investing in growth businesses, this figure reflects the sale of property, plant and equipment, specifically the Tokyo office of our affiliated company. As a result, free cash flow came to JPY9.8 billion, an increase of JPY3.5 billion YoY.

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
<ul style="list-style-type: none"> Favorable semiconductor market conditions driven by strong AI-related demand Thai economy has bottomed out 	<ul style="list-style-type: none"> Persistent economic stagnation in China Shift in sunscreen market trends (from inorganic products to organic products) 	<ul style="list-style-type: none"> Improved sales mix (electronic materials) 	<ul style="list-style-type: none"> 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.



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Next, let me explain our forecast for the fiscal year ending March 2027.

Net sales are expected to increase slightly. The impact of exiting the pigment-grade titanium dioxide business is expected to be offset by organic chemicals and other businesses. For operating profit, we expect higher profit in electronic materials, supported by an improved product mix, and in organic chemicals, driven by higher sales volume. However, business conditions in cosmetic materials are expected to remain challenging, and we will not be able to fully offset the impact of exiting the pigment-grade titanium dioxide business. As a result, operating profit is expected to decline.

Profit attributable to owners of Parent is expected to increase, supported by a gain of approximately JPY1 billion from the sale of fixed assets.

Segment Forecasts (FY03/27 Sales and Operating Profit)

(Millions of yen)

	FY03/26 Actual			Full-year FY03/27 forecast			Difference			
	Sales	Operating profit	OPM	Sales	Operating profit	OPM	Sales		Operating profit	
	Amount	Amount	%	Amount	Amount	%	Amount	%	Amount	%
Electronic materials	11,377	1,816	16.0	11,500	2,400	20.9	123	1.1	584	32.2
Cosmetic materials	1,720	(437)	(25.4)	2,000	(400)	(20.0)	280	16.3	37	—
Organic chemicals	7,185	721	10.0	8,000	1,000	12.5	815	11.3	279	38.7
Hygienic products	5,353	457	8.5	5,200	400	7.7	-153	-2.9	-57	-12.5
Contract processing	6,677	805	12.1	7,100	900	12.7	423	6.3	95	11.8
Titanium dioxide and zinc products	10,244	1,222	11.9	6,800	100	1.5	-3,444	-33.6	-1,122	-91.8
Plastic additives	11,507	1,068	9.3	11,800	1,200	10.2	293	2.5	132	12.4
Catalysts	3,462	648	18.7	4,000	700	17.5	538	15.5	52	8.0
Barium	5,100	1,200	23.5	5,100	700	13.7	0	0.0	-500	-41.7
Medical	8,391	(48)	(0.6)	8,700	(200)	(2.3)	309	3.7	-152	—
Others	10,427	1,498	14.4	11,500	1,500	13.0	1,073	10.3	2	0.1
Companywide expenses	—	(2,500)	—	—	(2,300)	—	0	—	200	—
Consolidated	81,447	6,452	7.9	81,700	6,000	7.3	253	0.3	-452	-7.0



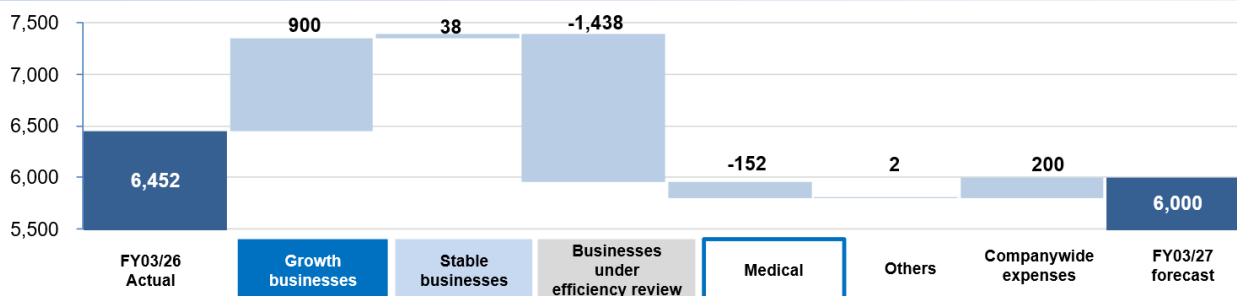
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This slide shows our forecast for net sales and operating profit by segment.

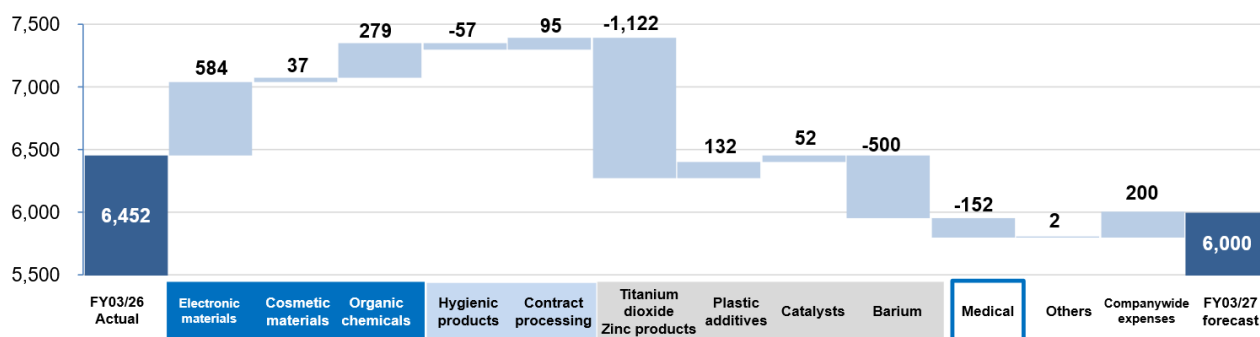
As mentioned earlier, we expect profit growth in electronic materials due to an improved product mix and in organic chemicals due to higher sales volume. On the other hand, cosmetic materials is expected to remain challenging.

Projected YoY Change in Segment Operating Profits for FY03/27



(Millions of yen)

➤ Despite anticipated profit growth in growth businesses centered on electronic materials, profit is expected to decline due to the significant impact from the termination of the pigment-grade titanium dioxide business in businesses under efficiency review.



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Comparing operating profit by segment with the previous fiscal year, we expect growth businesses, led by electronic materials, to deliver higher profit. In contrast, within businesses under efficiency review, the impact of exiting the pigment-grade titanium dioxide business will be significant, and we expect profit to decline.

Divergence from the Medium-Term Management Plan

Expansion of profit in growth businesses remains a future challenge

Item	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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Businesses under efficiency review: Successfully achieved profitability Stable businesses: Successfully achieved profitability and expanded sales to new customers
Medical	2	2	-2	-4	<ul style="list-style-type: none"> Fell short of plan due to the impact of NHI price revisions on mainstay products
Others	4	7	15	8	<ul style="list-style-type: none"> Improved profitability of unprofitable products, etc.
Companywide expenses	0	-23	-23	0	<ul style="list-style-type: none"> 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.



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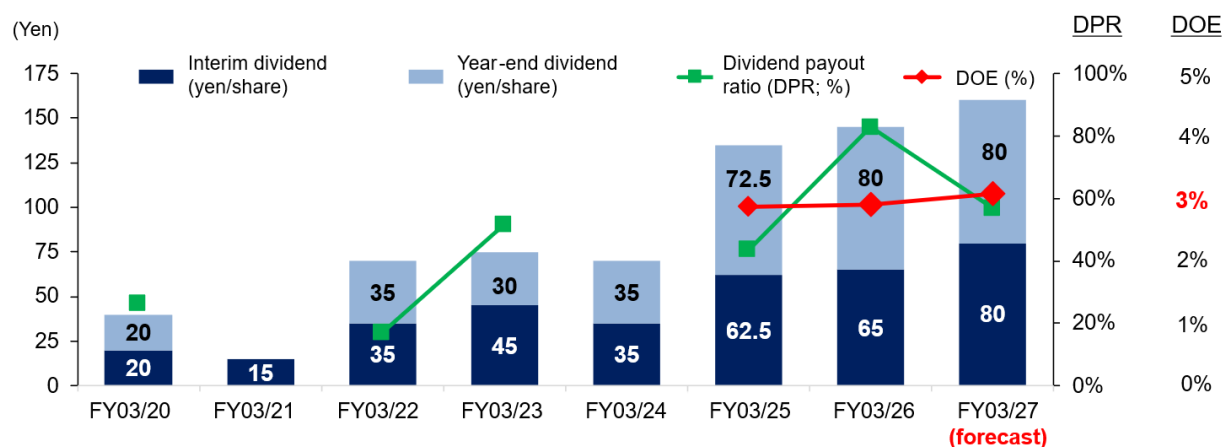
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Let me now explain the variance from our mid-term management plan.

Stable businesses and businesses under efficiency review are expected to perform largely in line with the plan. However, within our growth businesses, cosmetic materials is expected to fall significantly short of the plan, and organic chemicals is also expected to fall short due to weaker performance in pharmaceutical APIs and intermediates. In addition, the medical business is expected to fall short of the plan due to the impact of drug price reductions on our main pharmaceutical products. Expanding profit in our growth businesses remains a key challenge going forward.

Shareholder Returns

- FY03/26: Significantly expanded shareholder returns
 - **Dividend increased by 10 yen** YoY to **145 yen/share** (DOE: 2.9%)
 - Implemented share buybacks totaling 2,500 million yen (**all acquired shares have been cancelled**)
- FY03/27: Planned dividend of **160 yen/share, an increase of 15 yen from FY03/26** (forecast DOE: above 3%)



Share buybacks	FY03/20	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25	FY03/26	FY03/27
	—	—	JPY1.5bn	—	—	—	JPY2.5bn	Undecided

DOE = dividend on equity



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Next, this slide shows shareholder returns. In the fiscal year ended March 2026, we significantly enhanced shareholder returns. We increased the dividend by JPY10 from the previous fiscal year to JPY145 per share. We also conducted a JPY2.5 billion share buyback and cancelled 1 million shares, including all shares acquired.

For the fiscal year ending March 2027, we plan to increase the dividend by JPY15 from the previous fiscal year to JPY160 per share.

Trends in CAPEX, Depreciation, and R&D Expenses

(Millions of yen)

	FY03/22	FY03/23	FY03/24	FY03/25	FY03/26 forecast	FY03/26	FY03/27 forecast
CAPEX	5,967	2,658	4,024	6,945	8,000	6,065	5,400
Depreciation	4,331	4,417	4,354	3,649	4,000	3,735	4,000
R&D	2,376	2,674	2,722	2,699	2,800	2,842	3,300

Capital Investment				
	FY03/26		FY03/27 forecast	
	Growth investments	Restructuring investments	Growth investments	Restructuring investments
%	Approx. 50%	Approx. 50%	Approx. 40%	Approx. 60%
Primary details	<ul style="list-style-type: none"> Organic chemicals: support transition toward CDMO of pharmaceutical intermediates and APIs Cosmetic materials: construction of a multipurpose plant for makeup materials 	<ul style="list-style-type: none"> Restructuring of the Sakai and Onahama manufacturing sites Site consolidation measures targeting improved efficiency for the catalyst business 	<ul style="list-style-type: none"> Barium: Enhancement of zirconium oxide dispersions for lens materials 	<ul style="list-style-type: none"> Restructuring of the Sakai and Onahama manufacturing sites
Supplementary information	<ul style="list-style-type: none"> Growth investments: Executed as planned. Renewal investments: Partial review of site restructuring, to be implemented from FY03/27 onward 			



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Let me now explain CapEx, depreciation, and R&D expenses.

In the fiscal year ended March 2026, CapEx was JPY6.065 billion, depreciation was JPY3.649 billion, and R&D expenses were JPY2.842 billion. For the fiscal year ending March 2027, we expect CapEx of JPY5.4 billion, depreciation of JPY4 billion, and R&D expenses of JPY3.3 billion. We will continue making strategic investments for growth.

FY03/27 Forecast (Views on the situation in the Middle East)

*As of May 2026

	Current situation (through Q1 FY03/27)	Medium- to long-term (from Q2 FY03/27 onward)
Procurement and production	<ul style="list-style-type: none"> No major impact 	<ul style="list-style-type: none"> There is a risk that some products may not be able to be produced due to the inability to procure raw materials and auxiliary materials. Segments expected to be particularly affected Organic chemicals: Because solvent raw materials are used Plastic additives: Because resin raw materials are used
Sales	<ul style="list-style-type: none"> No major impact 	<ul style="list-style-type: none"> Disruptions may occur mainly in segments expected to be particularly affected.

*** Due to the difficulty of forecasting the impact of the situation in the Middle East on business performance, it has not been incorporated into the plan.**



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Let me now explain how we view the Middle East situation in relation to our forecast for the fiscal year ending March 2027.

The outlook for the Middle East remains highly uncertain, and it is difficult to estimate the impact on our business performance. Therefore, we have not factored any potential impact into our plan. At this stage, we are not seeing any major disruptions to procurement, production, or sales. However, if the situation continues over an extended period, there is a medium- to long-term risk that procurement of certain raw materials and auxiliary materials could become difficult, which may affect production of some products.

The segments expected to be most affected over the medium to long term are organic chemicals and plastic additives.

Business Environment Overview (Excluding the situation in the Middle East)

	Segment	Assumptions for FY03/27 Forecast (as of May 2026)
Growth businesses	Electronic materials	We project ongoing favorable performance from AI server-related operations.
	Cosmetic materials	We continue to anticipate a challenging business environment in China. Furthermore, due to global inflation and a temporary trend toward cost-consciousness, the shift from organic to inorganic materials is progressing more slowly than expected.
	Organic chemicals	The eyeglass lens market is projected to hold steady. Due to intensifying competitive pressures, contract manufacturing orders for key commercially distributed pharmaceutical API intermediates are expected to trend downward.
Businesses under efficiency review	Titanium dioxide and zinc products	We forecast a YoY increase in the domestic market price for zinc.
	Plastic additives	Domestic demand: PVC market conditions are trending downward, making it challenging to increase sales. Overseas demand: Our medium-term outlook for PVC market growth remains unchanged, and the sluggish Thai economy is expected to bottom out. <small>PVC: polyvinyl chloride</small>
	Barium	We project that performance from automotive parts and materials will remain sluggish. The eyeglass lens market is projected to hold steady.



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This is the final slide of my presentation. Let me conclude by sharing our view of the business environment excluding the Middle East situation.

In electronic materials, we expect demand related to AI servers to remain strong. In cosmetic materials, the outlook for China continues to be challenging. Amid global inflationary pressures, customers are temporarily prioritizing cost, and the shift from organic materials to inorganic materials is progressing more slowly than initially expected.

In organic chemicals, we expect the eyeglass lens market to remain firm. However, in pharmaceutical APIs and intermediates, orders for our main contracted products are expected to decline due to intensifying competition among customers.

For plastic additives, domestic demand is expected to remain challenging due to weakness in the PVC market. Overseas demand, however, continues to be supported by medium-term growth in the PVC market, and we believe the slowdown in the Thai economy has bottomed out.

That concludes my presentation. Thank you very much for your attention.

Question & Answer

Moderator [M]: We will now begin the Q&A session.

If you would like to ask a question, please use the raise-hand function in Teams. We will call on participants in order and enable your microphone.

We would now like to take questions. Please go ahead.

Participant1 [Q]: I have three questions.

First, regarding the Middle East situation. You explained this earlier, but I would appreciate a bit more detail. In organic chemicals, for example, is the risk mainly related to eyeglass-lens materials or pharmaceutical-related products? Also, for solvents and resin raw materials, are these linked to naphtha prices? In addition, when you say production may become impossible, would that mean a complete production halt or more of a partial reduction? I would appreciate some additional color on this point.

Second, regarding a share buyback. The plan for this fiscal year was listed as undecided. For the fiscal year ending March 2027, are you leaving room for the possibility of additional buybacks?

Third, regarding cosmetic materials. You mentioned that the shift from organic to inorganic materials is taking longer than expected. How do you plan to drive recovery in this business?

Ogama [A]: Understood.

Let me start with your first question regarding the Middle East situation. As I mentioned earlier, two segments could be affected. In plastic additives, we combine a wide range of raw materials in the manufacturing process. If even one of those materials becomes unavailable, production could come to a complete halt.

At this point, we are doing everything possible to secure raw materials. Prices have risen somewhat, but our top priority is avoiding shortages. Even so, if a single raw material cannot be procured, there is a risk that production could stop entirely.

The same applies to organic chemicals. Both eyeglass-lens organic sulfur compounds and pharmaceutical APIs and intermediates could be affected. As shown on the slide, we use solvent raw materials, including alcohols and materials linked to naphtha. If procurement of these materials becomes difficult, we may be unable to continue production.

For now, we remain fully focused on procurement to avoid shortages, and as I mentioned earlier, we are not currently seeing any major impact.

Regarding your second question on share buybacks, it is true that the plan is currently listed as undecided. However, our approach is based on the shareholder return policy set out in our mid-term management plan.

Under that policy, we target a DOE of 3% for dividends while conducting share buybacks flexibly.

If profit exceeds expectations, we will strengthen shareholder returns while considering our cash position. Based on this policy, we intend to continue shareholder returns going forward.

That said, nothing has been decided at this stage, so there is nothing further I can share today.

Finally, regarding cosmetic materials, the current environment remains challenging. However, from a broader market perspective, organic UV absorbers are associated with higher environmental impact. They are believed to contribute to coral bleaching and may also have some impact on the human body. Over the medium to long term, we believe the shift away from organic materials will continue.

That said, in the short term, some customers continue prioritizing cost and therefore continue using organic materials. We see this as a temporary situation. Our inorganic materials offer strong advantages. They are environmentally friendly, provide UV-blocking performance through light scattering, and also deliver very high transparency.

Over the medium to long term, we believe demand for inorganic materials will recover. The challenge is that we cannot say exactly when demand will recover to the level originally assumed in our plan.

Participant1 [Q]: Thank you. I have one follow-up question regarding the Middle East situation. The Japanese government has indicated that naphtha-related supply remains sufficient, while companies such as yours appear to be taking a more cautious view. How should we understand this difference in perspective?

Ogama [A]: That is a difficult question. We can only speak based on what we are currently seeing. At this point, we are not facing a situation where raw materials are insufficient and production cannot continue.

However, our view is based solely on the current situation. Whether conditions will remain stable through July, August, September, and even into around January, as the government mentioned, remains uncertain.

Participant1 [Q]: So, should we understand that your company is taking a fairly conservative stance, or that the situation is actually becoming quite serious?

Ogama [A]: I would not describe the situation as critical, but we are making every effort to secure procurement. I would say the situation is somewhere in between. That is probably the best way to describe it.

Participant1 [M]: I see. Understood.

Moderator [M]: Thank you.

Are there any further questions? Please go ahead.

Participant1 [Q]: Thank you. If there are no other questions, I would like to ask a follow-up. Regarding the share buyback, the fact that it is listed as undecided caught my attention. Based on the JPY9.4 billion figure, my understanding is that this assumes no share buyback for the current fiscal year. Is that correct?

Ogama [A]: No, not necessarily. Under our three-year mid-term management plan, our policy is to provide total shareholder returns of at least JPY8 billion. Therefore, the JPY9.4 billion figure does not mean shareholder returns will stop at that level. However, whether we implement additional shareholder returns will depend on factors such as profit levels and our cash position. At this stage, we cannot say whether we will or will not conduct additional buybacks. That is why it is currently listed as undecided.

Participant1 [Q]: And the JPY9.4 billion figure includes approximately JPY2.7 billion in dividends for this fiscal year, correct? So, the understanding is that cumulative shareholder returns over the three-year period will reach JPY9.4 billion, significantly exceeding the original JPY8 billion target?

Ogama [A]: Over the past two years, we have returned approximately JPY6.9 billion to shareholders. Subtracting that from JPY9.4 billion leaves roughly JPY2.5 billion. There are some rounding differences, but

with the planned dividend of JPY160 per share, the amount would be approximately JPY2.4 billion to JPY2.5 billion [inaudible].

Participant1 [Q]: So, the reason the buyback is listed as undecided is that there remains the possibility of additional shareholder returns beyond the JPY9.4 billion level?

Ogama [A]: Yes, exactly. It does not mean we have decided to stop at that level.

Participant1 [Q]: And what factors will you consider when deciding whether to conduct additional buybacks?

Ogama [A]: Primarily profit trends during the fiscal year and our cash position. We will make a comprehensive judgment based on those factors.

Participant1 [Q]: So, depending on business performance, it is possible that you may conduct additional buybacks rather than relying solely on dividend increases?

Ogama [A]: Yes. Shareholder returns will continue to center on dividends and share buybacks. It is not predetermined which approach we will take. For example, in the previous fiscal year, we raised the dividend during the year. There are several options available for shareholder returns. We will make decisions based on available resources. However, nothing has been decided at this point, so all we can say today is that it remains undecided.

Participant1 [Q]: Understood. So, it would be fair to say there remains potential upside depending on profit trends during the fiscal year.

Ogama [A]: During the first two years of the current mid-term management plan, we increased dividends during the fiscal year in both years. Those decisions were made in line with our shareholder-return policy once profit and cash flow reached sufficient levels. If similar conditions are met in the third year, we would consider taking similar actions. However, nothing has been decided at this stage, so all we can say for now is that it remains undecided.

Participant1 [Q]: One more detailed question. Regarding the product-mix improvement in electronic materials, I had assumed this referred to lower raw-material costs. Is that the correct understanding?

Ogama [A]: No, it refers to an increase in the proportion of higher-margin products. In other words, it is an improvement in sales mix.

Participant1 [Q]: So, you mean a shift toward higher-value, higher-margin products?

Ogama [A]: Exactly. As I mentioned earlier, demand related to AI servers has been strong. In electronic materials, customers do not directly tell us which applications our materials are being used for, but we can make certain assumptions based on demand trends.

Some products are growing at a very rapid pace, and based on those growth patterns, we believe they are likely being used in AI-server-related applications. These are primarily high-end products with high profitability, and we expect them to continue growing significantly during the current fiscal year. Meanwhile, products with relatively lower profitability are not growing as strongly. As a result, the overall product mix shifts toward higher-margin products, and that is the main driver of profit growth. That is the basis of our forecast.

Participant1 [M]: Thank you very much.

Moderator [M]: Thank you very much.

Participant2 [Q]: I wanted to ask about the titanium dioxide and zinc products segment in the forecast for the fiscal year ending March 2027. Last year, you explained the negative impact associated with exiting the pigment-grade titanium dioxide business. In this fiscal year's forecast, are there any additional negative factors besides the impact of that business exit?

Ogama [A]: Regarding titanium dioxide and zinc products, we expect net sales of JPY6.8 billion and operating profit of JPY0.1 billion. We still expect some remaining inventory sales related to titanium dioxide, so part of that business contribution will continue temporarily. Meanwhile, the zinc products business continues unchanged. Other than the natural decline in titanium dioxide sales compared with previous years, there are no additional negative factors incorporated into the forecast.

Participant2 [Q]: You had already explained the impact of the business exit last year as well. So, is it correct to understand that this year's forecast is broadly in line with what you expected at that time?

Ogama [A]: Yes, that understanding is correct.

Participant2 [M]: Thank you very much.

Moderator [M]: Thank you very much. Are there any other questions? It appears there are no further questions.

With that, we will conclude today's briefing. Thank you very much for joining us today, and we look forward to your continued support.

[END]

Document Notes

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