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Sakai Chemical Industry Co., Ltd.

Q1 Financial Results Briefing for the Fiscal Year Ending March 2027

August 7, 2026

Event Summary

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[Participants]	46
[Number of Speakers]	1 Shinji Ogama Director and Executive Officer

Presentation

Moderator: Now it is time to begin the financial results briefing of Sakai Chemical Industry Co., Ltd. for Q1 of the fiscal year ending March 2027. Thank you very much for taking time out of your busy schedule to participate in our briefing today.

Please note that this briefing will be held exclusively via webcast. Today, Mr. Ogama, Director and Executive Officer, will first provide an explanation, after which we will take questions from you.

Also, since this presentation is being held on the same day as the earnings announcement, we have not sent out the materials in advance. Therefore, we ask that you follow along on your screens as we present.

Please note that we have just posted the same document on our website, so please refer to it as well. Then, let us begin our briefing. Mr. Ogama, please start.

Ogama: Hello, everyone. I am Ogama, in charge of IR at Sakai Chemical Industry. Thank you very much for taking time out of your busy schedules to join us today.

I will explain the financial results of Sakai Chemical Industry for Q1 of the fiscal year ending March 2027.

Key Points of This Presentation

Q1 FY03/27 results	➢ Net sales Strong performance in the electronic materials business—supported by continuously robust AI server-related demand—and from other businesses offset the negative sales impact attributable to the discontinuation of the pigment-grade titanium dioxide business. As a result, net sales increased 6.6% YoY. ➢ Operating profit Operating profit decreased 10.5% YoY due in part to lower titanium dioxide sales volumes attributable to the discontinuation of the pigment-grade titanium dioxide business. Also contributing to the downturn was a decline in sales of organic chemicals that primarily reflected an unfavorable YoY comparison with Q1 FY03/26, when we reported a disproportionately high concentration of pharmaceutical API and intermediate sales. ➢ Profit attributable to owners of parent Profit attributable to owners of parent increased 56.0% YoY, as we recorded a gain of approximately 1.0 billion yen on the sale of fixed assets we had been anticipating since the beginning of FY03/27.
FY03/27 forecast	➢ Forecasts for 1H and full-year FY03/27 remain unchanged from those announced on May 13, 2026. AI server-related demand in the electronic materials business remains strong, but we intend to continue monitoring movement in demand from Q2 onward.
Shareholder returns	➢ Our dividend forecast, as announced on May 13, 2026, remains unchanged.
Other	➢ Following the conversion of convertible bonds with stock acquisition rights, we issued approximately 1.519 million new shares. In response to the resulting increase in shares outstanding, we have launched a share buyback of up to 1.52 million shares, with a maximum aggregate purchase price of 7.0 billion yen. The buyback is intended to enhance shareholder value per share and improve capital efficiency. ➢ Our business alliance with IA Partners expired in May 2026. ➢ We have implemented a Special Career Transition Support Program.

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The key points of this presentation are listed on this slide.

First, I will talk about the financial results for Q1 of the fiscal year ending March 2027. Net sales increased YoY as strong performance in the electronic materials business, which was driven by continued robust demand for AI server-related products, and other businesses offset the impact of the discontinuation of the titanium dioxide business.

However, operating profit decreased YoY due to a decline in titanium dioxide sales volume resulting from the discontinuation of the titanium dioxide business, as well as a decline in sales of pharmaceutical API intermediates in the organic chemicals segment—a reaction to the concentration of sales in Q1 of the previous fiscal year.

With regard to net income, we recorded a gain on the disposal of a fixed asset, specifically, a disposal site, that had been planned from the beginning of the fiscal year, resulting in an YoY increase in net income.

We have maintained the H1 and full-year earnings forecasts for the fiscal year ending March 2027 at the levels previously announced on May 13.

Currently, demand for AI servers in the electronic materials business remains strong, and we intend to closely monitor demand trends in Q2 and beyond. We have also maintained our previously announced dividend forecast.

In other news, following the conversion of convertible bonds and bonds with stock acquisition rights, we have issued 1,519,000 new shares. At the same time, to enhance shareholder value per share and capital efficiency, we are currently conducting a share buyback program with a maximum limit of JPY7 billion and 1,520,000 shares.

In addition, our business partnership with IA Partners ended in May 2026. Also, we implemented a special career transition support program.

Q1 FY03/27 Results Summary

● YoY performance — Net sales: +6.6% / operating profit: -10.5%

- Net sales

→ Net sales increased as performance from the electronic materials business and other businesses more than offset lower titanium dioxide sales volumes attributable to the discontinuation of the pigment-grade titanium dioxide business.

- Operating profit

→ Operating profit declined due to lower titanium dioxide sales volumes attributable to the discontinuation of the pigment-grade titanium dioxide business. In addition, pharmaceutical API and intermediate sales decreased YoY mainly because a disproportionately large share of FY03/26's sales had been recorded in Q1.

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
• Semiconductor market remained robust AI server-related demand was favorable Automotive-related demand also held firm	• Persistent economic stagnation in China • Sluggish Thai economy • Weak demand in the domestic building materials sector • Changing trends in the sunscreen market * Slowdown in shift from organic to inorganic materials	• Selling price revisions • Site consolidation completed in the catalysts business	• Decline in operating rate (discontinuation of the pigment-grade titanium dioxide business)

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Next, I will explain the financial results summary for Q1 of the fiscal year ending March 2027.

On a YoY basis, net sales increased by 6.6%, as the decline in sales volume owing to the termination of the titanium dioxide business was offset primarily by growth in the electronic materials and other businesses.

Operating profit declined by 10.5% on reduced titanium dioxide sales volume following the closure of the titanium dioxide business, aggravated by a decline in sales of pharmaceutical API intermediates in the organic chemicals segment—a reaction to the concentration of sales in Q1 of the previous fiscal year.

Q1 FY03/27 Results Overview (YoY Change)

(Millions of yen)

	Q1 FY03/26 Actual		Q1 FY03/27 Actual		YoY Change	
	Amount	%	Amount	%	Amount	%
Net sales	20,136	—	21,466	—	1,330	6.6
Operating profit	1,904	9.5	1,705	7.9	-199	-10.5
Ordinary profit	1,927	9.6	1,879	8.8	-48	-2.5
Profit attributable to owners of parent	1,282	6.4	2,000	9.3	718	56.0
EPS	79.66		130.66		—	

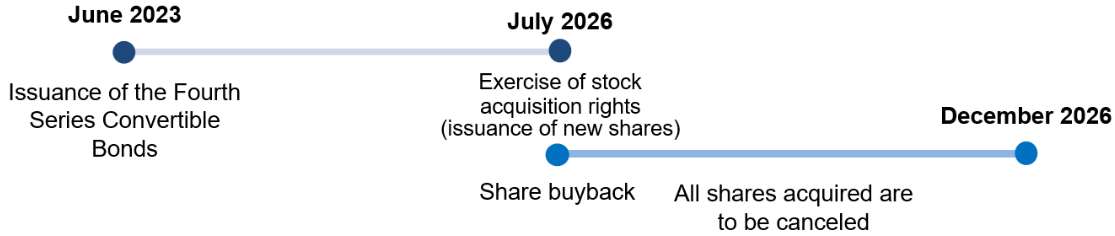
	YoY Comparison
Net sales	Net sales increased 6.6% YoY, as strong performance in the electronic materials business and other businesses more than offset the decline in titanium dioxide sales attributable to the discontinuation of the pigment-grade titanium dioxide business. ✓ Electronic materials: AI server-related demand was favorable.
Operating profit	Operating profit decreased 10.5% YoY, mainly reflecting lower titanium dioxide sales volumes attributable to the discontinuation of the pigment-grade titanium dioxide business and lower sales performance from the organic chemicals business. ✓ Titanium dioxide: Sales volumes declined following the discontinuation of the pigment-grade titanium dioxide business. ✓ Organic chemicals: Sales of pharmaceutical API and intermediates were lower YoY, largely because sales in FY03/26 had been disproportionately concentrated in Q1, creating an unfavorable baseline for comparison. Sales performance from organic sulfur compounds, however, held firm.
Net income	Profit attributable to owners of parent increased 56% due to a gain of approximately 1.0 billion yen on the sale of fixed assets disclosed on March 24, 2026.

Net sales for Q1 of the fiscal year ending March 2027 was JPY21,466 million.

Meanwhile, operating profit was JPY1,705 million, ordinary profit was JPY1,879 million, and profit attributable to owners of parent increased by 56% YoY to JPY2,000 million due to the recognition of a gain on the sale of the fixed asset.

Conversion of Convertible Bonds with Stock Acquisition Rights and Share Buyback

- Through the share buyback, we aim primarily to enhance shareholder value on a per-share basis and improve capital efficiency.
- The shareholder return plan we announced on May 13, 2026—an annual dividend forecast of 160 yen per share for FY03/27—remains unchanged.



1. Overview of convertible-bond (CB) conversion

Total cumulative conversion amount	3.0 billion yen (conversion ratio: 100%)
Total number of shares to be issued upon conversion	1,518,987 (9.5% of total shares issued)
Total number of issued shares following conversion	17,518,987
CB issuance date	June 2023
Conversion price—amount paid in upon exercise	1,975 yen per share

2. Overview and progress of share buyback

Maximum total acquisition cost	7.0 billion yen
Maximum number of shares to be acquired	1,520,000 (9.9% of total issued shares, excluding treasury shares)
Acquisition period	From July 1, 2026 to December 31, 2026
Acquisition method	Market purchases (all shares acquired scheduled to be canceled after completion of acquisition)
Progress as of July 31, 2026	2.4 billion yen; 596,100 shares

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Topics in Q1 included the conversion of convertible bonds and the repurchase of treasury stock. As previously announced, the convertible bond conversion involved the issuance of 1,519,000 shares, bringing the total number of shares outstanding after the conversion to 17,519,000.

At the same time, to enhance shareholder value per share and capital efficiency, we are currently conducting a share buyback program with a maximum limit of JPY7 billion and 1,520,000 shares. As of the end of July, the total acquisition amount was approximately JPY2.4 billion, and the number of shares acquired was 596,100.

Termination of the Business Alliance with IA Partners Inc.

- Business Alliance with IA Partners: Background, Purpose, and Termination
  - ✓ Background and purpose: In May 2023, we entered into a business alliance with IA Partners to support the formulation of our medium-term management plan, particularly in the areas of portfolio strategy and M&A, and financial and IR strategy. In connection with this alliance, we secured financing through a third-party allotment.
  - ✓ The business alliance expired in May 2026.
- Results of the business alliance (as of March 31, 2026)
  - ✓ Business portfolio transformation and an improved earnings base (terminated the pigment-grade titanium dioxide business; improved the profitability of businesses under efficiency review, supporting their transition to stable businesses; achieved more accurate business planning through PDCA-based management)
  - ✓ Formulation and execution of financial strategy (improved asset efficiency and cash flow generation through a shorter cash conversion cycle and the sale of idle assets; clearly articulated our capital allocation policy; implemented management practices conscious of cost of capital)
  - ✓ Comprehensive review of the medium-term management plan period—FY03/25 through FY03/27—scheduled for May 2027
- Convertible bonds (CBs) and stock acquisition rights issued in connection with the fundraising process
  - ✓ The Fourth Series Unsecured Convertible Bonds with Stock Acquisition Rights were converted in full into common shares in July 2026.
  - ✓ IA Partners, or IAP, continues to hold separately issued stock acquisition rights.* Any proceeds received upon exercise of these rights are intended to fund business expansion through M&A. As of the date of this presentation, the Company has no M&A transactions requiring disclosure.

* Issue price: Approximately 35 million yen; number of underlying shares (shares deliverable upon full exercise): 1,012,600; exercise price: 1,975 yen per share; exercise deadline: December 31, 2027.

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The CB issuance mentioned earlier was carried out in conjunction with our business alliance with IA Partners, and I would like to take this opportunity to explain this business alliance in more detail.

In May 2023, we entered into a business partnership and raised funds through a third-party allotment, with the aim of supporting the formulation of our medium-term management plan, among other objectives. This business partnership with IA Partners ended in May 2026.

As of the end of March 2026, the results of the business alliance included the transformation of our business portfolio, improvements to our earnings structure, and the formulation and execution of our financial strategy.

We plan to conduct a review of the medium-term management plan in May 2027.

With regard to the convertible bonds and stock options allocated as part of the capital raising, as I mentioned earlier, the CBs have been fully converted. IA Partners continues to hold the stock options.

FY03/27 Earnings Forecast

➢ Our 1H and full-year forecasts remain as announced on May 13, 2026.
  * Although we anticipate AI server-related demand in the electronic materials business will remain strong, we intend to closely monitor demand from Q2 onward.

(Millions of yen)

	Q1 FY03/27		FY03/27						
	Actual		1H forecast		2H forecast		Full-year forecast		
	Amount	Margin %	Amount	Margin %	Amount	Margin %	Amount	Margin %	YoY %
Net sales	21,466	—	41,700	—	40,000	—	81,700	—	0.3
Operating profit	1,705	7.9	3,100	7.4	2,900	7.3	6,000	7.3	(7.0)
Ordinary profit	1,879	8.8	3,200	7.7	2,900	7.3	6,100	7.5	(6.8)
Profit attributable to owners of parent	2,000	9.3	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 (from inorganic products to organic products) * Slowdown in shift from organic to inorganic materials	• 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.

Next, I will explain the earnings forecast for the fiscal year ending March 2027.

We have maintained the H1 and full-year forecasts at the levels previously announced on May 13. As noted earlier, demand for AI servers in the electronic materials business remains strong, and we will closely monitor demand trends in Q2 and beyond.

Q1 FY03/27 Results by Segment: Sales and Operating Profit

(Millions of yen)

	Q1 FY03/26 Actual			Q1 FY03/27 Actual			Difference			
	Sales	Operating profit	OPM	Sales	Operating profit	OPM	Sales		Operating profit	
	Amount	Amount	%	Amount	Amount	%	Amount	%	Amount	%
Electronic materials	2,870	476	16.6	3,364	581	17.3	494	17.2	105	22.1
Cosmetic materials	337	(63)	(18.7)	534	(105)	(19.7)	197	58.5	(42)	―
Organic chemicals	2,121	459	21.6	1,922	256	13.3	(199)	(9.4)	(203)	(44.2)
Hygienic products	1,283	79	6.2	1,428	142	9.9	145	11.3	63	79.7
Contract processing	1,596	171	10.7	1,730	231	13.4	134	8.4	60	35.1
Titanium dioxide and zinc products	2,688	409	15.2	1,866	142	7.6	(822)	(30.6)	(267)	(65.3)
Plastic additives	3,012	341	11.3	3,114	322	10.3	102	3.4	(19)	(5.6)
Catalysts	472	(3)	(0.6)	702	84	12.0	230	48.7	87	―
Barium	1,341	289	21.6	1,484	303	20.4	143	10.7	14	4.8
Medical	2,097	6	0.3	2,107	(19)	(0.9)	10	0.5	(25)	(416.7)
Others	2,313	314	13.6	3,211	448	14.0	898	38.8	134	42.7
Companywide expenses	―	(574)	―	―	(683)	―	―	―	(109)	―
Consolidated	**20,136**	**1,904**	**9.5**	**21,466**	**1,705**	**7.9**	**1,330**	**6.6**	**(199)**	**(10.5)**

Lastly, I will discuss the results by reportable segment in detail for Q1 of the fiscal year ending March 2027.

The electronic materials segment posted higher sales and profits, driven by strong demand for AI servers and steady performance of products for automotive sectors.

In the cosmetics materials segment, while sales were sluggish in the domestic market, overseas sales recovered. However, profits declined due to factors such as the increased cost burden resulting from the discontinuation of the titanium dioxide business.

The organic chemicals segment's sales of major products remained steady. However, due to the effect from concentrated shipments of pharmaceutical API intermediates in Q1 of the previous fiscal year, sales and profits declined YoY.

For hygienic products, both sales and profits increased, driven by the strong performance in the trading division and cost reductions in film manufacturing.

The contract processing segment also saw sales and profits increase amidst the strong performance in processed pigments and a recovery in contract manufacturing for existing products.

In the titanium dioxide and zinc products segment, while sales of zinc products remained steady, sales and profits declined due to the significant impact of reduced sales volume resulting from the closure of the pigment-grade titanium dioxide business.

While sales of plastic additive products increased amidst strong sales in Japan and Vietnam, profits declined due to the impact of Thailand’s economic downturn.

In the catalysts segment, both sales and profits increased due to higher sales volumes and the benefits of consolidating production sites.

The barium segment posted growth in sales and profits, thanks to the steady performance in our core barium products and products under development.

In the medical segment, sales of medical devices and over-the-counter drugs remained steady. However, despite the increase in overall sales, profits declined due to factors such as soaring prices for raw materials used in prescription drugs and a reduction in the drug price of Alloid G.

That is all from me. Thank you for your attention.

Question & Answer

Moderator [M]: Then, we will now go to the question-and-answer session.

I will call on you one by one. Please state your name and company name before asking your question.

In addition, we will transcribe the proceedings of this briefing and post them on our website. Please note that while we will omit the company name and your name as provided in your question, the content of your question will be included. We appreciate your understanding in this matter.

Then, we will take questions.

Participant1 [Q]: On page four of the explanatory materials, as positives under the internal factors, it mentions the selling price revisions. Could you please explain what this entails? Please let me know for which segments you implemented such measures. Have you implemented the price revisions for the electronic materials?

Ogama [A]: Regarding the selling price revisions, for this fiscal year, it was essentially implemented in response to the sharp rise in raw material prices caused by the situation in the Strait of Hormuz and the Middle East.

As for the so-called price adjustments, you can understand that they will have little impact this time, and that this applies to all segments. That is all.

Moderator [M]: Thank you very much.

Participant2 [Q]: Thank you for your explanation. I have one question. The presentation material says that demand for electronic materials for AI servers is strong. Could you please explain the situation in a bit more detail?

Ogama [A]: Thank you for your question. While the slide shows that demand for AI servers is very strong, the truth is that as we offer a variety of electronic materials products, we seldom know which ones are used for AI servers. This is just our speculation, but over the past year, there has been a certain product code that has seen significant growth. For example, last fiscal year, sales of that product had roughly doubled YoY, and we suspect this is likely used for AI servers.

As for such product codes, while the growth is no longer at twice the previous rate, some are still growing steadily, so we expect this momentum to continue. I would like you to understand that this is why, based on our analysis, demand for AI servers remains steady, or strong, and our products are also seeing growth.

Participant2 [Q]: In short, is it correct to say that such well-performing product codes represent a highly competitive material? For example, does your company have a high market share? Is it correct to say that those materials incorporate your company's proprietary technology?

Ogama [A]: I think it is safe to assume that. Since it is our high-end products in particular that are showing this level of growth, we recognize that the products showing this growth are those that allow us to differentiate ourselves—that is, our high-margin products—and that the reason for this growth is precisely because they are products that set us apart.

Participant2 [Q]: Also, if demand expands further in the future, will there be any issues with the production capacity for those materials? Are there any issues with capacity or anything like that?

Ogama [A]: Thank you for your question. Since we are also nearing full capacity in this area, we are already conducting quite detailed discussions regarding capital investment and capacity expansion.

Participant2 [M]: I see. Thank you very much.

Moderator [M]: Thank you very much. We have received a follow-up question from Participant, who asked a question earlier.

Participant1 [Q]: You touched on this briefly earlier, but what impact did the situation in the Middle East have on this Q1 result?

Ogama [A]: As I mentioned briefly earlier, raw material prices have indeed been rising due to the situation in the Middle East, and in this regard, we are appropriately passing these increased costs onto our product prices.

While there has certainly been an increase in costs due to rising raw material prices, we are currently covering those costs by passing them on to our customers.

Also, regarding procurement, the procurement division has been working very hard, and as of now, we are not in a situation where we've run out of inventory or where we cannot produce due to a lack of materials. I hope you understand that, as of now, we are not facing that kind of risk. Or rather, we are not in a situation where we cannot produce goods due to a lack of supplies. That is all.

Participant1 [M]: Understood. Thank you.

Moderator [M]: Since there seems to be no other questions, I will now close the question-and-answer session.

Thank you for joining us today. We appreciate your continued support.

[END]

Document Notes

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