



堺化学工業株式会社

Sakai Chemical Industry Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2026

December 1, 2025

Event Summary

[Company Name]	Sakai Chemical Industry Co., Ltd.	
[Company ID]	4078-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2026	
[Fiscal Period]	FY2026 Semi-annual	
[Date]	December 1, 2025	
[Number of Pages]	31	
[Time]	15:30 – 16:21 (Total: 51 minutes, Presentation: 29 minutes, Q&A: 22 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Toshiyuki Yagura	President, Representative Director
	Shinji Ogama	Executive Officer

Presentation

Moderator: It is now time, so we will begin the Sakai Chemical Industry Co., Ltd. to hold the Q2 Financial Results Briefing for the Fiscal Year Ending March 31, 2026, and the Electronic Materials Strategy Briefing. Thank you very much for taking the time out of your busy schedules to attend our briefing today.

Today's event is a hybrid briefing of a real on-site event and a webinar.

As for today's schedule, we will first explain the interim financial results for the fiscal year ending March 31, 2026, and then we will have time for questions about the financial results until approximately 4:00 PM. After that, we will explain our business strategy for electronic materials, and we will have time for questions in the same manner. Please note that due to the limited time, there will be no intermission.

Let us begin by explaining the financial results. Please begin, Executive Officer Ogama.

Ogama: Hello, everyone. I am Ogama, in charge of Sakai Chemical's IR. Thank you very much for joining us today and for your participation via the web. I will now explain the interim financial results for the fiscal year ending March 31, 2026.

The mid-term management plan, Transformation: BEYOND2030, started in April last year and has passed the halfway point. Today is also a progress report on one-half of the mid-term plan.

I will explain the business results for the fiscal year ending March 31, 2026, and President Yagura will explain the progress of the mid-term management plan, Transformation: BEYOND2030. Thank you.

Key Points of This Presentation

1H FY03/26 results	<ul style="list-style-type: none"> ➤ Results generally commensurate with projections Growth in the volumes of electronic materials sold and sales volumes generated through other operations offset sluggish performance from cosmetic materials, plastic additives, and overseas subsidiaries. Consequently, 1H results were commensurate with projections. ➤ Sales declined YoY, while profit expanded 25.1% As in the first year of our Medium-Term Management Plan, we continued to prioritize operational streamlining and accordingly observed sales decline, particularly for businesses under efficiency review. However, profit increased 25.1% YoY, driven by stronger contributions from high-value-added products marketed through our electronic materials business (a growth business) and, with regard to other businesses, selling price revisions and sales volume growth.
FY03/26 full-year forecast	<ul style="list-style-type: none"> ➤ Achievement of initial full-year operating profit target (6,500 million yen) expected despite uneven performance among individual segments We anticipate the discontinuation of our pigment-grade titanium oxide business will drive up our fixed cost ratio (a factor already incorporated into initial projections), and growth in performance from cosmetic materials (a growth business) has been slower than expected. Regardless, we project strong contribution from electronic materials and other businesses will continue driving profit performance in 2H, allowing us to maintain operating profit commensurate with our initial targets. Furthermore, 1H impact from US reciprocal tariff policy was minor, and we have not factored this impact into our full-year projections.
Shareholder returns	<ul style="list-style-type: none"> ➤ No changes made to basic policy of our current Medium-Term Management Plan, which calls for total shareholder returns of at least 8.0 billion yen ➤ Initial annual dividend target of 130 yen per share (total amount of about 2.0 billion yen) based on DOE benchmark of 3 % ➤ Total of 870,000 shares bought back (for 2,380 million yen) as of end-October 2025; maximum set at 1.0 million shares (for 2,500 million yen)
Progress of Medium-Term Management Plan	<ul style="list-style-type: none"> ➤ Operating profit: Thanks to improvement in earnings from businesses under efficiency review and other businesses, as well as performance recovery from the electronic materials business, we anticipate achievement of our initial full-year operating profit target of 6.5 billion yen. ➤ Capital efficiency: In terms of our cash conversion cycle (CCC), we have already achieved more than 50% of our Medium-Term Management Plan improvement target, shortening the cycle by 18 days compared to FY03/24 and generating 4.9 billion yen in net cash from operating activities. To improve the efficiency of our operational bases for business activities, we sold the Tokyo office of an affiliated company as initially planned, recording a sales gain of 1,172 million yen. ➤ ROE: While pursuing our initial operating profit target, we will execute share buybacks and sell fixed assets to improve asset efficiency and steadily progress toward our FY03/27 ROE target of 8%.



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On this slide, we have summarized the key points of this briefing. Please see the slide.

At the top of the list, for H1 of the fiscal year ending March 31, 2026, we are making good progress compared to our plan, generally as planned. Although sales decreased compared to the same period of the previous year, operating profit increased 25%.

For the fiscal year ending March 31, 2026, we expect operating profit of JPY6.5 billion, as planned at the beginning of the fiscal year, although there are some variations by segment.

Shareholder returns remain unchanged from the basic policy of the mid-term management plan. We plan to pay a dividend of JPY130 per share for the current fiscal year, with a target DOE of 3%. In addition, as of the end of October, JPY2.38 billion and 870,000 treasury shares have been repurchased.

Regarding the progress of the mid-term plan, we expect operating profit of JPY6.5 billion for the current fiscal year, as I mentioned earlier. Regarding the cash conversion cycle, CCC, we are more than 50% ahead of the plan.

In addition, we sold the Tokyo office, the Tokyo branch of an affiliated company, to improve the efficiency of sales activity bases. In addition to achieving the initial operating profit target, we have been acquiring treasury shares and selling fixed assets to improve asset efficiency, and are steadily implementing measures to achieve an ROE of 8% for the fiscal year ending March 31, 2027.

Summary of Interim Financial Results for the Year Ending March 31, 2026

● YoY performance — Net sales: -4.3% / operating profit: +25.1%

Net sales declined YoY primarily because efficiency initiatives brought about a decline in sales volumes for businesses under efficiency review. Operating profit, however, expanded YoY thanks to significant improvement in earnings from the electronic materials business (a growth business) and other businesses

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
<ul style="list-style-type: none"> Recovery in the semiconductor market 	<ul style="list-style-type: none"> Persistent economic stagnation in China Decline in domestic market price for zinc 	<ul style="list-style-type: none"> Expanded implementation of revised selling prices 	<ul style="list-style-type: none"> Downturn in sales of high-value-added products (cosmetic materials)

● Versus initial projections: Net sales -3.9% / operating profit -0.5%

Net sales were 3.9% below plan due mainly to a decline in our titanium dioxide sales volume, which occurred as we move toward discontinuing our pigment-grade titanium oxide business, and underperformance from overseas subsidiaries operating under the plastic additives business. Meanwhile, operating profit was almost in line with our initial forecast, as strong results from electronic materials, organic chemicals, and other businesses offset the sluggish showings from cosmetic materials and overseas plastic-additives subsidiaries.

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
<ul style="list-style-type: none"> Recovery in the semiconductor market 	<ul style="list-style-type: none"> Persistent economic stagnation in China Decline in domestic market price for zinc Political instability in Thailand 	<ul style="list-style-type: none"> Expanded implementation of revised selling prices 	<ul style="list-style-type: none"> Downturn in sales of high-value-added products (cosmetic materials)



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The following is a summary of the interim financial results for the period ending March 31, 2026.

First, compared to the same period of the previous year, net sales decreased due to a significant decrease in sales volume resulting from efficiency improvement businesses, while operating profit increased due to significant profit improvement in the growth businesses of electronic materials and other businesses.

Looking at sales compared to the plan, net sales were negative compared to the plan due to a decrease in sales volume of titanium dioxide toward the end of the sales period and sluggish sales at overseas subsidiaries of plastic additives.

Operating profit was almost in line with the initial plan, as the sluggish performance of overseas subsidiaries of cosmetics materials and plastic additives was offset by the electronic materials, organic chemicals, and other businesses.

Summary of Interim Results for FY03/26 (Versus 1H FY03/25 and Plan)

(Millions of yen)

	1H FY03/25 results		1H FY03/26 results		YoY change		1H FY03/26 plan		Versus plan	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	42,168	—	40,353	—	-1,814	-4.3	42,000	—	-1,646	-3.9
Operating profit	2,626	6.3	3,284	7.8	657	25.1	3,300	6.2	-15	-0.5
Ordinary profit	2,633	6.3	3,269	7.8	636	24.2	3,300	6.0	-30	-0.9
Profit attributable to owners of parent	1,746	4.2	2,926	7.0	1,179	67.5	2,800	4.9	126	4.5
EPS	107.71 yen		184.65 yen		—		172.68 yen		—	

	YoY Comparison	Versus Initial Forecast
Net sales	Despite growth in sales secured through electronic materials and other growth businesses, net sales declined 4.3% YoY due to declines in sales volumes for businesses under efficiency review.	As the semiconductor market recovered, sales secured through our electronic materials were stronger than we initially anticipated; however, due to sluggish sales from our cosmetic materials business and underperformance from overseas subsidiaries operating under the plastic additives business, net sales were 3.9% lower than our initial forecast.
Operating profit	Operating profit expanded 7.8% YoY as an improved sales mix among pharmaceutical APIs and intermediates marketed through the organic chemicals business and improved earnings and sales volumes from other businesses complemented strong performance from the electronic materials business.	Despite declines in performance from our cosmetic materials business and overseas subsidiaries operating under our plastic additives business, operating profit was nearly in line with our initial forecast thanks to strong sales from our electronic materials and other businesses.

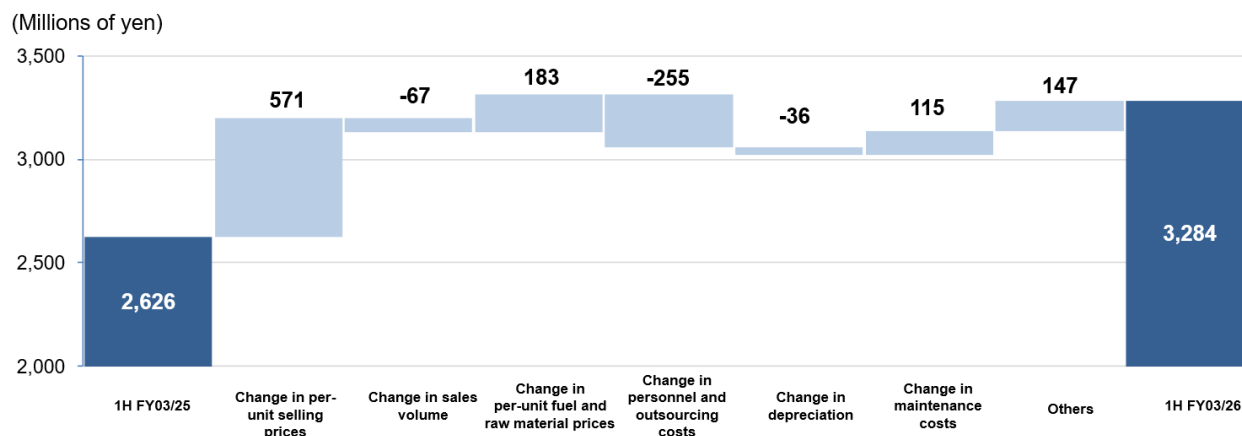


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As a result, for the interim financial results for the fiscal year ending March 31, 2026, net sales were JPY40,353 million, operating profit was JPY3,284 million, ordinary profit was JPY3,269 million, and profit attributable to owners of the parent was JPY2,926 million.

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"> Selling price revisions (primarily for unprofitable products) Improved sales mix in organic chemicals business and among pharmaceutical APIs/intermediates Sales mix improvement achieved through profitability measures and by eliminating, or adjusting the selling prices of, unprofitable products <p>Change in maintenance costs</p> <ul style="list-style-type: none"> Brought down titanium oxide-related maintenance costs from levels observed in previous years as we move toward discontinuation of the pigment-grade titanium oxide business 	<p>Change in personnel and outsourcing costs</p> <ul style="list-style-type: none"> Base salary hikes

This chart shows the factors of the change in operating profit compared to the same period of the previous year.

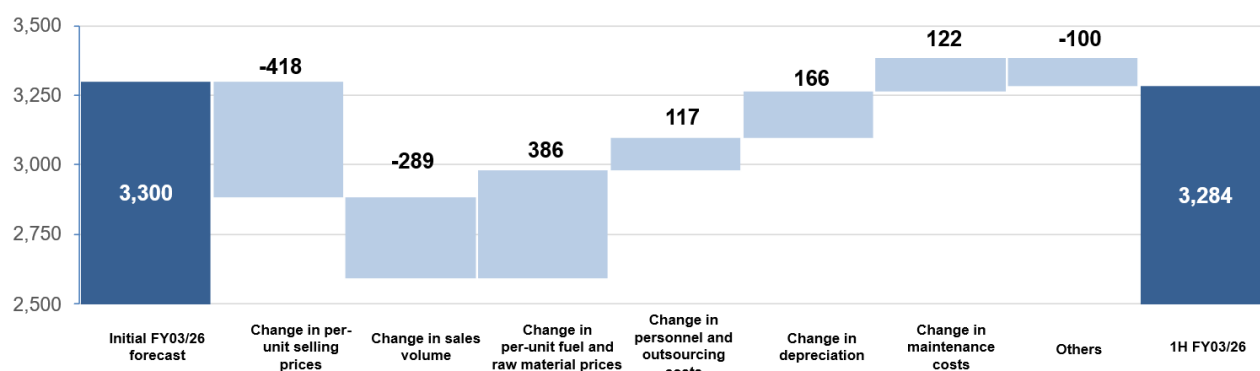
The main positive factors were the effect of price revisions mainly for unprofitable products, an improvement in the sales composition gap for organic chemicals and active pharmaceutical ingredients and intermediates, and an improvement in the sales composition gap due to the correction of profitability and the elimination and consolidation of unprofitable products.

In addition, although titanium dioxide, which is scheduled to be sold at the end of the fiscal year, is a business that incurs very high repair costs, the difference in repair costs, which was more controlled than in previous years, had a positive effect on operating profit.

The main negative factor was the difference in contract labor costs due to the impact of base increases. The amount is approximately JPY255 million.

Factors Behind Change in Operating Profit (Versus Initial Projections)

(Millions of yen)



Positive factors	Negative factors
<p><u>Change in per-unit fuel and raw material prices</u></p> <ul style="list-style-type: none"> Procurement of fuel and raw materials in 1H less expensive than initially anticipated <p><u>Change in maintenance costs</u></p> <ul style="list-style-type: none"> Minimized titanium oxide-related maintenance costs as we move toward discontinuation of the pigment-grade titanium oxide business 	<p><u>Change in per-unit selling prices</u></p> <ul style="list-style-type: none"> Sales of cosmetic materials with relatively high per-unit selling prices fell short of forecast Official domestic reference price for zinc trended lower than expected <p><u>Change in sales volume</u></p> <ul style="list-style-type: none"> Below-forecast sales from cosmetic materials business and sales underperformance from overseas subsidiaries operating under the plastic additives business



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This chart shows changes in operating profit compared to the plan at the beginning of the fiscal year.

The main positive factors were the difference in raw fuel unit prices and the difference in repair costs, as I mentioned earlier.

The main negative factors were the difference in sales unit prices and sales volume. The main reason for the sales volume difference is that sales at overseas subsidiaries in the cosmetics materials and plastic additives businesses fell short of the plan.

Balance Sheet Comparison

Consolidated B/S (Millions of yen)	FY03/25	1H FY03/26	Change	[Key factors driving change]
Cash and deposits	16,183	14,969	-1,214	• Notes and Accounts Receivable -624 million yen (-2.3%) (1) Shortening of average collection period for receivables (2) Sales decline during final three months of fiscal year
Notes and accounts receivable - trade	26,997	26,373	-624	
Inventories	26,993	26,534	-459	• Inventories -459 million yen (-1.7%) Expansion in inventory of titanium dioxide products ahead of discontinuation of pigment-grade titanium oxide business Efforts implemented to reduce inventories of other products and raw materials
Other	1,241	874	-367	
Total current assets	71,416	68,752	-2,664	• Property, Plant and Equipment + 594 million yen (+1.3%) Restructuring of businesses under efficiency review (catalysts)
Property, plant and equipment	44,520	45,114	594	
Other	7,382	8,041	659	• Repayment of long-term borrowings -1,492 million yen (-20.1%)
Total property, plant and equipment	51,903	53,156	1,253	
Total assets	123,319	121,908	-1,411	
Notes and accounts payable - trade	8,561	8,556	-5	
Short-term borrowings	11,512	12,020	508	
Other	7,835	7,818	-17	
Total current liabilities	27,910	28,394	484	
Long-term borrowings	7,406	5,914	-1,492	
Convertible-bond-type bonds with share acquisition rights	3,000	3,000	-	
Other	5,614	5,711	97	
Total non-current liabilities	16,022	14,625	-1,397	
Total liabilities	43,933	43,020	-913	
Shareholders' equity	74,679	74,361	-318	
Other	4,706	4,526	-180	
Total net assets	79,386	78,887	-499	
Total liabilities and net assets	123,319	121,908	-1,411	

	End-FY03/24	End-1H FY03/26
Equity ratio	59.3%	63.8%
CCC	216 days	198 days

▲ Improvement of 18 days
(CCC: Cash Conversion Cycle)



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The following is the balance sheet.

Compared to the end of the previous fiscal year, trade receivables decreased by a total of JPY624 million due to the shortening of collection sites and a decrease in sales for the fiscal year ended March 31.

Inventories were strategically increased for titanium dioxide products to meet the end of sales, and inventories of other products and raw materials were reduced through inventory reduction efforts. As a result, inventories decreased by JPY459 million.

Tangible fixed assets increased by JPY594 million due to investments related to the restructuring of the catalysts business.

As for liabilities, long-term debt decreased by JPY1,492 million due to the repayment of long-term debt.

Total assets at the end of September 2025 amounted to JPY121,908 million, a decrease of JPY1,411 million from the end of the previous period.

The cash conversion cycle will be explained later in the progress of the mid-term management plan.

Cash Flow Statement Comparison

Consolidated C/F (Millions of yen)	1H FY03/25	1H FY03/26	Change
Beginning Cash and Cash Equivalents Balance	16,475	16,153	-322
Profit (loss) before income taxes	2,416	4,349	1,933
Depreciation	1,828	1,849	21
Decrease (increase) in trade receivables	2,492	518	-1,974
Decrease (increase) in inventories	1,771	310	-1,461
Increase (decrease) in trade payables	(158)	545	703
Impairment losses	-	-	-
Income taxes refund (paid)	(292)	(572)	-280
Other	(638)	(1,247)	-609
Cash flows from operating activities	7,420	5,752	-1,668
Purchase of property, plant and equipment	(3,693)	(3,677)	16
Proceeds from sale of property, plant and equipment	2	1,274	1,272
Sale of investment securities	786	-	-786
Other	(47)	(199)	-152
Cash flows from investing activities	(2,952)	(2,602)	350
FCF (Operating CF + Investment CF)	4,468	3,149	-1,318
Increase (decrease) in short-term and long-term borrowings	(5,835)	(967)	4,868
Purchase of treasury shares	(0)	(2,089)	-2,089
Dividends paid	(578)	(1,175)	-597
Purchase of shares of subsidiaries	(150)	-	150
Other	(11)	-	11
Total Financial C/F	(6,578)	(4,232)	2,346
Total Translation Adjustments on Cash and Cash Equivalents	268	(222)	-490
Total Change in Cash and Cash Equivalents	(1,841)	(1,305)	536
Ending Cash and Cash Equivalents Balance	14,633	14,847	214

Summary

With regard to assets, we reduced trade receivables through efficiency initiatives while continuing to reduce inventories and fixed assets. In terms of capital, we executed share buybacks to improve capital efficiency.

[Operating CF]

(1) Decrease in trade receivables

- Ongoing shortening of average collection period for receivables
- In FY03/25, trade receivables were heavily impacted by a payment timing shift (i.e., end-FY03/24 coincided with a bank holiday, pushing the processing of certain customer payments to FY03/25)

(2) Decrease in inventories

Inventory reduction initiatives generated substantial results in FY03/25, so the operating CF bump generated through these results has been smaller for FY03/26, the second (interim) year of our Medium-Term Management Plan

[Investing CF]

Tokyo office of affiliated company sold to improve asset efficiency

→FCF: -1,318 million yen

[Financial CF]

Bought back shares to improve capital efficiency



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Next is cash flow.

As a summary in the upper right corner, on the asset side, we reduced trade receivables in line with efficiency improvements and reduced inventories and fixed assets, while on the capital side, we repurchased our own shares to improve capital efficiency. We will look at them in order.

Operating cash flow was positive JPY5,752 million, and investing cash flow was negative JPY2,602 million.

Free cash flow decreased by JPY1,318 million from the end of the previous fiscal year, but resulted in a free cash flow of JPY3,149 million.

Financial cash flow was negative JPY4,232 million due to the repurchase of treasury stock to improve capital efficiency.

Operating Profit by Segment (Versus 1H FY03/25)

Operating Profit by Segment (Millions of yen)	1H FY03/25	1H FY03/26	Change
Growth businesses	1,028	1,300	272
Electronic materials	668	1,014	345
Cosmetic materials	22	(215)	-238
Organic chemicals	336	502	165
Stable businesses	537	533	-4
Hygienic products	206	181	-25
Contract processing	331	351	20
Businesses under efficiency review	1,794	1,819	25
Titanium dioxide and zinc products	557	657	100
Plastic additives	682	520	-162
Catalysts	92	150	57
Barium	461	491	29
Medical	68	72	3
Others	398	724	326



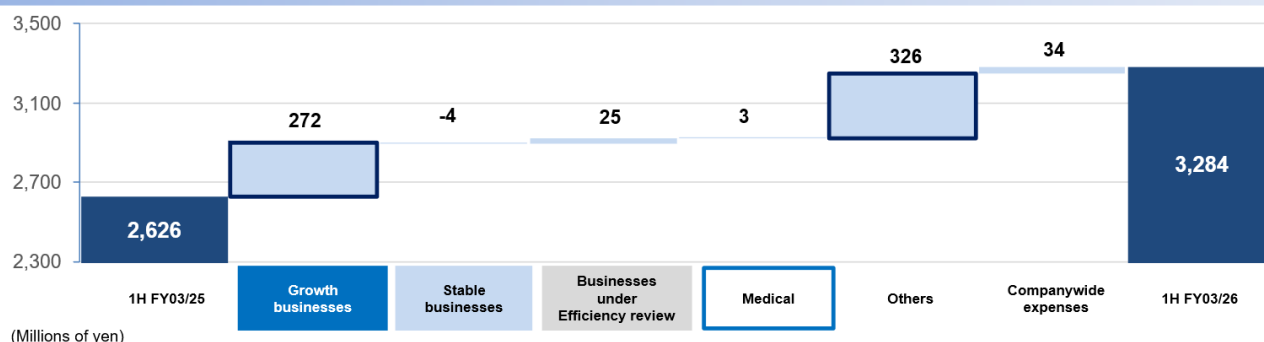
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The following is the operating profit by segment.

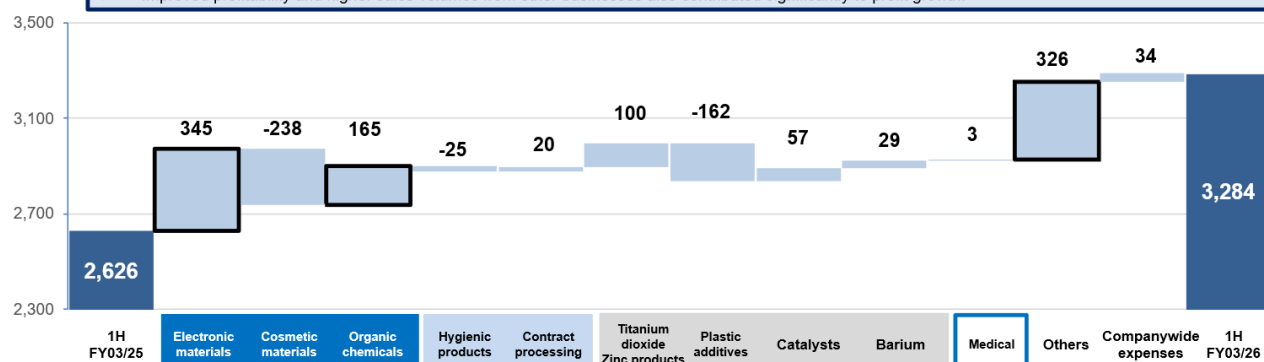
Compared to the same period of the previous year, operating profit from the growth businesses increased. You can also see the growth in operating profit from other businesses.

Operating Profit by Segment (YoY Change)



(Millions of yen)

- > We initially projected a decline in full-year profit performance from growth businesses, but they actually generated profit growth in 1H, even with underperformance in the cosmetic materials business.
- > Improved profitability and higher sales volumes from other businesses also contributed significantly to profit growth.



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Changes in operating profit by segment are shown in comparison with the same period of the previous year.

In growth businesses, we had expected a decrease in profit for the full year in our initial plan, but even including a standstill in cosmetics materials, profit increased in H1 of the year.

Profitability improvement or sales volume increase in other businesses also contributed significantly to the increase in profit.

FY03/26 Earnings Forecast

- We anticipate solid performance from the electronic materials business and other operations will offset decline in sales generated through the cosmetic materials, pushing 2H sales above those achieved in 1H and bringing full-year net sales in line with initial projections.
- As initially forecast, we project 2H operating profit will be roughly level with operating profit for 1H despite anticipated favorable sales performance. We predict this result primarily because we assume the discontinuation of our pigment-grade titanium dioxide business and suspension of associated operations will raise the share of our cost of goods sold attributable to fixed costs.

(Millions of yen)

	FY03/25		FY03/26						
	Full-year results		1H results		2H forecast		Full-year forecast		
	Amount	Margin %	Amount	Margin %	Amount	Margin %	Amount	Margin %	YoY %
Net sales	84,409	—	40,353	—	45,647	—	86,000	—	1.9
Operating profit	6,093	7.2	3,284	7.8	3,216	7.0	6,500	7.6	6.7
Ordinary profit	6,279	7.4	3,269	7.8	3,231	7.1	6,500	7.6	3.5
Profit attributable to owners of parent	5,013	5.9	2,926	7.0	2,574	5.6	5,500	6.4	9.7
External Factors (Assumptions)					Internal Factors (Assumptions)				
Positives		Negatives			Positives		Negatives		
<ul style="list-style-type: none"> Semiconductor market: Robust AI-related demand Recovery in automotive demand 		<ul style="list-style-type: none"> Prolonged slowdown in the Chinese economy Weak demand in the domestic building materials sector 			<ul style="list-style-type: none"> Curtailed maintenance costs 		<ul style="list-style-type: none"> Decline in operating rate of production facilities 		

*Impact from US reciprocal tariff policy was minor in 1H. Likewise, we do not anticipate significant impact for 2H.



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Next is the forecast for the fiscal year ending March 31, 2026.

Net sales are expected to be in line with the plan at the beginning of the period, with an increase in sales compared to H1 of the year, as the drop in sales of cosmetics materials is compensated for by the electronic materials and other businesses.

As for profits, although net sales were favorable, operations will be suspended due to the termination of the pigment-grade titanium dioxide business, as was assumed at the beginning of the period, and the fixed cost ratio will increase. We expect profit to be at the same level as the profits of H1 and in line with the plan.

FY03/26 Forecast (Current Outlook Regarding US Reciprocal Tariff Policy)

- Direct impact from US reciprocal tariff policy was negligible in 1H FY03/26.
- Currently, we do not anticipate any significant impact in 2H.
- However, we remain mindful regarding the risk of economic slowdown, which could have particularly substantial impact on our electronic materials business. Accordingly, we will continue to monitor developments closely moving forward.

Positive impact	Negative impact
<ul style="list-style-type: none"> • Foreign exchange Should the US dollar weaken against the Japanese yen, we could potentially procure imported raw materials at a more favorable exchange rate than initially assumed. 	<ul style="list-style-type: none"> • Electronic materials-related impact Stagnation of transaction activity associated with semiconductor supply chains • Other segments Sales volume decline across a broad range of business areas due to weakened global consumption <p>*We have incurred no direct impact from reciprocal US tariff policies, but have observed indirect effects across all segments.</p>

*Impact from US reciprocal tariff policy was minor in 1H. Likewise, we do not anticipate significant impact for 2H.



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This slide shows our current position on the US reciprocal tariff policy.

For H1 of the fiscal year ending March 31, 2026, there was barely any direct impact and little impact on the Company's performance.

We do not anticipate any significant impact on H2 of the fiscal year ending March 31, 2026, at this time.

However, we will continue to monitor trends closely as there are concerns about the economic slowdown, particularly in transactions related to electronic materials.

Business Environment Overview

	Segment	Assumptions for FY03/26 Forecast (as of May 2025)		Assumptions for Revised FY03/26 Forecast (As of October 2025)
Growth businesses	Electronic materials	Semiconductor market <ul style="list-style-type: none"> Continuously favorable AI-related demand At a minimum, automotive demand expected to be sluggish 		Semiconductor market <ul style="list-style-type: none"> Continuously favorable AI-related demand Recovery in automotive demand
	Cosmetic materials	<ul style="list-style-type: none"> Steady demand recovery anticipated for both domestic and overseas markets Conditions in the Chinese market expected to remain challenging 		<ul style="list-style-type: none"> Continuously challenging conditions in the Chinese market Weakening demand in the US market due to inflation Rising use of low-cost organic UV absorbers
	Organic chemicals	<ul style="list-style-type: none"> Solid and stable conditions projected for the eyeglass lens market Acquisition of orders for contract-based manufacturing of our core pharmaceutical API/intermediate products projected to decline as competition intensifies 		<ul style="list-style-type: none"> Unchanged from May
Businesses under efficiency review	Titanium dioxide and Zinc products	Titanium oxide	<ul style="list-style-type: none"> Ongoing influx of low-priced imports expected to prolong the state of oversupply 	<ul style="list-style-type: none"> Unchanged from May
		Zinc products	<ul style="list-style-type: none"> Decline in domestic market price for zinc 	<ul style="list-style-type: none"> Domestic zinc price growth from summer 2025
	Plastic additives	Japan	<ul style="list-style-type: none"> Downward slide in polyvinyl chloride (PVC) market 	<ul style="list-style-type: none"> Unchanged from May
		Overseas	<ul style="list-style-type: none"> Medium-to-long-term expansion in PVC market Near-term slowdown in PVC market due to sluggish Thai economy and economic conditions in China 	<ul style="list-style-type: none"> Unchanged from May
	Barium	<ul style="list-style-type: none"> Sluggish performance from automotive parts and materials Strong and steady conditions in eyeglass lens market 		<ul style="list-style-type: none"> Unchanged from May



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I will explain our perception of our business environment. Changes from the forecast at the beginning of the period are in electronic materials, cosmetics materials, and zinc products of titanium dioxide and zinc products.

With regard to electronic materials, the semiconductor market is expected to remain favorable for AI-related products. We also see a recovery trend for automotive applications.

In cosmetics materials, the outlook for the Chinese market remains challenging. And we expect to see a decline in demand in the US market due to inflation and an increase in the application of inexpensive organic UV absorbers.

As for zinc products, the domestic zinc market has been on an upward trend since the summer.

Forecasts by Segment (Versus FY03/25 Results)

(Millions of yen)

	FY03/25 Actual			Revised FY03/26 Forecast			Difference			
	Sales	Operating profit	OPM	Sales	Operating profit	OPM	Sales		Operating profit	
	Amount	Amount	%	Amount	Amount	%	Amount	%	Amount	%
Electronic materials	10,014	1,493	14.9	12,000	1,860	15.5	1,986	19.8	367	24.6
Cosmetic materials	2,676	293	11.0	1,700	(180)	(10.6)	-976	-36.5	-473	-161.4
Organic chemicals	6,638	770	11.6	7,500	730	9.7	862	13.0	-40	-5.2
Hygienic products	5,623	427	7.6	5,200	360	6.9	-423	-7.5	-67	-15.7
Contract processing	6,422	620	9.7	6,900	710	10.3	478	-7.4	90	14.5
Titanium dioxide and zinc products	13,118	1,479	11.3	11,900	1,270	10.7	-1,218	-9.3	-209	14.1
Plastic additives	13,061	1,393	10.7	11,500	1,000	8.7	-1,561	-12.0	-393	-28.2
Catalysts	3,186	18	0.6	3,500	570	16.3	314	9.9	552	3,066.7
Barium	5,175	826	16.0	5,400	930	17.2	225	4.3	104	12.6
Medical	8,321	(24)	(0.3)	8,600	0	0.0	279	3.4	24	-100.0
Others	10,169	1,171	11.5	11,800	1,550	13.1	1,631	16.0	379	32.4
Companywide expenses	—	(2,376)	—	—	(2,300)	—	—	—	76	-3.2
Consolidated	84,409	6,093	7.2	86,000	6,500	7.6	1,591	1.9	407	6.7



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This is a comparison of segment forecasts with the results of the previous year.

Based on changes in the business environment and progress made in H1 of the fiscal year, we have revised our plans for each segment. However, there is no revision to the total forecast of JPY6.5 billion.

Forecasts by Segment (Versus Initial Projections)

(Millions of yen)

	Initial FY03/26 Forecast			Revised FY03/26 Forecast			Difference			
	Sales	Operating profit	OPM	Sales	Operating profit	OPM	Sales		Operating profit	
	Amount	Amount	%	Amount	Amount	%	Amount	%	Amount	%
Electronic materials	10,100	1,430	14.2	12,000	1,860	15.5	1,900	18.8	430	30.1
Cosmetic materials	2,800	270	9.6	1,700	(180)	(10.6)	-1,100	-39.3	-450	-166.7
Organic chemicals	7,500	730	9.7	7,500	730	9.7	—	—	—	—
Hygienic products	5,600	440	7.9	5,200	360	6.9	-400	-7.1	-80	-18.2
Contract processing	6,700	710	10.6	6,900	710	10.3	200	3.0	—	—
Titanium dioxide and zinc products	11,900	1,140	9.6	11,900	1,270	10.7	—	—	130	11.4
Plastic additives	13,600	1,430	10.5	11,500	1,000	8.7	-2,100	-15.4	-430	-30.1
Catalysts	3,500	430	12.3	3,500	570	16.3	—	—	140	32.6
Barium	5,400	930	17.2	5,400	930	17.2	—	—	—	—
Medical	8,600	0	0.0	8,600	0	0.0	—	—	—	—
Others	10,300	1,290	12.5	11,800	1,550	13.1	1,500	14.6	260	20.2
Companywide expenses	—	(2,300)	—	—	(2,300)	—	—	—	—	—
Consolidated	86,000	6,500	7.6	86,000	6,500	7.6	0	—	0	—



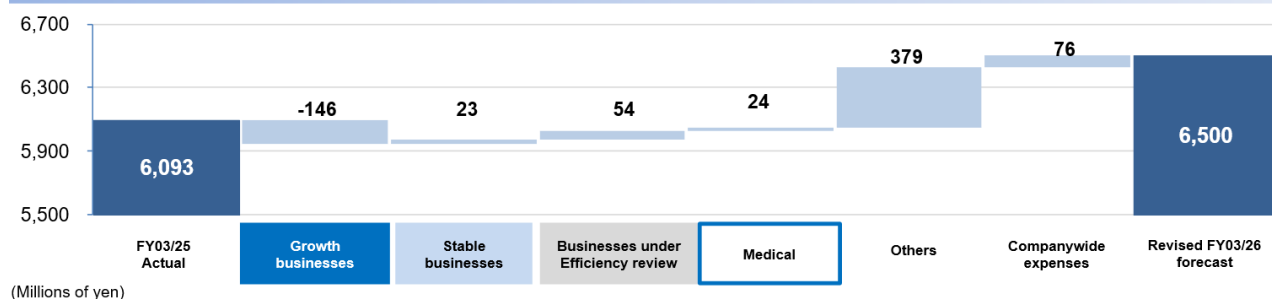
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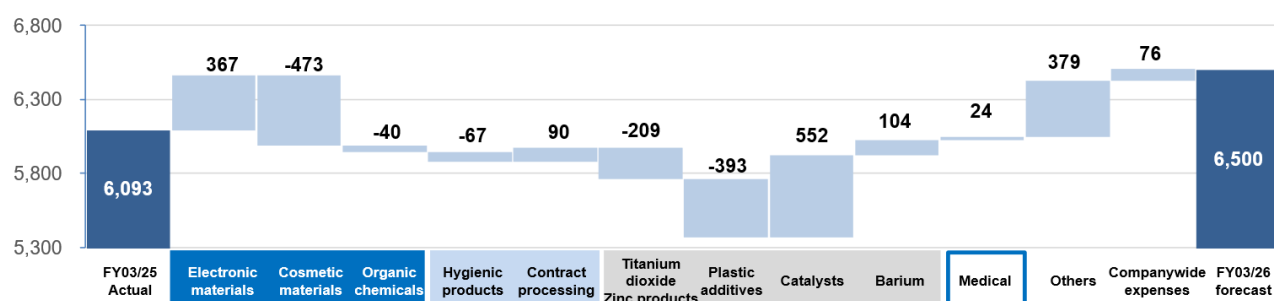
This table shows the full-year forecast by segment compared to the plan at the beginning of the fiscal year.

Details are explained on the following pages and beyond.

Projected YoY Change in Segment Operating Profits for FY03/26



- We do not anticipate impact from fixed-cost pressure associated with the planned discontinuation of our pigment-grade titanium oxide business (slated for end-2025), and we project selling price hikes and sales volume growth in other businesses will drive improvement in earnings over the course of the year.
- With regard to growth businesses, we predict sales volumes from the cosmetic materials business will stall, but we also expect ongoing strong performance from the electronic materials business.
- Concerning businesses under efficiency review, we forecast struggling performance from overseas subsidiaries operating under the plastic additives business. However, we also anticipate growth in profit from the catalyst business thanks to sales volume expansion and cost reductions achieved through production site consolidation.



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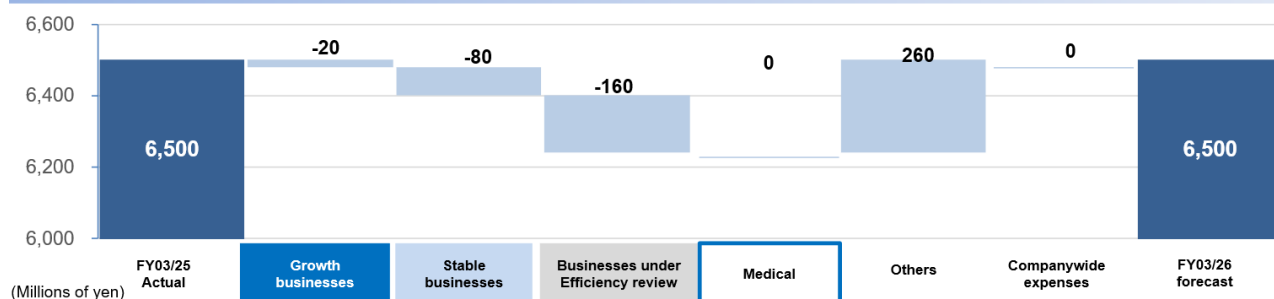
This is a comparison of the forecast by segment with the results of the previous year.

Production of pigment-grade titanium dioxide is scheduled to end at the end of this year, at the end of 2025, and we expect that this will have no impact on fixed costs, and that the effect of price revisions and earnings from increased sales volume in other businesses will contribute throughout the year.

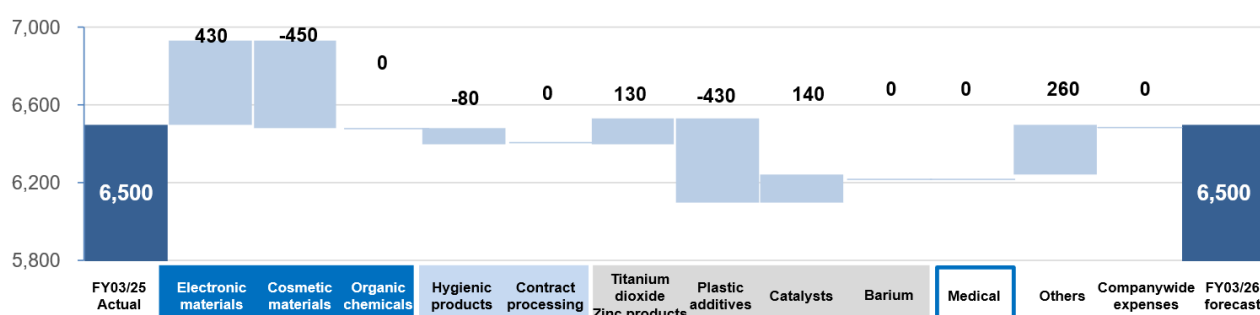
As for growth businesses, we expect sales volume of cosmetics materials to remain sluggish, while sales of electronic materials will continue to be strong.

In efficiency improvement businesses, although overseas sales of plastic additives are struggling, we expect an increase in profit due to higher sales volume in the catalysts business, where the burden of base consolidation costs has become smaller.

Projected YoY Change in Segment Operating Profits for FY03/26 (Compared with Initial Forecast)



- > We do not anticipate impact from fixed-cost pressure associated with the planned discontinuation of our pigment-grade titanium oxide business (slated for end-2025), and we project selling price hikes and sales volume growth in other businesses will drive improvement in earnings over the course of the year.
- > With regard to growth businesses, we predict sales volumes from the cosmetic materials business will stall, but we also expect ongoing strong performance from the electronic materials business.
- > Concerning businesses under efficiency review, we forecast sales performance from overseas subsidiaries operating under the plastic additives business will be more lackluster than initially anticipated, with particularly pronounced underperformance from our subsidiary in Thailand.



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This is a comparison of operating profit by segment with the plan at the beginning of the fiscal year.

The pigment-grade titanium dioxide is the same as in the previous section. We expect a larger contribution from other businesses, which are less affected by fixed cost burdens.

In growth businesses, we expect sales volume of cosmetics materials to remain sluggish, while sales of electronic materials will continue to be strong.

In efficiency improvement businesses, sales of plastic additives, especially at the Thai subsidiary, are expected to be weaker than expected at the beginning of the fiscal year.

CAPEX, Depreciation, and R&D Expense: Trends

(Millions of yen)

	FY03/21	FY03/22	FY03/23	FY03/24	FY03/25	FY03/26 forecast	1H FY03/26
CAPEX	9,567	5,967	2,658	4,024	6,945	8,000	3,677
Depreciation	4,243	4,331	4,417	4,354	3,649	4,000	1,849
R&D	2,487	2,376	2,674	2,722	2,699	2,800	1,400

Capital Investment		
	FY03/26 forecast	
	Growth investment	Restructuring investment
%	Approx. 50%	Approx. 50%
Primary details	<ul style="list-style-type: none"> Organic chemicals: Establishing a CDMO framework for pharmaceutical APIs/intermediates Cosmetics raw 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



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These are capital expenditures, depreciation, and R&D expenses.

There is no change in the full-year forecast for the fiscal year ending March 31, 2026, from the plan at the beginning of the fiscal year.

Regarding capital investment, we plan to invest approximately 50% in growth investments and 50% in renewal investments, which are investments aimed at improving efficiency.

Major growth investments include a CDMO for active pharmaceutical ingredients and intermediates for organic chemicals and construction for a multi-plant for cosmetics materials for makeup applications. With regard to investments to improve efficiency, we have invested in the restructuring of the Sakai and Onahama manufacturing sites, and in measures to improve the efficiency of the catalysts business.

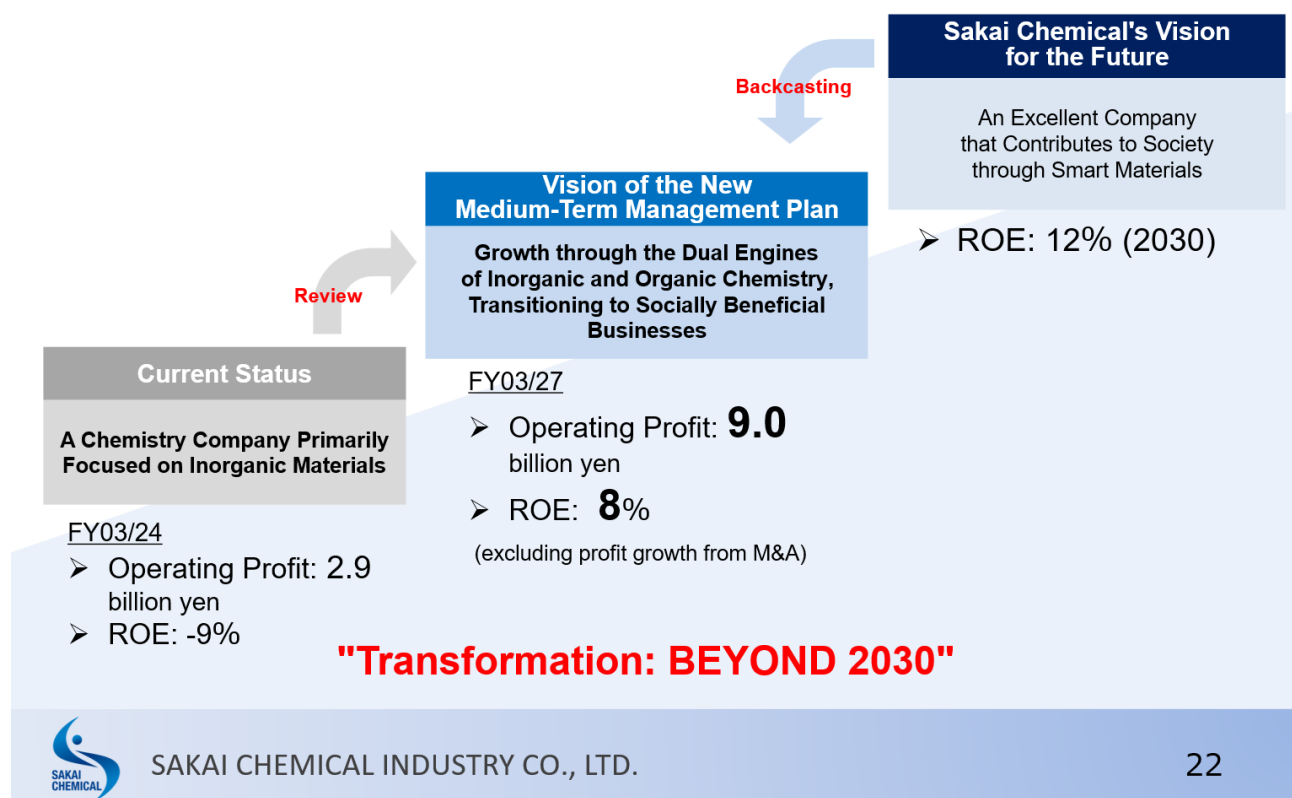
President Yagura will explain from here.

Yagura: Hello, everyone. I am President Yagura.

I would like to explain the progress of our mid-term management plan, Transformation: BEYOND2030, which is now halfway through its implementation.

Positioning of “Transformation: BEYOND 2030”

Positioned as a transformation stage toward the future, focusing intensively on shifting to high-value-added products



Let's start with a review. Please see the slide.

This slide shows our vision of how we want to be and the positioning of this mid-term management plan, which we presented at last year's mid-term management plan presentation briefing.

Sakai Chemical's vision for the future is to be an excellent company that can contribute to society through Smart Materials, and we have positioned Transformation: BEYOND2030 as the stage of transformation for the future.

Our numerical targets for the fiscal year ending March 31, 2027, are an operating profit of JPY9 billion and ROE of 8%.

Operating Profit Versus Forecast: Progress of Medium-Term Management Plan “Transformation: BEYOND 2030”

- Secure a solid profit base through improved efficiency
- Accelerate expansion in profit from growth businesses to facilitate target achievement heading into FY03/27, the plan's final year

Operating Profit by Segment (Millions of yen)	(1) FY03/24	(2) FY03/25	Revised Forecast (3) FY03/26	Difference Between (3) and (1)
Growth businesses	2,029	2,557	2,410	381
Electronic materials	616	1,493	1,860	1,244
Cosmetic materials	120	293	(180)	-300
Organic chemicals	1,293	770	730	-563
Stable businesses	1,011	1,047	1,070	59
Hygienic products	448	427	360	-88
Contract processing	563	620	710	147
Businesses under efficiency review	1,268	3,718	3,770	2,502
Titanium dioxide and zinc products	(22)	1,479	1,270	1,292
Plastic additives	762	1,393	1,000	238
Catalysts	351	18	570	219
Barium	177	826	930	753
Medical	89	(24)	0	-89
Others	762	1,171	1,550	788



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First, let's look at the next slide regarding profit progress.

This table shows profit trends by business segment. The table shows the fiscal year ended March 2024, the final year of the previous mid-term management plans; the fiscal year ended March 2025, the first year of the current mid-term management plan; and the revised plan for the current fiscal year, the second year of the plan; and the far right shows the difference between the fiscal year ended March 2024, the starting point, and the revised plan for this fiscal year.

As you can see, the foundation for profits from efficiency improvement businesses is now in place. Therefore, what we need to do in the future to achieve our profit targets is to ensure the growth of our growth businesses.

How will we expand these growth businesses in the future? We will present our current thoughts.

(Millions of yen)

(CMO : Contract Manufacturing Organization CDMO : Contracting Development Manufacturing Organization)



First, let's talk about electronic materials. In terms of the external environment, despite some short-term bumps in the road as AI-related and EV electrification accelerate, cargo movements of our materials have been recovering steadily, and combined with shipments of high-value-added products, profits have been growing. In both dielectrics and dielectric materials, we will continue to introduce developed products and high-value-added products, mainly in the high-end area, and our intention remains the same to drive profits from growing businesses.

We are confident that there is absolutely no issue with the quality of our cosmetic materials, and that our inorganic materials will undoubtedly be recognised for their value. However, the initial projected timeline now requires closer scrutiny. Consequently, our current sales volume has declined significantly. Although shipments to major overseas manufacturers commenced in the latter half of the previous fiscal period, we anticipate this challenging situation will persist for some time.

That said, in order to overcome this, we handle, and are currently increasing our sales staff and investing resources in building a system and expanding sales activities to increase the number of large customers in Japan and overseas by taking advantage of their features, especially in the zinc oxide area where we are strong, and to acquire new overseas customers as well.

Finally, we have organic chemicals. We do not plan to revise profits in this area in the current fiscal year. However, the situation is slightly different for the two constituent businesses.

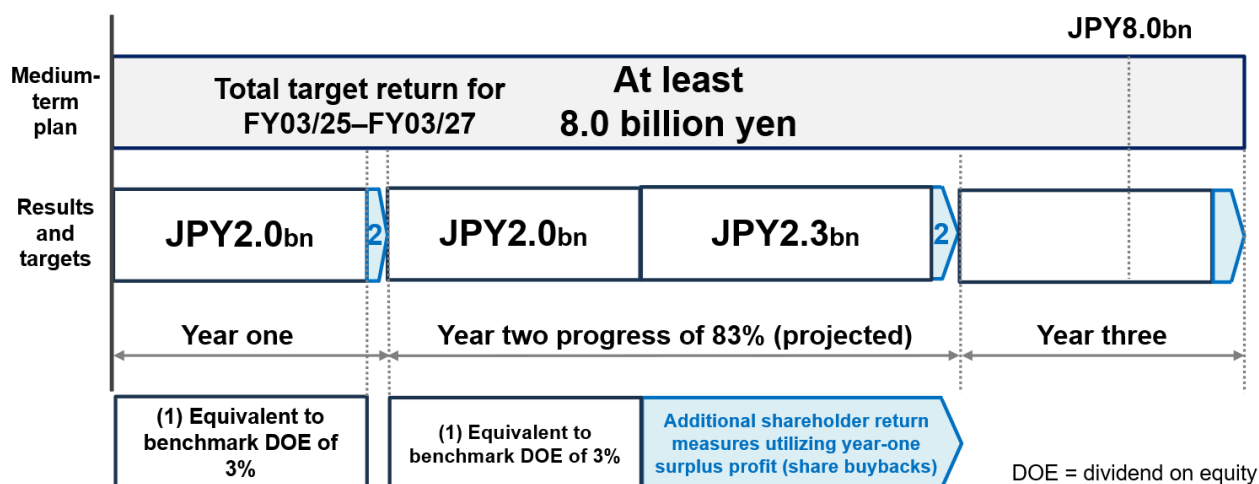
First, with regard to organic sulfur compounds, we expect demand for glasses to continue to rise, and shipments have currently been steady. We intend to increase yields while also improving our production process and keeping up with the increase in demand.

On the other hand, in the area of active pharmaceutical ingredients and intermediates, due to the intensifying competitive environment at the contract manufacturers of our mainstay products, it is necessary to hasten the contract manufacturing of new products. In order to further increase profitability, we will leverage our track record and trust cultivated through our CMO support to expand new sales in CDMOs.

These are our thoughts on growth businesses.

Shareholder Returns: Progress of Medium-Term Management Plan “Transformation: BEYOND 2030”

- **No changes to basic policy (total shareholder returns of at least 8.0 billion yen)**
 - (1) Pay stable dividends while maintaining a DOE benchmark of 3%
 - (2) While monitoring business performance and **remaining mindful of our target ROE**, consider additional measures such as dividend hikes and share buybacks
- As initially planned, we aim to pay **approximately 2.0 billion yen in total dividends** (equivalent to 3 % DOE; **translates roughly into interim and year-end dividends of 65 yen per share each**)
- With regard to the **share buyback currently underway, 2.3 billion yen in shares have been repurchased** (out of a maximum 2.5 billion yen in shares) **as of October 31, 2025**. We plan to **cancel all repurchased shares**.



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Next, I will explain shareholder returns.

The basic policy is that the total amount should be at least JPY8 billion over three years. As a means to achieve this, the Company plans to pay a stable dividend with a target DOE of 3%, and to conduct flexible share buybacks.

Based on this policy, we will pay an interim dividend of JPY65 per share and a year-end dividend of JPY65 per share for the current fiscal year, as currently planned at the beginning of the fiscal year. In addition, the share buyback announced in June was completed at the end of November for approximately JPY2.5 billion, almost as planned. The Company plans to retire all of the acquired portion.

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

- Cash conversion cycle target: 180 days or less

Target cumulative three-year monetary impact of 7.0 billion yen (by end-FY03/27)

- **CCC lengthened four days compared to FY03/25, but operating CF has improved**
(Underlying factors: inventory buildup in preparation for the discontinuation of our pigment-grade titanium oxide business and sales decline attributable to operational streamlining)
- **Compared to FY03/24, our CCC shortened 18 days as we generated 4.9 billion in net cash from operating activities**

	Unit	FY03/24	FY03/25	1H FY03/26	Change (FY03/24 ↔ 1H FY03/26)
Trade receivables turnover period	Days	130	115	118	-12
Inventory turnover period	Days	126	115	118	-8
Accounts payable turnover period	Days	40	37	38	-2
CCC	Days	216	194	198	-18
Working capital	JPYbn	492	454	443	-49

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



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Next, I would like to discuss the progress of the cash conversion cycle, which is a key indicator of asset efficiency.

As a target value, we were aiming for a cash source of less than 180 days and more than JPY7 billion in monetary terms. This table shows the components related to the cash conversion cycle for the period ended March 31, 2025, and the current period ended September 30, 2025, in order from the beginning, starting with the fiscal year ended March 31, 2024.

Compared to the most recent fiscal year ended March 31, 2025, the cash conversion cycle has increased slightly due to the impact of a temporary buildup of inventory in preparation for the end of titanium dioxide sales, but working capital has steadily decreased.

In addition, the red box shows that compared to the fiscal year ended March 31, 2024, which was the starting point, the cash conversion cycle was reduced by 18 days, resulting in the generation of approximately JPY4.9 billion in operating cash flow.

We will continue to improve efficiency to meet the target.

This is the end of my explanation. There are now only one year and four months left in this mid-term plan, Transformation: BEYOND2030. We have set ROE of 8% as one of our numerical targets for the final year of the fiscal year ending March 31, 2027, and we will be particularly conscious of and committed to this target.

Thank you for your attention.

Question & Answer

Moderator [M]: Okay, we will now take questions regarding the presentation of the financial results. We will accept questions from those in the venue, followed by those participating via the web. We would appreciate it if you could provide us with your company name and your name when you ask your question.

A transcript of this briefing is available on our website. Please note that we will not reveal your company name or name in the transcription, but your question will be transcribed.

First of all, we would like to take questions from the audience in the venue.

Participant1 [Q]: First of all, I would like to ask you a little more about the electronic materials part of your growth businesses.

This time, you revised the forecasted sales by JPY1,900 million and the operating profit by JPY430 million. I think you had a hard time in the first half of the mid-term plan because there was not much growth, so I would like to know the background behind the rapid growth, whether the domestic market has recovered from the rather strong performance of the overseas market last year, and whether there were any positive factors such as the volume and unit price in line with the mid-term plan, as well as any special factors such as foreign exchange. I would like you to explain the background behind the large upward revision.

Ogama [A]: First of all, regarding the background of the upward revision in the full-year forecast, we believe that the market is becoming very favorable.

In our initial plan, we had expected a slight slowdown in H2 of the fiscal year, but a look at the full-year forecasts of capacitor manufacturers shows that there has not been much of a drop, and we have not seen much of an impact or slowdown, so we think that volume will be relatively high.

As for the contents, it may or may not appear later in the business strategy briefing, but dielectric materials are doing relatively well, and the situation is that this area is growing, which is attributable to the growth in this area.

We have the same perception as you mentioned about overseas companies last year and domestic companies this year. As I mentioned earlier, capacitor manufacturers have revised their sales upward in H2 of the year, especially for capacitors. Although there appears to be a slight decline from H1, there are some areas where the decline is not as great as expected, so we are a little bullish and have made an upward revision. That is all.

Participant1 [Q]: So, for example, the exchange rate and favorable factors are not particularly significant, and it would be better to think of actual demand as a recovery centered on dielectric materials?

Ogama [A]: Yes, that's right. In particular, sales volume still increased considerably. The impact of the exchange rate was negative because a weaker yen raises procurement costs, but the yen appreciated more than the assumed rate, so there may have been a certain degree of impact. The biggest factor is still the growth in sales volume.

Participant1 [Q]: Also, since your company is at the top of the list, maybe you don't know if it's consumer or vehicle applications, but do you know any trends that indicate which one seems to be growing?

Ogama [A]: As I indicated in my recognition of the business environment, I think that the automotive industry is finally recovering, but the servers for AI are having the greatest impact, and I believe that we are being greatly affected by this. Of course, there have been significant improvements in vehicle applications, but we believe that the growth of new applications is contributing to the improvement.

Participant1 [Q]: In the organic chemicals section, you mentioned two businesses. Between eyeglass materials and active pharmaceutical ingredients and intermediates, which shows the biggest contribution, as they both increased operating profit this time?

Ogama [A]: In response to various questions in the past, I have said that sales and profits from eyeglass lens applications, in other words, from chemical products and pharmaceuticals, are roughly 50-50. I think it is safe to say that this is about the same level for the current fiscal year.

In H2 of this fiscal year, sales of active pharmaceutical ingredients and intermediates will not grow much, so there is a possibility that the ratio of so-called organic chemical products or eyeglass lens materials will increase, but I think it is safe to say that the ratio will be about 50-50.

Participant1 [Q]: I am not familiar with organic sulfur compounds, but what kind of materials does your company use to add functionality to eyeglass lenses?

Ogama [A]: Our material is beta acid, which has a high X-ratio for an organic material, and we add a function that will increase the refractive index of eyeglass lenses. In other words, I believe that we are still in the high-end of the eyeglass market, because we recognize that raising the refractive index has the advantage of making eyeglass lenses thinner.

Participant1 [Q]: Then, as everyone uses smartphones now, lens materials will sell well. The volume zone for China may not be doing well right now, but do you feel that it will spread around China and India?

Ogama [A]: Yes, that's right. This may not be a good thing, but the population of nearsighted people is increasing all over the world, so the market will probably grow. I believe it will remain strong in the medium to long term. We should not be too happy about it, but that is our perception of the market.

Moderator [M]: Thank you very much. We welcome any questions you may have from those in the audience.

Participant2 [Q]: I have two questions, both of which relate to the progress of the mid-term management plan. Today, the president has explained the progress of the mid-term management plan, and I think it has become very clear, but I would like to ask one question.

As for efficiency improvement businesses, the pigment-grade titanium dioxide business is just about to be terminated, and once that is finished, efficiency improvement businesses will be rebuilt, or rather, your company's efforts will basically be terminated. As you explained today, management resources will be allocated to growth businesses afterwards, specifically, after next spring. How should we expect this situation beyond next spring? Let me check on this as the first question.

Yagura [A]: Regarding efficiency improvement businesses, the biggest event was, of course, the termination of the pigment-grade titanium dioxide business, which is steadily progressing as planned. We have a good prospect for the rest of the products, including product consolidation and price revisions, and we have become a company with a reasonable profit structure, so I feel that this part is almost complete.

However, while we will continue to operate some of the remaining businesses, we are now considering a policy of concentrating management resources on growing businesses rather than on those that have yet to grow.

Participant2 [Q]: Thank you. Second, although you did not speak about this directly today, I would like to ask about research and development. In the presentation material, on page 20, there is a table showing trends in R&D expenses and capital investment. Regarding R&D, could you talk about how you will use funds for R&D mainly on growth businesses?

I don't remember when, but there was an interview with President Yagura in an overseas magazine in which you talked about the importance of innovation in research and development. I do not believe that R&D expenses are only as good as the amount spent, but looking at these R&D expenditures, I sometimes wonder if they lack variation. I apologize if I am not aware of this, but I would like you to talk about how you will invest in research and development, especially in the next year and beyond. Thank you.

Yagura [A]: Regarding R&D expenses, we are aware that the current R&D investment is neither too little nor too much, considering the size of our group. However, what we are trying to change significantly over the past three years is the content of our research and development. We are doing this now by stopping what isn't working and focusing on what is working in the short term.

Therefore, although there is no change if we look at R&D expenses alone, the mindset of the R&D division has changed considerably in terms of the content, and we recognize that the mindset of people toward innovation has changed considerably. Is this okay?

Participant2 [Q]: Thank you. I don't remember when, but I believe your company changed its R&D structure.

Yagura [A]: We are in the process of reviewing.

Participant2 [Q]: It was done some years ago, maybe about two or three years ago. The effects of such efforts may have already been seen, but is it correct to understand that they will be seen more in the future?

Yagura [A]: The integrated report that we issued recently describes our R&D structure in detail, so I hope you can understand what we are doing in this area by referring to that.

Participant2 [M]: Thank you.

Moderator [M]: Thank you. Any other questions from the venue? No one? Now, if there are any questions from those participating on the web, please ask. Okay, Mr. Ishibashi, please speak.

Participant3 [Q]: Please tell us the growth rate of the volume of growth businesses in H1 of the year, even if it is only rough. Please tell us the growth rate of electronic materials, cosmetics materials, and raw materials for eyeglasses in H1 of the year.

Ogama [M]: Are you asking on a sales basis?

Participant3 [M]: Volume basis, please.

Ogama [A]: On a volume basis? Thank you. Regarding electronic materials, I can't give a specific number for some of them, but I can give you a cumulative total for Q1 and Q2. Sales of electronic materials grew approximately 5% to 10% in H1 of the year. In the cosmetics business, the volume of sales has fallen by about the same amount as the decline in sales.

Participant3 [Q]: What is the current situation of eyeglasses?

Ogama [A]: For organic chemicals, I think you should understand that the percentage is roughly between 5% and 10%.

Participant3 [Q]: Is this a plus?

Ogama [A]: A minus.

Participant3 [Q]: A minus? With regard to electronic materials, what would it be if you divide them into dielectrics and dielectric materials?

Ogama [A]: You can assume that they are almost the same.

Participant3 [Q]: Is it about 5-10% for both?

Ogama [A]: Yes, that's right. That understanding is fine.

Participant3 [Q]: Okay. Also, in H2 of the year, what is your view of the three compared to H1?

Ogama [A]: First of all, with regard to electronic materials, although it is very difficult, we expect to increase sales, even on a volume basis, to some extent. Although there is still a sense of uncertainty, we would like to increase sales, including the difference in composition, so we would like to aim for approximately the same level of sales as in H1 of this fiscal year.

In the cosmetics materials business, which is basically a business in the H2 of the fiscal year, we expect the difficult situation to continue. We expect sales to recover somewhat from H1 of the year, but compared to the same period last year, we still expect a fairly large drop.

As for organic chemicals, eyeglass applications inevitably have a regular repair schedule in Q3. The plan is for a slight decline here because of the scheduled maintenance of this organic chemical plant, rather than the regular maintenance of the Onahama manufacturing site. That is all.

Participant3 [Q]: As for pigment-grade titanium dioxide for the next fiscal year, I think that sales profit will not be generated next year. However, since you have earned a lot of money there now, how much should we expect a decrease in profit, especially by stopping this pigment titanium dioxide, from this fiscal year to the next? Please discuss this.

Ogama [A]: We estimate an operating profit of JPY1.27 billion for titanium dioxide general-purpose products for this fiscal year, but since titanium dioxide accounts for more than half of this amount, I think it is fair to say that the impact will be about the same.

Participant3 [Q]: Is it correct to assume that this will basically be zero for the next fiscal year?

Ogama [A]: Some by-products and inventory sales will remain, so the impact will not be totally zero, but the impact will still be relatively large. Basically, it is an inventory sale, so we don't get that large a quantity, but it is not zero.

Participant3 [M]: Okay. I understand very well. Thank you. That is all.

Moderator [M]: If I may, we would like to take questions again from the audience.

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

[END]

Document Notes

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].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
4. *This document has been translated by SCRIPTS Asia.*

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