堺化学工業株式会社

Sakai Chemical Industry Co., Ltd.

Q2 Financial Results Briefing for the Fiscal Year Ending March 2027

November 9, 2026

Event Summary

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[Participants]	31
[Number of Speakers]	1 Shinji Ogama Director and Executive Officer

Presentation

Moderator: Now that it's time to begin, we will hold the Sakai Chemical Industry Co., Ltd. Q2 FY2027 Earnings Briefing. Thank you very much for taking the time out of your busy schedules today. Today's briefing is conducted via webcast only.

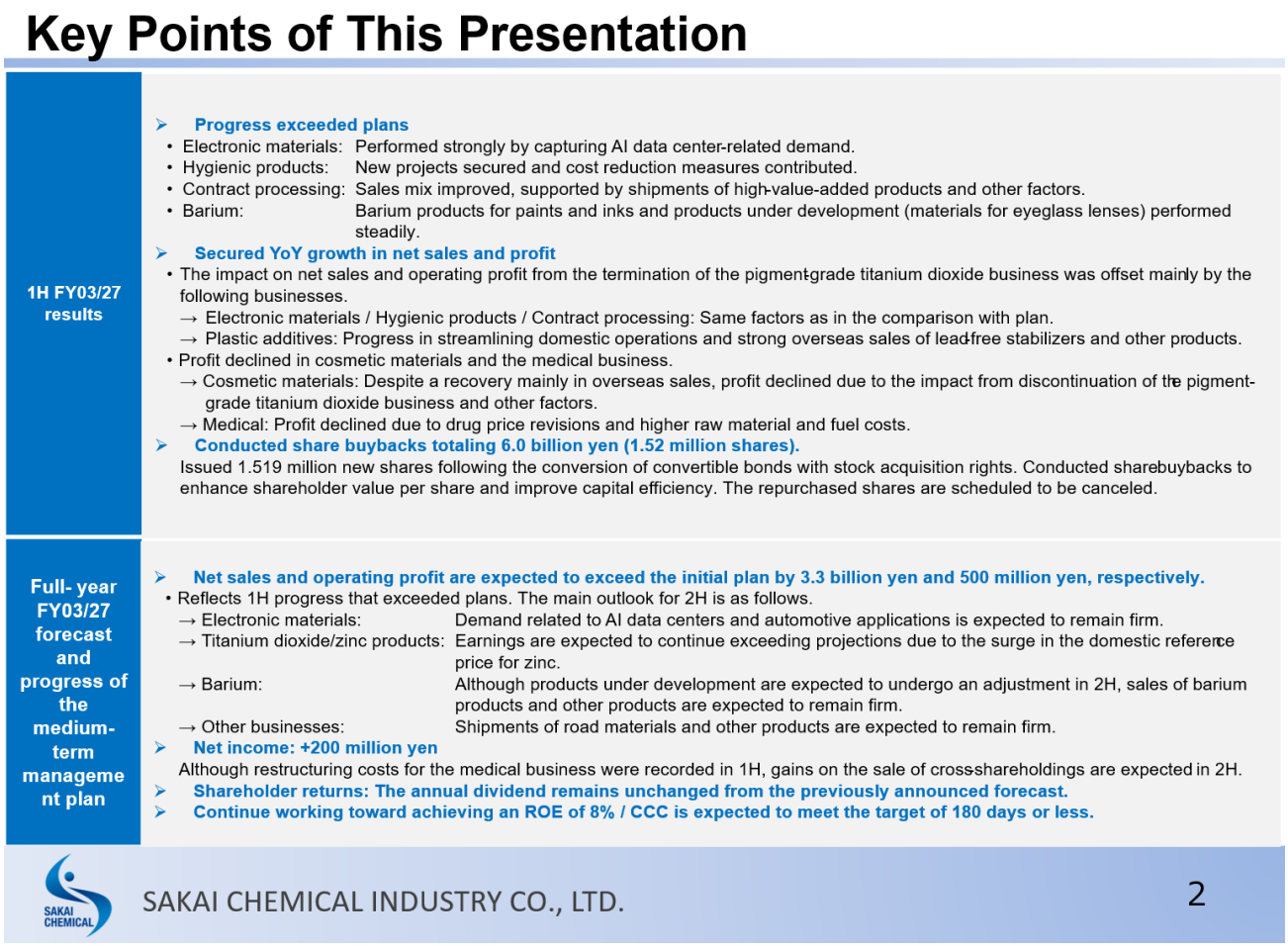
As for today's agenda, first, our Executive Officer and Director of the Business Strategy Headquarters, Ogama, will provide an explanation, followed by a Q&A session for everyone. Regarding the presentation materials for today, we apologize, but since this briefing is held on the same day as the earnings announcement, we were unable to send them out in advance. We ask that you follow along while viewing the screen.

Additionally, the same materials have been posted on our company website earlier today, so please feel free to refer to those as well.

Now, let us proceed immediately to the earnings explanation. Then, Director Ogama, please go ahead.

Ogama: Good afternoon, everyone. I am Ogama, in charge of IR at Sakai Chemical.

Thank you very much for being here despite your busy schedules today. I will now explain the interim results for Sakai Chemical Industry Co., Ltd. for the fiscal year ending March 2027.



The key points of the explanation are listed on this slide.

First, let's look at the results for H1 of FY2027. The electronic materials segment performed well, capitalizing on demand related to AI data centers. In addition, hygienic products, contract processing, and inorganic materials also showed steady growth, exceeding the planned targets.

Compared to the same period last year, the decline in sales and operating profit caused by the discontinuation of the pigment-grade titanium dioxide business was offset by the electronic materials, hygienic products, contract processing, and plastic additives segments, resulting in increased revenue and profits.

On the other hand, the cosmetics materials and medical businesses recorded lower profits. Although the cosmetics materials segment is recovering, particularly for overseas markets, it was affected by higher allocated fixed costs due to the termination of the pigment-grade titanium dioxide business, leading to reduced profits. Furthermore, the medical business suffered from lower profits due to drug price cuts and rising raw material and fuel costs.

Furthermore, we carried out the acquisition of 1.52 million shares of treasury stock at a cost of JPY6 billion. Through the conversion of convertible bonds, 1,519,000 new shares were issued. We implemented the acquisition of treasury stock in order to enhance the per-share shareholder value and capital efficiency. The acquired shares are scheduled for cancellation.

Next, regarding the full-year performance forecast for the fiscal year ending March 2027, since the electronic materials segment is expected to remain robust in H2, we revised the sales target upward by JPY3.3 billion and operating profit upward by JPY500 million compared to the initial plan.

For the net income attributable to parent company shareholders, although structural reform costs related to the medical business were recorded in H1, a gain from the sale of policy-held shares is expected to be recognized in H2, leading to an increase of JPY200 million. As for the dividend forecast, we have maintained the previously announced figure.

Regarding the progress of the medium-term plan, we continue working toward achieving an 8% ROE; for the cash conversion cycle (CCC), we expect to meet the target of 180 days or less.

1H FY03/27 Results Summary

● YoY performance — Net sales: +6.6% / operating profit: +6.3%

Contributions from the various businesses offset the impact from the termination of the pigment-grade titanium dioxide business, securing YoY growth in net sales and profit.
Growth businesses and other businesses mainly offset the negative sales impact, resulting in a 6.6% YoY increase in net sales
Operating profit increased 6.3% YoY, driven mainly by profit growth in electronic materials, contract processing, and plastic additives.

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
• Semiconductor market remained firm • Increase in the domestic market price for zinc	• 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)	• Selling price revisions • Improved sales mix (electronic materials, contract processing) • Site consolidation completed (catalysts)	• Decline in operating rate (discontinuation of the pigment-grade titanium dioxide business) • One-time valuation loss (electronic materials)

● Versus initial projections: Net sales +3.1% / operating profit +12.5%

Net sales increased 3.1%, driven mainly by strong sales in electronic materials, hygienic products, and the barium business.
Operating profit increased 12.5%, driven by an improved sales mix in stable businesses and increased sales volumes in businesses under efficiency review (barium).

External factors		Internal factors	
Positives	Negatives	Positives	Negatives
• Semiconductor market remained firm • Increase in the domestic market price for zinc	• Persistent economic stagnation in China	• Improved sales mix (contract processing)	• One-time valuation loss (electronic materials)

I will now explain the summary of the interim results for the fiscal year ending March 2027.

Compared to the same period last year, sales increased by 6.6% as the impact of terminating the titanium dioxide business was offset across various business segments. Operating profit rose by 6.3% driven primarily by growth in the electronic materials, contract processing, and plastic additives segments.

Compared to the initial plan, sales increased due to strong performance in the electronic materials, hygienic products, and inorganic materials segments.

Operating profit improved due to an enhanced sales mix in stable businesses, as well as increased sales volume in the inorganic materials segment within the efficiency improvement projects.

1H FY03/27 Results Overview (YoY, Versus Plan)

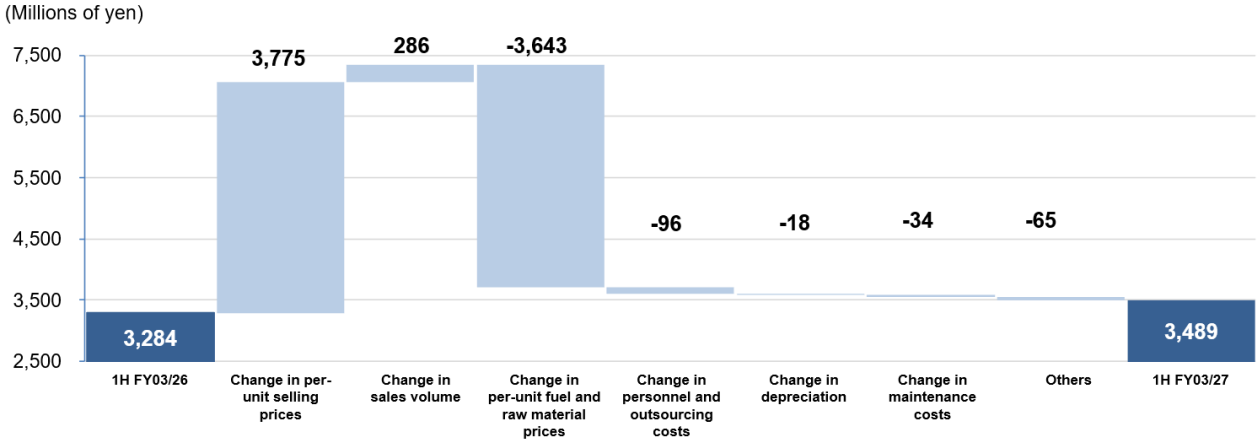
(Millions of yen)

	1H FY03/26 Actual		1H FY03/27 Actual		YoY Change		1H FY03/27 plan		Versus plan	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	40,353	—	43,000	—	2,647	6.6	41,700	—	1,300	3.1
Operating profit	3,284	8.1	3,489	8.1	205	6.3	3,100	7.4	389	12.5
Ordinary profit	3,269	8.1	3,572	8.3	303	9.3	3,200	7.7	372	11.6
Profit attributable to owners of parent	2,926	7.3	2,522	5.9	-404	-13.8	2,800	6.7	-278	-9.9
EPS	184.65 yen		161.25 yen		—		182.87 yen		—	

	YoY Comparison	Versus Initial Forecast
Net sales	Despite lower sales volumes in businesses under efficiency review due to the termination of the pigment-grade titanium dioxide business, net sales increased 6.6% YoY, driven by strong performance in electronic materials and other businesses.	Net sales exceeded plan by 3.1%, as the decline in sales of titanium dioxide and zinc products due to the termination of the pigment-grade titanium dioxide business was offset by increased sales volumes in electronic materials, supported by favorable semiconductor market conditions, as well as hygienic products and the barium business.
Operating profit	Operating profit increased 6.3% YoY, driven by strong performance in electronic materials and an improved sales mix in stable businesses.	Despite recording a one-time product valuation loss in electronic materials (-141 million yen), operating profit exceeded plan by 12.5%, driven by an improved sales mix in stable businesses and increased sales volumes in businesses under efficiency review (barium and titanium dioxide/zinc products).
Net income	Net income declined 13.8% YoY due to restructuring costs in the medical business (-420 million yen) recorded as extraordinary losses.	Net income declined 9.9% due to restructuring costs in the medical business (-420 million yen) recorded as extraordinary losses.

For H1 of the fiscal year ending March 2027, sales reached JPY43 billion, operating profit was JPY3.489 billion, ordinary profit was JPY3.572 billion. Since JPY420 million in structural reform costs related to the medical business were recorded as extraordinary losses, the net income attributable to parent company shareholders was JPY2.522 billion, representing a 13.8% decline compared to the same period last year.

Factors Behind YoY Change in Operating Profit



Positive Factors	Negative Factors
Change in per-unit selling prices • Reflected increases in raw material and fuel costs caused by the deterioration in the Middle East situation in selling prices as needed (plastic additives, organic chemicals). • Surge in the domestic reference price for zinc	**Change in per-unit fuel and raw material prices** • Increase in raw material and fuel costs due to the deterioration in the Middle East situation

The factors affecting the change in operating profit compared to the same period last year are shown using a waterfall chart.

The main positive factor is the difference in selling prices. This stems from the timely reflection of rising fuel, raw material, and input costs—primarily in plastic additives and organic chemicals—into prices, i.e., proper price pass-through, as well as the surge in domestic zinc market prices.

The main negative factor is the rise in fuel, raw material, and input costs caused by the deteriorating situation in the Middle East; however, these cost increases were offset by the difference in selling prices.

The factors affecting the change in operating profit compared to the initial plan are also presented. As mentioned earlier, the main positive factor is the difference in selling prices, while the main negative factor is the rise in fuel, raw material, and input costs; even when comparing to the initial plan, the cost increases were offset by the difference in selling prices.

Balance Sheet Comparison

Consolidated B/S (Millions of yen)	FY03/26	1H FY03/27	Change
Cash and deposits	15,502	15,063	-439
Notes and accounts receivable - trade	25,056	25,694	638
Inventories	23,881	23,247	-634
Other	912	957	45
Total current assets	**65,352**	**64,961**	**-391**
Property, plant and equipment	43,167	42,033	-1,134
Other	8,697	10,650	1,953
Total non-current assets	**51,864**	**52,683**	**819**
Total assets	**117,216**	**117,644**	**428**
Notes and accounts payable - trade	8,632	9,758	1,126
Short-term borrowings	8,357	10,458	2,101
Other	8,281	6,970	-1,311
Total current liabilities	**25,272**	**27,186**	**1,914**
Long-term borrowings	4,643	5,783	1,140
Convertible-bond-type bonds with share acquisition rights	3,000	-	-3,000
Other	5,376	6,095	719
Total non-current liabilities	**13,021**	**11,878**	**-1,143**
Total liabilities	**38,293**	**39,064**	**771**
Shareholders' equity	72,771	71,026	-1,745
Other	6,150	7,554	1,404
Total net assets	**78,923**	**78,580**	**-343**
Total liabilities and net assets	**117,216**	**117,644**	**428**

[Key Factors Driving Change]

- **Non-current assets / Other: +1,953 million yen**
  Increase due to valuation differences on investment securities
- **Borrowings: +3,241 million yen**
  Used to fund growth investments and share buybacks.
- **Convertible-bond-type bonds with share acquisition rights: -3,000 million yen**
  Following the conversion of bonds, we issued 1.519 million new shares.

	End-FY03/24	End-1H FY03/27
Equity ratio	59.3%	65.7%
CCC	216 days	164 days

▲ Improvement of 52 days

(CCC: Cash Conversion Cycle)

Next, we will explain the balance sheet.

Regarding the main changes, other fixed assets increased by JPY1.953 billion compared to the end of the previous period. The primary reason for this is the valuation difference on investment securities.

In terms of liabilities, short-term and long-term borrowings increased by approximately JPY3.2 billion. These funds are being used for growth investments and share buybacks.

Additionally, due to the conversion of convertible bonds with share options into shares, corporate bonds decreased by JPY3 billion, and 1.519 million new shares were issued. As of the end of September 2026, the cash conversion cycle was 164 days, representing a 52-day improvement compared to the end of March 2024, just before the start of the current medium-term plan.

Cash Flow Statement Comparison

Consolidated C/F (Millions of yen)	1H FY03/26	1H FY03/27	Change
Beginning cash and cash equivalents balance	**16,153**	**15,444**	**-708**
Profit (loss) before income taxes	4,349	3,795	-553
Impairment losses	14	387	372
Depreciation	1,849	1,905	56
Decrease (increase) in trade receivables	518	(648)	-1,166
Decrease (increase) in inventories	310	675	365
Gain (loss) on sale of property, plant and equipment	(1,172)	(1,172)	-
Increase (decrease) in trade payables	545	967	421
Income taxes refund (paid)	(572)	(1,126)	-553
Other	(89)	(681)	-592
Cash flows from operating activities	**5,752**	**4,102**	**-1,649**
Purchase of property, plant and equipment	(3,677)	(1,770)	1,906
Proceeds from sale of property, plant and equipment	1,274	1,325	50
Other	(199)	(248)	-49
Cash flows from investing activities	**(2,602)**	**(693)**	**1,908**
FCF (operating CF + investing CF)	**3,149**	**3,409**	**259**
Increase (decrease) in shortterm and longterm borrowings	(967)	3,209	4,176
Purchase of treasury shares	(2,089)	(6,068)	-3,979
Dividends paid	(1,175)	(1,222)	-46
Other	(1)	(76)	-75
Cash flows from financing activities	**(4,232)**	**(4,157)**	**75**
Effect of exchange rate changes on cash and cash equivalents	**(222)**	**85**	**308**
Total change in cash and cash equivalents	**(1,305)**	**(662)**	**643**
Ending cash and cash equivalents balance	**14,847**	**14,782**	**-64**

Summary
Investing cash outflows decreased as a round of capital investment was completed, increasing FCF by approximately 300 million yen.
Conducted share buybacks totaling approximately 6.0 billion yen to enhance shareholder value and improve capital efficiency.

• Operating CF
(1) Increase in trade receivables (-1,166 million yen)
Net sales increased in growth businesses, stable businesses, and other businesses.

(2) Decrease in inventories (+365 million yen)
Mainly due to sales of titanium dioxide products held in inventory.

• Investing CF
Capital investment under the current medium-term management plan has largely been completed, resulting in a YoY improvement of 1,908 million yen in investing CF.
→ FCF: 3,409 million yen (+259 million yen YoY)

• Financing CF
Conducted share buybacks.

Next, let's look at the cash flows.

With the completion of capital investment cycles, particularly for growth-related projects, outflows from investing activities decreased, resulting in a JPY300 million increase in free cash flow. Furthermore, a total of approximately JPY6 billion was spent on share buybacks to enhance shareholder value per share and capital efficiency.

Operating cash flow amounted to JPY4.122 billion; while sales revenue increased due to higher recent sales, inventories decreased due to the sale of titanium dioxide products. Investing cash flow showed a negative JPY693 million outflow, marking a JPY1.908 billion improvement compared to the previous period as capital investment cycles concluded. As a result, free cash flow reached JPY3.409 billion, which is about JPY300 million higher than the previous year.

Regarding financing cash flow, it resulted in a negative JPY4.157 billion outflow due to share buybacks aimed at improving capital efficiency.

Operating Profit by Segment (Versus 1H FY03/26)

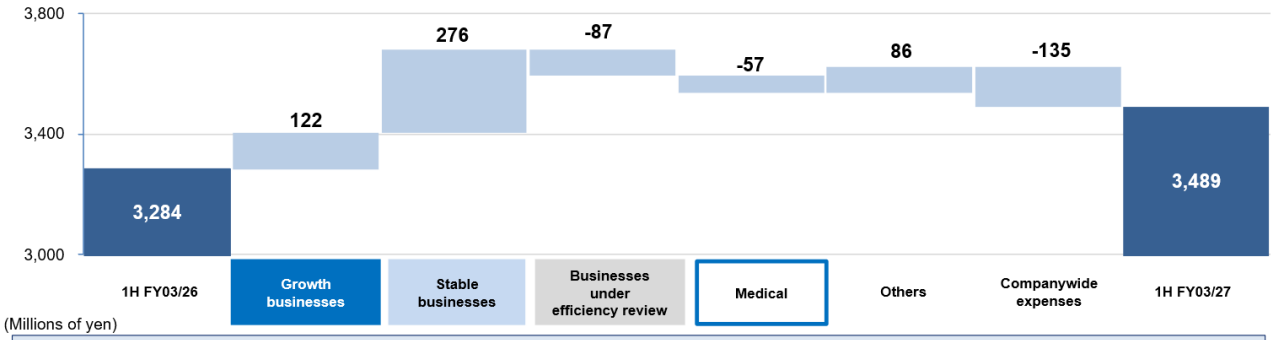
Operating profit by segment (millions of yen)	1H FY03/26	1H FY03/27	Change
Growth businesses	**1,300**	**1,423**	**122**
Electronic materials	1,014	1,141	127
Cosmetic materials	(215)	(244)	-28
Organic chemicals	502	525	23
Stable businesses	**533**	**809**	**276**
Hygienic products	181	260	79
Contract processing	351	548	196
Businesses under efficiency review	**1,819**	**1,732**	**-87**
Titanium dioxide and zinc products	657	335	-322
Plastic additives	520	699	179
Catalysts	150	185	35
Barium	491	511	19
Medical	**72**	**15**	**-57**
Other	**724**	**811**	**86**

The chart below shows the YoY changes in operating profit by segment.

Growth-oriented businesses, such as electronic materials, and stable businesses, like contract processing, contributed to higher profits.

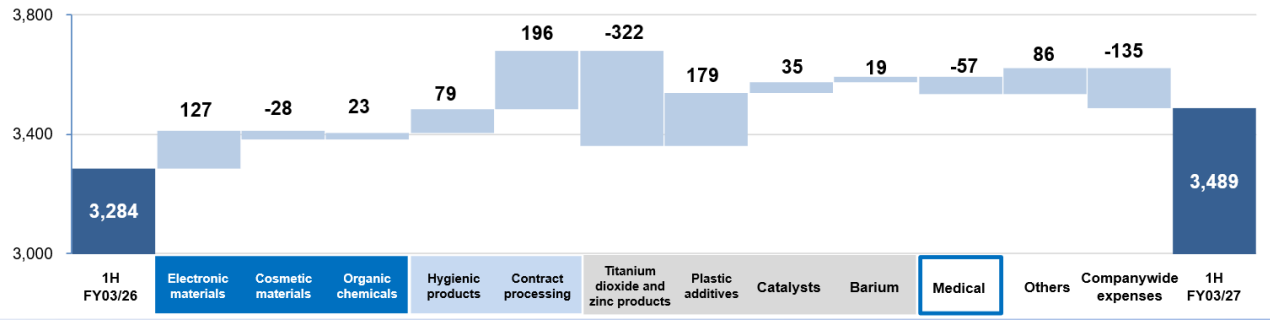
Although the efficiency-improvement segment was affected by the discontinuation of the pigment-grade titanium dioxide business as part of structural reforms, other businesses such as plastic additives performed well, keeping the decline in profits minimal.

Operating Profit by Segment (YoY Change)



(Millions of yen)

- Growth businesses and stable businesses drove profit growth.
  (Growth businesses: mainly the electronic materials business, supported by strong AI-related demand; stable businesses: mainly contract processing, which benefited from an improved sales mix and other factors)
- Profit declined in businesses under efficiency review due to the significant impact from the termination of the pigment-grade titanium dioxide business, but profit growth was secured in plastic additives, catalysts, and barium.



The waterfall chart illustrates the YoY changes in operating profit by segment.

As shown, growth-oriented and stable businesses drove the increase in profits. In the efficiency-improvement segment, despite the impact of ending the pigment-grade titanium dioxide business as part of structural reforms, businesses such as plastic additives, catalysts, and inorganic materials maintained profitability, limiting the decline in profits to a small extent. Total company expenses increased due to the inclusion of additional costs for the special transition support program in operating expenses.

FY03/27 Earnings Forecast

- In 2H, electronic materials are expected to continue performing strongly, but net sales and profit are projected to decline compared with 1H due to an anticipated decrease in sales of pigment-grade titanium dioxide inventory and deterioration in the sales mix in the previously strong barium business.
- For the full year, net sales and profit are expected to increase YoY, as solid performance from electronic materials and other businesses is expected to largely offset the impact from the termination of the pigment-grade titanium dioxide business.
- Net income is expected to increase, reflecting the absence of the substantial impairment losses recorded in the previous fiscal year and anticipated gains on sale of cross-shareholdings.

	FY03/26		FY03/27		FY03/27						
	Full-year results		Initial forecast		1H results		2H forecast		Revised forecast		
	Amount	Margin %	Amount	Margin %	Amount	Margin %	Amount	Margin %	Amount	Margin %	YoY %
Net sales	81,447	—	81,700	—	43,000	—	42,000	—	85,000	—	4.4
Operating profit	6,452	7.9	6,000	7.3	3,489	8.1	3,011	7.2	6,500	7.6	0.7
Ordinary profit	6,545	8.0	6,100	7.5	3,572	8.3	2,982	7.1	6,500	7.6	-0.7
Profit attributable to owners of parent	2,752	3.4	4,400	5.4	2,522	5.9	2,078	4.9	4,600	5.4	67.1

External factors (assumptions)		Internal factors (assumptions)	
Positives	Negatives	Positives	Negatives
• Semiconductor market expected to remain firm • Surge in the domestic reference price for zinc	• Persistent economic stagnation in China	• Shipments carried over to 2H (catalysts)	• Increase in fixed cost ratio • Decrease in inventory sales (pigment-grade titanium dioxide)

*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, we will present the performance forecast for the fiscal year ending March 2027.

Although the electronic materials segment is expected to continue performing strongly, a decline in inventory sales in the pigment-grade titanium dioxide business and a deterioration in the sales mix of inorganic materials—which were previously performing well—are anticipated. This deterioration is partly due to adjustments in shipments of high-margin development products. As a result, revenue and profit are expected to decline compared to the previous period.

For the full year, the impact of terminating the pigment-grade titanium dioxide business is expected to be offset mainly by the strong performance of the electronic materials and other businesses, leading to an increase in both revenue and profit compared to the previous year.

Regarding net income attributable to parent company shareholders, given that there will be no significant impairment losses recorded as in the prior period and the expected recognition of gains from the sale of policy-held shares, an increase in profit is anticipated.

Taking all these factors into account, the full-year performance forecast has been revised upward to JPY85 billion in sales, JPY6.5 billion in operating profit, JPY6.5 billion in ordinary profit, and JPY4.6 billion in net income attributable to parent company shareholders. Please note that the impacts of US reciprocal tariff policies and the situation in the Middle East are difficult to predict and have not been factored into these projections.

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

	Segment	Assumptions for FY03/27 forecast (as of May 2026)	Assumptions for FY03/27 forecast (as of November 2026)
Growth businesses	Electronic materials	• We project ongoing favorable performance from AI data center-related operations.	• Business related to AI data centers and automotive applications is expected to remain firm.
	Cosmetic materials	• The outlook for sales to China remains challenging. • Due to global inflation and a temporary trend toward cost-consciousness, the shift from organic to inorganic materials is progressing more slowly than expected.	• The outlook for sales to China remains challenging. • Due to global inflation and a temporary trend toward cost-consciousness, the shift from organic to inorganic materials is progressing more slowly than expected. • Overseas sales, particularly to Europe and the United States, are recovering.
	Organic chemicals	• The optical functional materials 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.	• The optical functional materials 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	• Forecast a YoY increase in the domestic market price for zinc.	• The domestic market price for zinc is expected to remain high, as in 1H.
	Plastic additives	• Domestic demand: PVC market conditions are also 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.	• Domestic demand: PVC market conditions are also 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.
	Barium	• We project performance from automotive parts and materials will remain sluggish. • The eyeglass lens market is projected to hold steady.	• We project performance from automotive parts and materials will remain firm. • The eyeglass lens market is projected to hold steady.

PVC: polyvinyl chloride

This reflects our assessment of the business environment, excluding the situation in the Middle East. The left side shows our assessment of the business situation as of May this year, while the right side reflects the current situation as of November.

The segments that have changed since May this year are electronic materials, cosmetic materials, and inorganic materials.

For electronic materials, demand related to AI data centers and automotive applications is expected to remain robust. Cosmetic materials, particularly those destined for Europe and the US, are showing signs of recovery in overseas markets. In the case of inorganic materials, the automotive-related segment is projected to perform steadily; these are the changes made to our outlook.

Forecasts by Segment (Versus FY03/26 Results)

(Millions of yen)

	FY03/26 results			Revised 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	12,800	2,600	20.3	1,423	12.5	784	43.2
Cosmetic materials	1,720	(437)	(25.4)	2,000	(400)	(20.0)	280	16.3	37	-8.5
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	6,000	500	8.3	647	12.1	43	9.4
Contract processing	6,677	805	12.1	7,200	1,000	13.9	523	7.8	195	24.2
Titanium dioxide and zinc products	10,244	1,222	11.9	6,800	300	4.4	-3,444	-33.6	-922	-75.5
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	5,600	800	14.3	500	9.8	-400	-33.3
Medical	8,391	(48)	(0.6)	8,700	(200)	(2.3)	309	3.7	-152	—
Other	10,427	1,498	14.4	12,100	1,600	13.2	1,673	16.0	102	6.8
Companywide expenses	—	(2,500)	—	—	(2,600)	—	—	—	-100	—
Consolidated	**81,447**	**6,452**	**7.9**	**85,000**	**6,500**	**7.6**	**3,553**	**4.4**	**48**	**0.7**

This table compares the full-year performance forecasts by segment with the actual results of the prior period.

Based on changes in the business environment and progress during H1, the full-year plans for each segment have been revised. While a decline in profit is expected for titanium dioxide, zinc products, inorganic materials, and the medical business, an increase in profit is anticipated for electronic materials, organic chemicals, contract processing, and plastic additives. As a result, the operating profit forecast has been adjusted to JPY6.5 billion, nearly matching the prior period's actual result.

Forecasts by Segment (Versus Initial Forecast)

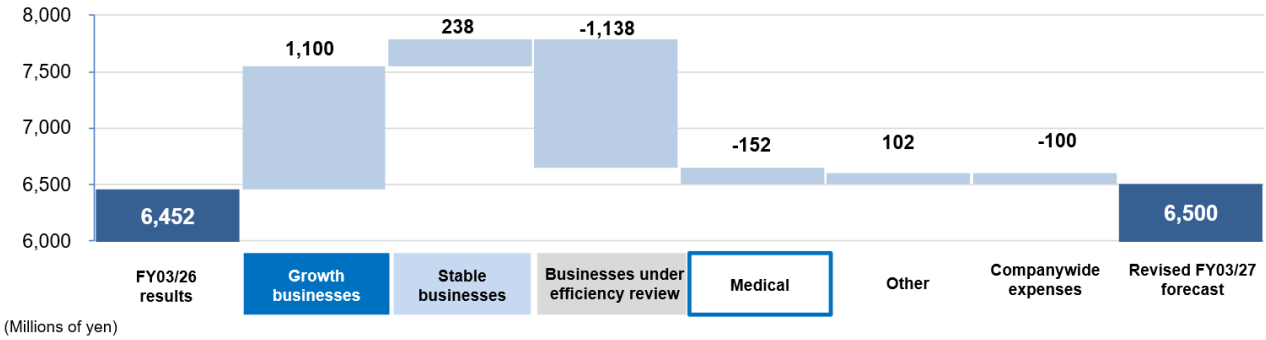
(Millions of yen)

	Initial FY03/27 forecast			Revised FY03/27 forecast			Difference			
	Sales	Operating profit	OPM	Sales	Operating profit	OPM	Sales		Operating profit	
	Amount	Amount	%	Amount	Amount	%	Amount	%	Amount	%
Electronic materials	11,500	2,400	20.9	12,800	2,600	20.3	1,300	11.3	200	8.3
Cosmetic materials	2,000	(400)	(20.0)	2,000	(400)	(20.0)	0	—	0	—
Organic chemicals	8,000	1,000	12.5	8,000	1,000	12.5	0	—	0	—
Hygienic products	5,200	400	7.7	6,000	500	8.3	800	15.4	100	25.0
Contract processing	7,100	900	12.7	7,200	1,000	13.9	100	1.4	100	11.1
Titanium dioxide and zinc products	6,800	100	1.5	6,800	300	4.4	0	—	200	200.0
Plastic additives	11,800	1,200	10.2	11,800	1,200	10.2	0	—	0	—
Catalysts	4,000	700	17.5	4,000	700	17.5	0	—	0	—
Barium	5,100	700	13.7	5,600	800	14.3	500	9.8	100	14.3
Medical	8,700	(200)	(2.3)	8,700	(200)	(2.3)	0	—	0	—
Other	11,500	1,500	13.0	12,100	1,600	13.2	600	5.2	100	6.7
Companywide expenses	—	(2,300)	—	—	(2,600)	—	—	—	-300	—
Consolidated	**81,700**	**6,000**	**7.3**	**85,000**	**6,500**	**7.6**	**3,300**	**4.0**	**500**	**8.3**

This table compares the full-year performance forecasts by segment with the initial plan.

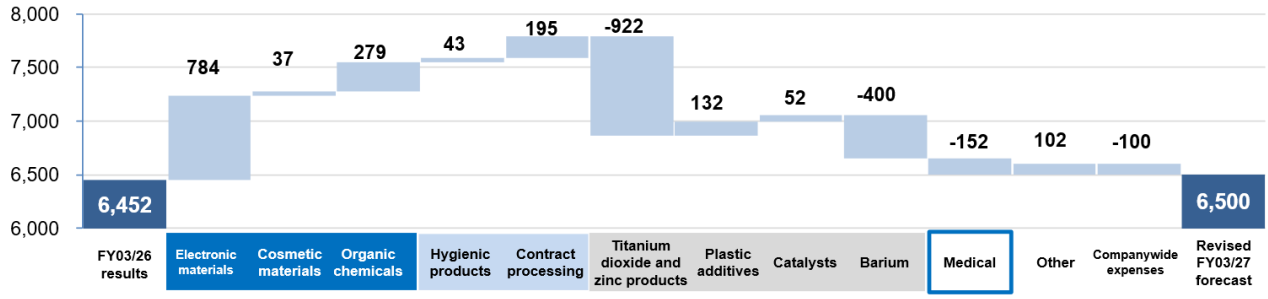
Sales and operating profit forecasts have been revised upward for electronic materials, hygienic products, inorganic materials, and other businesses. Although total company expenses are expected to exceed the plan due to additional costs related to the special transition support program, as mentioned earlier, the overall operating profit forecast remains at JPY6.5 billion

Revised FY03/27 Forecast: Operating Profit by Segment (YoY Change)



(Millions of yen)

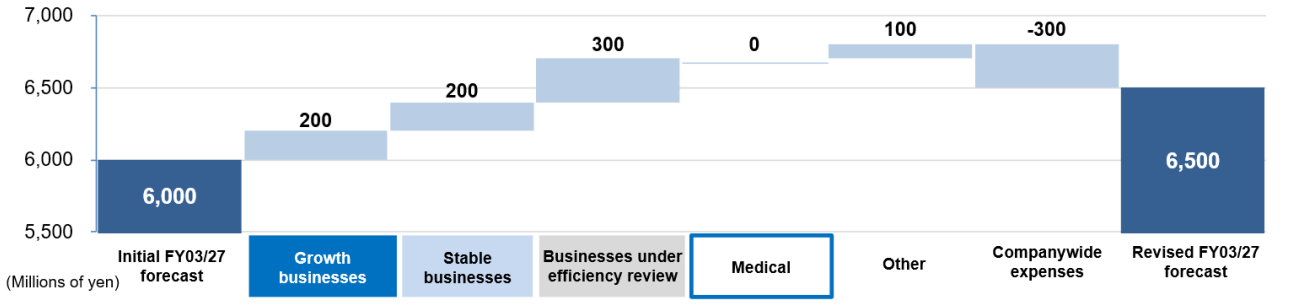
- Operating profit is expected to remain on par with the previous fiscal year, as the decline in businesses under efficiency review, significantly affected by the termination of the pigment-grade titanium dioxide business, is expected to be offset mainly by strong performance in electronic materials, supported by firm AI data center-related and automotive-related demand.



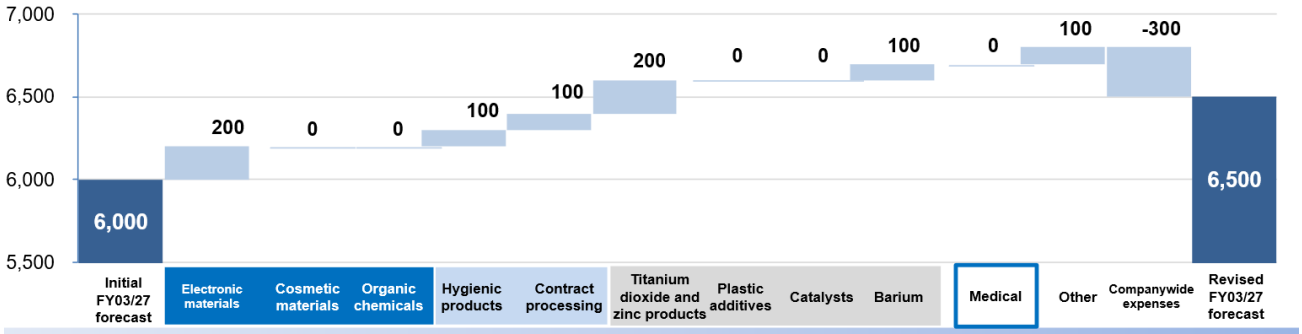
The waterfall chart illustrates the changes in the revised full-year segment profit forecasts compared to the same period last year.

The negative impact from the discontinuation of the pigment-grade titanium dioxide business on the efficiency improvement project is largely offset by robust demand for electronic materials related to AI data centers and automotive applications; we anticipate operating profit to remain at the previous period's level.

Revised FY03/27 Forecast: Operating Profit by Segment (Versus Initial Forecast)



- Growth businesses, stable businesses, and businesses under efficiency review are each expected to contribute to offsetting th e increase in companywide expenses.
  - Growth businesses: Electronic materials: AI data center-related and automotive-related demand is expected to remain firm.
  - Stable businesses: Full-year forecast reflects strong performance in 1H.
  - Businesses under efficiency review: Titanium dioxide and zinc products: Surge in the domestic reference price for zinc; bariu m: Full-year forecast reflects strong performance in 1H.
- Companywide expenses are expected to increase due to more employees than anticipated applying for the special career transiti on support program and other factors.



The waterfall chart illustrates the changes in the revised full-year operating profit forecast by segment compared to the initial plan.

We expect to cover the increase in overall corporate expenses through growth businesses, stable businesses, and the efficiency improvement project.

Trends in CAPEX, Depreciation, and R&D Expenses

(Millions of yen)

	FY03/22	FY03/23	FY03/24	FY03/25	FY03/26	FY03/27 forecast	1H FY03/27
CAPEX	5,967	2,658	4,024	6,945	6,065	5,400	2,246
Depreciation	4,331	4,417	4,354	3,649	3,735	4,000	1,905
R&D	2,376	2,674	2,722	2,699	2,842	3,300	1,433

Capital Investment		
	1H FY03/27	
	Growth investment	Restructuring investment
%	Approx. 30%	Approx. 70%
Primary details	• Barium: Capacity expansion for zirconium oxide dispersions for eyeglass lens materials	• Restructuring of the Sakai and Onahama manufacturing sites • System maintenance and inspection

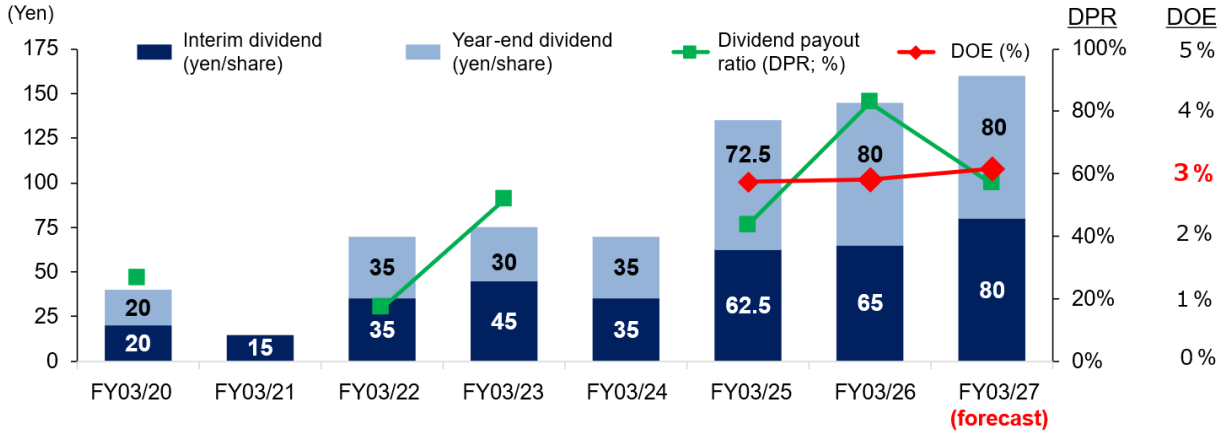
Next, we will discuss capital investment, depreciation, and research and development expenses.

There are no changes to the full-year forecast for the fiscal year ending March 2027. Regarding capital investment, approximately 30% will be allocated to growth-related investments, and about 70% to renewal investments.

The main focus of growth-related investments is to expand the production capacity of zirconium oxide dispersion for use in eyeglass lens materials within the inorganic materials business. The primary components of renewal investments include the restructuring of the Sakai and Onahama plants and system maintenance and inspection.

Shareholder Returns

- The annual dividend remains unchanged from the previously announced forecast.
  An annual dividend of **160 yen per share** is planned (interim dividend: 80 yen/share, year-end dividend: 80 yen/share;
  forecast DOE: over 3%).



Share buybacks	—	—	JPY1.5bn	—	—	—	JPY2.5bn	Undecided

DOE = dividend on equity

Moving on to shareholder returns.

The annual dividend remains unchanged from the previously announced amount. The interim dividend is set at JPY80 per share, the year-end dividend at JPY80 per share, resulting in an annual dividend of JPY160 per share.

Exercise of the Stock Acquisition Rights and Issuance of New Shares (Subsequent Events)

- The allottee (SH1, L.P.) requested full exercise of the Fourth Series Stock Acquisition Rights issued in June 2023. The exercise was completed and the new shares were issued by October 26, 2026.
- The Company plans to reserve the entire amount raised (approximately **2.0 billion yen**) for M&A.
- No impact on the annual dividend forecast (160 yen per share)

Number of stock acquisition rights exercised	10,126 units (100.0% of the total number issued)
Number of shares issued	1,012,600 shares
Total amount exercised	1,999,885,000 yen (100.0% of the total issue amount)
Number of unexercised stock acquisition rights	0 units (amount remaining unexercised: 0 yen)
(Reference) Total number of issued shares	17,518,987 shares (including 2,202,559 treasury shares) *As of the end of September

■ Use of proceeds

- The Company plans to reserve the entire amount for M&A. It intends to allocate these funds to M&A that contributes to business expansion, mainly in growth businesses.
- At present, no decision has been made on the specific details or amount of any M&A.
- If the reserved funds are not allocated to M&A by the exercise deadline set at the time the Stock Acquisition Rights were issued (December 31, 2027), or if any portion remains unallocated, the Company will also consider allocating them to higher-risk investments (R&D investment and new business investment).

This is the final slide; finally, we will address subsequent events. We will explain the exercise of stock options and the issuance of new shares.

For the fourth series of stock options issued in June 2023, the allottee requested to exercise the entire amount, and the exercise was completed by October 26, 2026, resulting in the issuance of 1,012,000 new shares. This has no impact on the annual dividend forecast. The approximately JPY2 billion in funds raised will be entirely earmarked as M&A reserve funds, to be used for M&A aimed at expanding businesses, particularly growth-oriented ones.

As of now, no specific details regarding the content or amount of any M&A transactions have been decided. If the reserve funds cannot be used for M&A purposes by the expiration date of the stock option exercise rights—December 2027—or if any unutilized amounts remain, we will consider allocating them to high-risk investments, such as R&D and new business ventures.

This concludes my explanation. Thank you very much for your attention.

Question & Answer

Moderator [M]: Now, let's move on to the Q&A session. We will call on speakers in order and unlock the microphones for them. Please turn your microphones on by yourself, and kindly state your company name and name before asking your question.

Please note that a transcript of this briefing will be prepared and posted on our company website. Although your company name and name will, of course. be kept confidential, the content of your questions will be included in the transcript. We ask for your understanding regarding this. Now, we would like to hear your questions. Any?

Participant1 [Q]: Thank you for the explanation. I'd like to ask about the cosmetics business. As mentioned during the presentation, could you share your outlook not only for the current fiscal year but also for the next fiscal year?

Ogama [A]: Thank you. Regarding cosmetic materials, as explained earlier, sales have been recovering primarily overseas. However, we have not yet revised our guidance for the current period. We have not yet reached the point of turning profitable.

As for the next fiscal year and beyond, this falls within the period covered by the next medium-term management plan, and we are currently discussing it. At this stage, we cannot specify the details, so we apologize but ask that you wait until the announcement of the medium-term management plan.

What we can definitely say for now is that sales are recovering mainly overseas. Yes. That's all.

Participant1 [Q]: Regarding overseas markets, has your company seen a recovery in sales to existing customers in Europe and America, or is it the sales to Chinese customers that have recovered? How would you describe it?

Ogama [A]: It's the former. We hope you understand that it's the sales in Europe and America that have started to recover.

Participant1 [Q]: So Asia remains weak, right?

Ogama [A]: That's correct. The sales through our domestic channels—that is, via domestic customers—are still somewhat sluggish in terms of recovery.

Participant1 [M]: Yes. Thank you.

Moderator [M]: Thank you very much.

Participant2 [Q]: I have two questions for you.

One concerns electronic materials—specifically, materials for multilayer ceramic capacitors. It's said that demand will remain strong even after H2. Have you already received a significant number of orders for next fiscal year and beyond?

Ogama [A]: Understood. We haven't received any orders for next fiscal year yet. It's still in the realm of projections or forecasts. There's no particularly negative information at present, and we expect the current strong demand to continue; however, actual orders have not come in yet.

Participant2 [Q]: I see. Understood. Another point is that contract processing performed well. What specifically drove this positive performance? What was the background behind it?

Ogama [A]: Well, although we refer to it as contract processing, there are many different markets and demands within this business area, and overall performance was good.

For example, there are products designed for cars, but we have various businesses, and we hope you'll understand that overall the performance was good. There isn't anything in particular that was particularly good or bad.

Participant2 [Q]: Ah, I see. Can we assume that this favorable situation will continue generally in H2 as well?

Ogama [A]: There are no negative aspects at present, so we expect business to continue progressing steadily.

Participant2 [M]: Understood. Thank you.

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

Participant1 [Q]: Yes. I have a question regarding electronic materials. This relates to a previous question, but as previously mentioned, there is strong demand for high-end products aimed at AI data centers. Could you tell us what proportion these now account for and provide any insights on this?

Ogama [A]: Understood. Thank you. Please note that this is merely our estimation. Since customers rarely specify exactly which material is intended for which application, this is purely our estimate.

Currently, the sales ratio of products likely used for AI data centers within the electronic materials segment has exceeded 10%. We estimate that it falls within the 10% to 20% range; last year, at the same period, it was still below 10%. Now it has surpassed 10% and reached roughly 10% to 20% of the total. You can consider it to be in that range. Yes. That concludes it.

Participant1 [Q]: Also, do you expect the ratio to increase further in H2?

Ogama [A]: Yes. Simply put, whether this will reach 20 to 30% is a rather difficult situation at present.

This is because, after all, these are for high-end applications, and there are also issues related to production capacity. Therefore, while we see a situation where demand remains strong and sales continue to grow rapidly, whether this will exceed 20% is quite difficult to achieve, in our view.

Participant1 [Q]: Yes. Also, excuse me, but I would like to ask one another point: this is the first time the term "steady" has been used regarding automotive-related products. Could you specify the exact situation here? Is it safe to assume this trend will continue?

Ogama [A]: Understood. Regarding this, it's merely our speculation, but the product codes used for automotive applications have seen relatively steady shipment revenues. Based on this, we changed the full-year sales guidance; I hope you can understand the background behind that.

Initially, back in May, we thought that demand for automotive applications might not be particularly strong. While the market is not growing dramatically, we are seeing steady demand. We also anticipate this trend continuing into H2.

Participant1 [Q]: What percentage does the automotive application segment account for?

Ogama [A]: This is merely our estimated sales ratio, but we estimate that automotive applications account for around 20 to 30%.

Participant1 [M]: Yes. Thank you.

Moderator [M]: Here, we've received a question via chat from Participant3; allow me to read it out loud.

Participant3 [Q]: In the just-ended first half, it was mentioned that a temporary impairment loss was recorded for dielectric materials in the electronic materials segment. Could you explain the details? I recall a similar recording being made during Q3 of the previous period. Can we consider this as a one-time occurrence again?

Ogama [A]: Understood. Thank you. As you know, a temporary impairment loss was indeed recorded due to a similar issue last period. However, the nature of this case is different.

Nevertheless, we've identified the cause, and we hope you'll understand that this, too, is a one-time issue resulting in a temporary impairment loss. Yes. That concludes it.

Moderator [M]: IF you have any additional questions, please feel free to send them via chat. Do you have any other questions? Time is running out soon.

Participant1 [Q]: I'd like to ask about dielectrics and electronic materials. Could you tell me the sales growth rate of dielectrics and dielectric materials in H1, as well as the trends for H2, and how they balance out?

Ogama [M]: You mean compared to the same period last year?

Participant1 [M]: That's right, yes.

Ogama [A]: Understood. Regarding dielectric materials, sales have remained roughly flat. Yes. To be precise, sales of dielectric materials stayed around the same level. You can consider it as being nearly stagnant. Yes. As for dielectrics, sales increased by about 10%.

Participant1 [Q]: Yes. What's the expected balance for H2, and what's the outlook based on H1?

Ogama [A]: Understood. Since capacity issues have also arisen, neither will see a sudden surge in growth. Looking at the same period last year and H2 of last year, we expect this period to show a significant increase. However, in terms of absolute sales volume, I think both H1 and H2 will follow a similar trend.

I believe both dielectric materials and dielectrics will have comparable sales figures.

Participant1 [Q]: In other words, dielectrics are making a larger contribution this time, is that correct?

Ogama [A]: That's correct. There's also a part where sales decreased slightly, but within electronic materials, the contribution of dielectrics has indeed become more prominent this period.

Participant1 [M]: Thank you very much.

Moderator [M]: Thank you. Well then, as our time is nearly up, if there are no further questions, we would like to conclude. Any questions? Yes. Thank you.

With that, we will bring today's briefing session to a close. Thank you very much for attending today. We look forward to your continued support in the future.

[END]

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