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Sakai Chemical Industry Co., Ltd.

Q3 Financial Results Briefing for the Fiscal Year Ending March 2026

February 12, 2026

Event Summary

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	Shinji Ogama	Executive Officer

Presentation

Moderator: We have now reached the scheduled time. We will now begin the Sakai Chemical Industry financial results briefing for Q3 of the fiscal year ending March 2026. Thank you very much for taking time out of your very busy schedule to come here today. Today's event is webcast only.

Today's schedule will begin with an explanation by Mr. Ogama, the Executive Officer in charge, followed by a question-and-answer period until approximately 4:00 PM. Since the presentation will be held on the same day as the earnings announcement, we have not sent you today's presentation materials in advance, but we hope that you will listen to it while viewing the screen. Please also refer to the same material disclosed on our website earlier.

Let us begin. Then, Mr. Ogama, please.

Ogama: Yes. Hello, everyone. I am Ogama, Sakai Chemical Industries IR Manager. Thank you very much for taking time out of your very busy schedule to come here today. Sakai Chemical Industry will now present its financial results for Q3 of the fiscal year ending March 2026.

Key Points of This Presentation

Nine months ended December 31, 2025 (Q3 FY03/26)	<ul style="list-style-type: none">➤ Results generally commensurate with projections Declines in performance in cosmetic materials and plastic additives were offset by increased sales volumes in electronic materials and other businesses➤ Sales declined YoY, while profit expanded 14.7% Electronic materials continued to perform well, and in other businesses, selling price revisions and sales volume growth were seen➤ In the third quarter of the fiscal year ending March 2026, impairment losses of 2.4 billion yen were recorded for cosmetic materials
FY03/26 full-year forecast	<ul style="list-style-type: none">➤ In line with the plan at the beginning of the fiscal year, operating profit is expected to be 6.5 billion yen Although growth in performance from cosmetic materials has been sluggish, electronic materials and other businesses are driving profits Profit attributable to owners of parent was revised downward by 2.5 billion yen due to impairment losses
Shareholder returns	<ul style="list-style-type: none">➤ No changes have been made to the basic policy of our current medium-term management plan, which calls for total shareholder returns of at least 8.0 billion yen➤ The dividend was increased by 15 yen per share from the initial annual dividend target of 130 yen per share to 145 yen per share (total dividend of 2.2 billion yen)➤ 914,000 shares of treasury stock (2.5 billion yen) were acquired, and 1.0 million shares including these have been retired
Medium-term management plan	<ul style="list-style-type: none">➤ ROE: A temporary decline is unavoidable due to impairment losses in the cosmetic materials business, but we will pursue all options to achieve an ROE of 8% in FY03/27➤ Operating profit: Considering external changes and delays in cosmetic materials earnings growth, the FY03/27 plan is under review (to be disclosed in FY03/26 results)



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

Results for the first nine months of the fiscal year ending March 31, 2026, are generally in line with plans. Sluggish sales of cosmetics materials and plastic additives were offset by increased sales volume in electronic

materials and other businesses. Although revenue decreased YoY, profit increased by 14.7%. Electronic materials remained strong, and price revisions and sales volume increases in other businesses contributed to the strong performance. On the other hand, we recorded an impairment loss of JPY2.4 billion related to the cosmetics materials business in Q3 of the current fiscal year. This will be discussed in more detail later.

For the full year ending March 31, 2026, we expect operating income of JPY6.5 billion, as planned at the beginning of the fiscal year. Despite sluggish growth in cosmetics materials, profits are expected to be driven by electronic materials and other businesses. Net income attributable to shareholders of the parent company has been revised downward by JPY2.5 billion due to impairment losses.

Regarding shareholder returns, there is no change to the basic policy of the medium-term management plan of total shareholder returns of JPY8 billion or more. The dividend for the current fiscal year is revised to JPY145 per share, an increase of JPY15 from the initial plan of JPY130 per share. As a result, total dividends for the current fiscal year are expected to be JPY2.2 billion.

The Company acquired 914,000 shares of treasury stock amounting to JPY2.5 billion and retired 1 million shares including these shares. Regarding the numerical targets of the medium-term management plan, ROE will not receive a temporary lapse due to the impairment of the cosmetics materials business, but we plan to proceed without excluding all options to achieve ROE of 8% for the next fiscal year ending March 31, 2027. Operating income is under scrutiny for the fiscal year ending March 31, 2027, taking into account changes in the external environment and the impact of delayed revenue growth in cosmetics materials and is scheduled to begin in the fiscal year ending March 31, 2026.

Impairment in the Cosmetic Materials Business

An impairment loss of 2.4 billion yen was recorded in the third quarter

- Earnings from our mainstay sunscreen materials deteriorated due to factors such as the Chinese economic slowdown
- In the medium to long term, the strategy is to pursue expansion through the two pillars of sunscreen materials and makeup materials, and the Company is currently investing in a multipurpose plant for makeup materials, which is expected to contribute to earnings under the next medium-term management plan (from the fiscal year ending March 2028 onward). As a result of conservatively estimating the achievability of the plan for both sunscreen materials and makeup materials, **impairment losses were recorded for all manufacturing facilities.**
- As the multipurpose plant is scheduled for completion in February, an additional approx. 300 million yen is expected to be recorded in the fourth quarter
- Depreciation expenses for FY03/27 are expected to decline by approx. 100 million yen

Current assessment

- While the target market for UV-blocking materials is expected to continue to grow, the current trend in sunscreens is cost-consciousness. Our core high-quality inorganic materials are experiencing sluggish growth.
 - Sluggish consumer sentiment in China, where sunscreen consumption is high, and inflation in the US also had an impact
 - Rising use of low-cost organic UV absorbers
- No further decline is expected, and the direct impact of the deterioration of Japan–China relations has not yet materialized

Measures to increase sales volume are being implemented at a rapid pace, with the aim of an early return to profitability



Next, we will discuss impairment losses in the cosmetics materials business.

As I mentioned earlier, we recorded an impairment loss of JPY2.4 billion in Q3. Earnings of sunscreen materials, the mainstay of the cosmetic materials business, deteriorated due to the slowdown of the Chinese economy and other factors.

Our strategy is to expand this business in the mid- to long term with both sunscreen materials and makeup materials, and we are currently investing in multi-plant for makeup materials, which is expected to contribute to earnings in the next mid-term plan starting in the fiscal year ending March 2028. As a result of a conservative estimate of the likelihood of achieving the plan for both sunscreens and makeup materials, an impairment loss was recorded for all manufacturing facilities.

Since the multi-plant is scheduled to be completed this month of February, we expect to record an additional JPY300 million in Q4. This impairment charge is expected to reduce depreciation expenses for the fiscal year ending March 31, 2027, by approximately JPY100 million.

In terms of our perception of the current situation in the cosmetics materials business, we expect UV-blocking materials, our target market, to continue to grow, but the current trend in sunscreens is to focus on cost, and our specialty high-quality inorganic materials are not growing. However, we do not expect a further decline, and the direct impact of the worsening Japan-China relationship has not materialized. We will rapidly implement measures to increase volume and aim for an early return to profitability.

Review of Measures Following Impairment Losses

Review and accelerate measures to return to profitability

- Under the mission of “Chemistry for a Friendly Future,” the Company will maintain its policy of promoting inorganic materials with low environmental and human impact by leveraging its strength in advanced powder processing technology
- Continue to review sales strategies in line with sunscreen trends

- ① Expanding sales to overseas markets
 - **Expand sales mainly in Southeast Asia and China**, where the timeframe from development to mass production is short
 - **Promote the rollout of brands primarily using ultra-fine zinc oxide**, which has been adopted for the first time by major manufacturers in Europe and the US
 - Sales resources have been expanded, and the overseas bases and personnel of the Group’s Sakai Trading are also being utilized
- ② Enhancing the lineup of volume zone products in response to changes in market needs
 - To compete with low-cost organic UV absorbers that hold a high market share by material, we will review prices as appropriate while verifying profitability and enhance our competitiveness in the volume zone
- ③ Differentiating quality in developed and improved products and strengthening market position
 - Optimize development and production systems to bring products to market in a timely manner

Considering changes in the external environment and the progress of the above initiatives, the plan for the fiscal year ending March 2027 is currently under review



In response to the loss of impairment, we are reviewing and speeding up measures to restore profitability in the cosmetics materials business. Chemistry for a Friendly Future, under this mission, we will maintain our policy of promoting inorganic materials with low environmental and human health impacts, leveraging our

advanced powder processing technologies. At the same time, we will continue to refine our sales strategy in line with sunscreen trends.

The first concrete measure is to expand sales to overseas markets. We are expanding sales mainly in Southeast Asia and China, where the timeframe from development to mass production is short. And we are promoting the development of the brands used, with a focus on ultrafine zinc oxide particles, which were first used for major European and US manufacturers. We have already expanded our sales resources to implement those measures, and we are also utilizing the overseas offices and human resources of Sakai Trading, a group company of ours.

Second, we will enhance our lineup in the volume zone in response to changing market needs. In order to compete with inexpensive organic UV absorbers, which have a high market share by material, we will respond to certain price revisions as appropriate while verifying profitability and increase our competitiveness in the volume zone.

Third, differentiation and strengthening of market position with developed and improved products. We are optimizing our development and production systems to bring products to market in a timely manner. We are closely examining our plan for the fiscal year ending March 31, 2027, taking into account changes in the external environment and the progress of the above initiatives.

Summary of Financial Results for the Third Quarter of the Fiscal Year Ending March 2026

- Despite growth in sales secured through electronic materials and other growth businesses, net sales declined 3.5% YoY due to declines in sales volumes for businesses under efficiency review
- Operating profit expanded 14.7% 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

(Millions of yen)

	Nine Months Ended December 31, 2024		Nine Months Ended December 31, 2025		YoY Comparison	
	Amount	%	Amount	%	Amount	%
Net sales	63,567	—	61,370	—	-2,196	-3.5
Operating profit	4,679	7.4	5,367	8.7	688	14.7
Ordinary profit	4,970	7.8	5,479	8.9	508	10.2
Profit attributable to owners of parent	3,726	5.9	2,900	4.7	-825	-22.2
EPS	229.82 yen		184.88 yen			

External factors

Positives

- Recovery in the semiconductor market

Negatives

- Persistent economic stagnation in China
- Decline in domestic zinc market prices

Internal factors

Positives

- Expanded implementation of revised selling prices

Negatives

- Downturn in sales of high-value-added products (cosmetic materials)



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5

Continued below is a summary of financial results for Q3 of the fiscal year ending March 31, 2026.

Sales revenue decreased by 3.5% YoY, despite growth in sales from our core electronic materials business. This decline was primarily due to a significant decrease in sales volume within our businesses under efficiency

review. However, operating profit increased by 14.7% YoY. This improvement was driven by steady performance in electronic materials, favorable changes in the sales mix of pharmaceutical active ingredient intermediates within organic chemicals, profitability improvements in other businesses, and increased sales volume.

For the first nine months of this fiscal year, net sales totaled JPY61.37 billion, operating income JPY5.367 billion, ordinary income JPY5.479 billion, and net income attributable to owners of the parent JPY2.900 billion.

FY03/26 Earnings Forecast

- We anticipate that the electronic materials business and other operations will offset the decline in cosmetic materials, bringing net sales **in line with initial projections**
- On the profit side, **profit attributable to owners of parent was revised downward due to impairment losses recognized in the cosmetic materials business**

Operating profit and ordinary profit are expected to be **in line with initial projections**

	FY03/25		FY03/26					
			Initial forecast			Revised forecast		
	Amount	Margin	Amount	Margin	YoY	Amount	Margin	YoY
	Amount	%	Amount	%	%	Amount	%	%
Net sales	84,409	—	86,000	—	1.9	86,000	—	1.9
Operating profit	6,093	7.2	6,500	7.6	6.7	6,500	7.6	6.7
Ordinary profit	6,279	7.4	6,500	7.6	3.5	6,500	7.6	3.5
Profit attributable to owners of Parent	5,013	5.9	5,500	6.4	9.7	3,000	3.5	-40.2

External Factors (Assumptions)		Internal Factors (Assumptions)	
Positives <ul style="list-style-type: none"> Semiconductor market: Robust AI-related demand Recovery in automotive demand 	Negatives <ul style="list-style-type: none"> Prolonged slowdown in the Chinese economy Weak demand in the domestic building materials sector 	Positives <ul style="list-style-type: none"> Curtailment of maintenance costs 	Negatives <ul style="list-style-type: none"> Decline in operating rate of production facilities

* As the impact of reciprocal US tariff policies is minor, our projections do not reflect them in the revised plan.

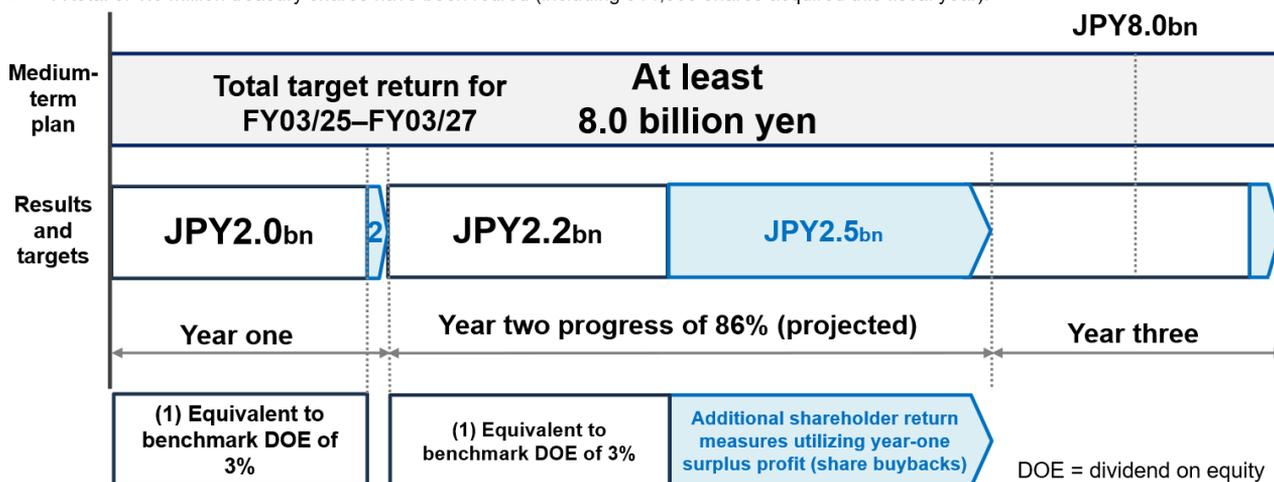


Consolidated earnings forecast for 2026.

Sales are expected to be in line with the plan at the beginning of the period, as the decline in cosmetics materials will be offset by the electronic materials and other businesses. As for profits, net income attributable to shareholders of the parent company has been revised downward due to impairment losses in the cosmetics materials business, but operating income and ordinary income are expected to be in line with the initial forecasts. Since the impact of the US reciprocal tariff policy is negligible, it has not been taken into account in the revised plan.

Shareholder Returns

- **No changes to the basic policy (implementation of total shareholder returns of at least 8.0 billion yen during the medium-term management plan period)**
 - (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
- **The annual dividend was increased from 130 yen per share to 145 yen per share** (the year-end dividend is 80 yen per share, up 15 yen from the initial plan)
- Total shareholder returns amounted to 4.7 billion yen, more than double the previous fiscal year (share buybacks of 2.5 billion yen and dividends of 2.2 billion yen)**
- A total of 1.0 million treasury shares have been retired (including 914,000 shares acquired this fiscal year).



Next, I would like to discuss shareholder returns.

As I mentioned at the outset, there is no change in our basic policy of returning a total of JPY8 billion or more to shareholders during the period of the medium-term management plan. There is no change in our policy to pay stable dividends with a target DOE of 3% and to consider additional measures such as dividend increases and share buybacks in consideration of performance trends and the target ROE.

Although an impairment loss was recorded in the cosmetics materials segment, we will increase the annual dividend from JPY130 to JPY145, taking into account the solid performance of the other segments and cash flow, among other factors. The total return for this fiscal year is expected to more than double the previous fiscal year to JPY4.7 billion. In addition, 1 million shares of treasury stock, this include 914,000 shares acquired this fiscal year, were retired.

That concludes with my explanation. Thank you.

Question & Answer

Moderator [M]: We will now begin the question-and-answer session. Please give us your company name and your name and then ask your question.

We plan to record a transcript of this briefing and post it on our website. Of course, we will not reveal your company name or name, but please understand that your question will be mentioned.

Then, please go ahead.

Participant [Q]: I would like to ask three questions.

First, regarding electronic materials, while they're showing YoY growth, Q3's performance seems somewhat weaker compared to Q1 and Q2. This makes me wonder if it's already started trending downward. Please tell us about the momentum of the quarter base for electronic materials, including your view on the future in this area.

Ogama [A]: Yes. Thank you. As you have pointed out, sales of electronic materials are down in Q3 compared to Q2. However, we recognize that this was temporarily affected by inventory adjustments, or rather, inventory adjustments related to general-purpose products.

The financial results of photoelectric manufacturers indicate that the AI server-related business is still strong, and our product lineup, which can probably be used for servers, has not declined. In fact, it is doing very well.

We expect the current situation to recover from Q3. We are already at the halfway point of Q4, which is not a bad situation for a momentum.

Participant [Q]: Generally speaking, Q4 is, how should I put it, a bit seasonally depressed due to the Chinese New Year and so on, but is it correct to say that Q4 will be better than Q3 this year? Also, is this going to grow quite a bit next year?

Ogama [A]: Yes, regarding next fiscal year, we are currently formulating our plans. Looking at trends in the capacitor market, we have seen statistical data indicating growth of just under 10% YoY even for this fiscal year. Furthermore, for next fiscal year, we anticipate continued growth for both our dielectric materials and dielectrics. We will disclose the figures once we have formulated our budget.

Participant [Q]: So, you're saying that Q4 will show growth compared to Q3, right?

Ogama [A]: Yes. Yes, we have recovered, so that view is fine.

Participant [Q]: Understood. The second is about cosmetics materials, which was impaired before and is impaired again this time as well, I believe. This time, the makeup materials are also being written down. Will the ones currently being produced also be written down as soon as they're finished? Regarding that, I'm sorry, but could you please elaborate a bit?

Ogama [A]: Yes. This is scheduled for completion this month, February, so I believe the question is whether impairment will be recognized. Regarding this matter, it was originally planned to contribute to earnings starting from the next mid-term plan, meaning the fiscal year ending March 2028 and beyond. However, considering the current demand trends and other factors since the initial plan was established, we have

reviewed the plan somewhat conservatively and have reached the conclusion that an impairment charge is necessary.

As you have pointed out in the past, this area has been impaired, and we are already very much aware of this.

Participant [Q]: How much of the cosmetics materials equipment and tangible fixed assets will remain after this impairment, as for its scale?

Ogama [A]: It's fine to understand that there is very little left.

Participant [Q]: Almost all of them are already close to full impairment, is that correct?

Ogama [A]: Yes.

Participant [Q]: Does this mean that the additional JPY300 million recorded for the multi-plant project is all there is?

Ogama [A]: No, it has been left in the construction in progress account, so it will come out a little bit even at the stage of completion.

Participant [Q]: But won't all of that construction in progress change to property, plant, and equipment in February?

Ogama [A]: So as of December, it was not yet. It will be in Q3.

Participant [Q]: In any case, everything including this multi-plant is almost all impaired already?

Ogama [A]: That understanding is fine.

Participant [Q]: Understood. Excuse me for another question. You originally mentioned growth for overseas customers. Is it correct to understand that sunscreen ingredients haven't really advanced much?

Ogama [A]: Let me explain. The number of customers who have already adopted this brand has been gradually increasing, but it has not grown as much as planned, and we are still lagging behind in the development of brands used by customers. So, we are just a little behind the plan.

Participant [Q]: Understood. Final question. The number of catalysts has increased significantly this time. Is this a temporary increase? I believe Q4 will likely see a decline, but I expect operating profit for this year to be around JPY500 million. Regarding the catalyst, what level should we anticipate for next fiscal year? I would appreciate your input on this.

Ogama [A]: Thank you. Q3 was affected by some transient factors. We are seeing profits, though this is temporary. The consolidation and efficiency improvements at our production sites, which we pursued during the pandemic, have now been completed. Furthermore, as our operations continue to grow steadily, we can anticipate earnings, or rather, that level of profitability starting around Q2.

Q1 was extremely tough, but Q2 and Q3 were also a bit irregular, so it's quite challenging. I hope you can think of it that way.

Participant [Q]: Is it correct that you can produce more profits from catalysts next year? This year is probably JPY500 million or so.

Ogama [A]: As for Q4, whether we can reach that point or not, it's not just about catalysts, production of titanium dioxide has also ended to a certain extent, so there are areas where the burden will increase somewhat.

Participant [Q]: Next fiscal year, 2026, once the temporary factors disappear, will it mean a significant drop in the next period? Or can we produce at roughly the same level as this year?

Ogama [A]: We will be able to get that out about this year.

Participant [M]: Understood. Roger that.

Okama [M]: I will also disclose this when it is decided.

Participant [M]: Understood. Thank you.

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

Since there seem to be no other questions, we will close this meeting a little early. Any final questions? Thank you very much for taking time out of your very busy schedule to come here today.

Ogama [M]: Thank you very much.

Moderator [M]: Thank you for your continued attention.

[END]

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